Churchill Retirement Plc

Report and consolidated financial statements

For the year ended

30 June 2017

Company Number

07428858

Churchill Retirement Plc

Report and consolidated financial statements
For the year ended 30 June 2017

Contents

Country of incorporation of Parent Company	England and Wales
Legal form	Public limited company
Directors	S J McCarthy (Chairman and Chief Executive Officer) C J McCarthy (Managing Director) D Marlow (Chief Financial Officer) M A Young (Chief Operations Officer) J S McCarthy (Non Executive Director) R M Harrison (Non Executive Director) W A Oliver (Non Executive Director) S H Boadle (Non Executive Director)
Secretary and registered office	D M Riley Churchill House Parkside Christchurch Road Ringwood Hampshire England BH24 3SG
Company number	07428858
Auditor	KPMG LLP Gateway House Tollgate Chandlers Ford SO53 3TG

Bankers	HSBC Bank plc Pall Mall London SW1Y 5EZ	Royal Bank of Scotland plc 3 Temple Back East Bristol BS1 6DZ
Solicitors	Moore Blatch LLP Gateway House Tollgate Chandlers Ford SO53 3TG	Addleshaw Goddard LLP Milton Gate 60 Chiswell Street London EC1Y 4AG

Operational overview

The economic and political uncertainty created initially by Brexit and then by the General Election was the backdrop to our performance during the year. It led to us adopting a more cautious approach to land buying during the early part of the year. This resulted in the Group exchanging contracts on 24 land sites, lower than our initial expectations. Sales were also impacted with lower levels of enquiries and reservations. Despite these challenges we have been able to maintain the margins within the business.

Despite the external factors which impacted on our business performance to June 2017 we remain committed to our vision for the business, and believe the demand for our product will continue to strengthen for the foreseeable future.

Amidst this uncertainty, we are proud to have retained our 5 Star HBF Home Builder Customer Satisfaction rating, and to have won a number of industry awards including the What House? Housebuilder of the Year award and since the year end we have received the accolade of PwC Company of the Year at the Private Business Awards. These achievements are a testament to our operational excellence and leading position within the industry.

Financial review and key financial performance indicators

During the previous period the Company changed its year end to 30 June from 31 May, therefore extending the 2016 year to a 13 month period. The resulting comparative figures have been pro-rated to bring them back to a 12 month period so the annualised 2016 results are directly comparable with the current year.

KPIs		2017	12 mths* 2016	13 mths 2016
Units sales	#	527	544	589
Average sales price	£'000	308	304	304
Revenue	£'000	177,962	175,799	190,449
Adjusted administrative expenses**	£'000	24,321	23,161	25,091
Profit from operations	£'000	57,853	57,116	61,876
Adjusted profit from operations**	£'000	58,513	57,116	61,876
Adjusted profit from operations margin**	%	32.9%	32.5%	32.5%
Net interest charges	£'000	3,655	4,179	4,527
Profit before taxation	£'000	54,198	52,938	57,349
Adjusted profit before taxation**	£'000	54,858	52,938	57,349
Adjusted profit before taxation margin**	%	30.8%	30.1%	30.1%
Return on capital employed	%	29.7%	32.8%	35.5%

*The 2016 12 month figures have not been audited
**The adjusted figures are explained in the glossary of terms

Total revenue increased by 1.2% to £178.0 million (2016-12 months: £175.8 million), despite the reduction in unit sales of 3.1% to 527 apartments (2016-12 months: 544), as a result of the increase in average selling price to £308k (2016-12 months: £304k).

The increase in selling prices was complemented by continued cost control with our average build cost increasing modestly during the year. The increase is a result of the limited availability of skilled labour and materials in the supply chain; this remains one of our key challenges albeit one we constantly manage.

The Group's average headcount increased by 8% during the year to 531 (2016: 492). Of these 362 (2016: 342) were employed in the core business developing and selling retirement apartments.

The level of adjusted administrative expenses in the business continued to be well controlled with only an increase of 5.0% on 2016.

The Group expensed net interest charges of £3.7 million during the year (2016-12 months: £4.2 million). Bank loan interest reduced by £0.2m, assisted by the reduction in the BOE base rate in August 2016. As a result, the Group saw the adjusted profit from operations margin maintained at 32.9% (2016-12 months: 32.5%), above the internal target set at 30%.

Cash flow and funding

At the period end our net bank debt stood at £29.7 million (2016: £27.5 million). Our stock levels increased to £223.7 million from £174.4 million (as restated) in the previous year.

The Group closed the year with tangible gross assets of £219.3 million (2016: £174.3 million). Net assets at 30 June 2017 were £141.7 million (2016: £98.9 million).

Average return on capital employed for the year was 29.7%. This was broadly in line with the Group's target of 30% despite the increased investment in inventory in the year to ensure the Group has the pipeline of land stock to meet its medium term growth targets.

The Group's debt requirements are currently provided through a five year £100 million revolving credit facility. The Group remains in full compliance with all the provisions of this agreement. The Board see this facility as sufficient to achieve its medium term goal of doubling unit sales.

Market opportunity

Our offering remains very clearly focused on `needs based' purchasers among the UK's rapidly expanding population of over 60s, providing developments in convenient locations in towns and cities across England and Wales. Our product is clearly defined in the form of one and two bedroom apartment blocks, with shared facilities such as an Owners' Lounge and Guest Suite. We create a purpose built product which enables our Customers to enjoy an active and independent lifestyle in their retirement.

Our business model operates on the basis of holding all of our primary expertise in-house. From land acquisition through planning, construction, sales and after-sales; every discipline is under our direct control. When combined with our established policies and procedures, this model enables us to function efficiently and effectively, ensuring we are highly responsive to changes in market conditions, and giving us confidence that we have sufficient controls in place as the business expands and grows.

In spite of the current subdued conditions in the housing market, the undeniable growth in our target market of over 60s, and the recognised undersupply of purpose built retirement housing, are both fundamental long term growth drivers for the business. This, together with our market-leading reputation, gives us confidence in the Group's tremendous potential to achieve sustainable growth over the coming years.

Over the next two to three years we see our growth potential being realised through the expansion of our already well-established regional office teams, together with the opening of new offices in the north of England.

Operational centres

Controlled from our Head Office in Ringwood, Hampshire we have regional offices in Byfleet (South East), Bromsgrove (Midlands), St.Alban's (Eastern) and Ringwood (South West). In addition we have a South West area office in Exeter and a Northern regional office in Manchester. Each regional office contains a fully independent operational team with their own budgeted activity and targets.

Operational activity

We have a growth target of increasing unit sales output in the medium term. To achieve that it is imperative that we have a robust land buying strategy in place, together with strong and fully focused land teams across each of our regions to deliver a continuous pipeline of land.

As at 30 June 2017, our forward land stock position stood at 3,317 plots across 107 sites giving us sufficient stock and WIP to meet our medium term growth plans.

In the year to June 2017 the planning team submitted 15 further planning applications and secured 23 planning permissions, of which 83% were received at committee and 17% at appeal. We achieved a 67% success rate at appeal during 2017. We also maintained the length of time from exchange of land contracts to planning application submission at 3 months (2016: 3 months). This enabled the Company to start construction on 19 sites (2016:16).

Operational activity *(continued)*

We have sufficient land stock under our control to achieve 100% of budgeted sales in 2018/2019 and 80% of budgeted sales for 2019/2020.

Business risks

The approach to risk is set by the Board, which maintains a close involvement in identifying and mitigating risk and monitors certain key risk indicators on an ongoing basis.

The Group maintains a robust risk management framework. This provides management of risk at all levels of management across the business.

In addition, the establishment of a new Internal Audit function during the period has further enhanced the control environment by providing the Board with reliable and independent assurance that risk management governance and internal control processes are operating effectively.

As part of managing the financial risk in the business and using lessons learnt from experience of the last downturn, the housing market and broader UK economic environment is regularly evaluated and assessed.

Churchill's business model remains firmly with its core product of one and two bedroom retirement apartments, purchasing well-located brownfield sites within 0.5 miles of town centres and amenities, served by good transport links. Our national reach and relatively small development size ensure we are not over dependant on local markets.

Our land acquisition policy ensures the majority of land exchanges are on options or subject to planning contracts, providing the Group with a basis to review land acquisition decisions in light of planning outcomes and latest market conditions, prior to confirming the commitment of capital.

In total, the Group's owned and contracted land bank stood at 3,317 (2016: 3,196) plots as at 30 June 2017 with a potential gross development value of £1.018 billion (2016: £893 million).

The business continues to identify and manage its risks, and recognising the ongoing importance of this, has now set up an internal audit department. The key business risks facing the business include but are not limited to:

- UK housing market
  The housing market has been and remains cyclical and any future deterioration of the market could have an impact on the business. We monitor both market indicators as well as our internal indicators to assess whether any change in these market conditions are occurring. With central control over financing and investment decisions the business has the flexibility to control any potential changes that it identifies.

- Availability of finance
  As Churchill moves through this growth cycle any inability to obtain the funding required to achieve its goals would pose a risk. However, with a robust forward plan that identifies the cash requirements of the business we have raised capital to achieve our aspirations in the medium-term.

- Land acquisition
  A constant flow of quality land in suitable locations, purchased at the right price, is pivotal to our ability to achieve future goals. Through investment in regional land teams we are able to provide a portfolio approach to our land purchasing and ensure that we have a spread of developments that are all controlled through meeting the required hurdle rate. All purchases are approved centrally.

- People
  Having the right team employed in the business is central to achieving any of our future objectives. Recruitment of the right people and their retention is vital. To achieve this, we ensure that we have in place and constantly review our reward, development and talent strategies.

Business risks *(continued)*

- DCLG consultation
  The DCLG have recently ran a consultation on the appropriateness of leasehold as a tenure and the appropriateness of ground rents charged. Whilst this focussed on leasehold houses and doubling ground rents any decision has the potential to affect our business.

- Currency risk
  Following the Brexit vote the Pound has suffered both against the Dollar and more importantly the Euro. This could have a detrimental effect on material and labour prices within the business.

Summary

Through the experience of our team and continued focus on our Customers along with the infrastructure and systems we have in place, we are confident of achieving our medium-term business objectives.

Spencer McCarthy
Chairman and Chief Executive Officer

The directors present their report and audited consolidated financial statements of Churchill Retirement Plc 'the Group' for the year ended 30 June 2017.

Principal activities

The principal activities of the Group and its subsidiaries are that of designing, constructing and selling one and two bedroom retirement apartments and their associated freehold reversionary interests, planning consultancy, the collection of ground rents on freehold investment properties and estate management.

Results review

During the previous period the Company changed its year end to 30 June from 31 May, therefore extending the previous period to a 13 month period. The resulting comparative figures are therefore not directly comparable with the current year.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). The decision was made to prepare under IFRS rather than FRS 102 to ensure the accounts are comparable with other businesses in the same industry.

The Group has made adjusted profit from operations of £58.5 million for the year to 30 June 2017 (2016-13 months: £61.9 million/12 months: £57.1 million). Adjusted profit from operations includes the disposal of freehold reversionary interests that generated an adjusted profit before taxation of £10.1 million (2016-13 months: £7.5 million/12 months: £6.9 million).

Going concern

The Group meets its day to day working capital requirements through cash in hand and a £100 million revolving credit facility (detailed in note 19). The Group's forecasts and projections for the foreseeable future, taking into account reasonable possible changes in trading performance, shows that the Group will be able to operate within the level of its current facilities and all bank covenants will be complied with. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk, interest rate risk, and price risk. The Group does not use derivative financial instruments to manage its financial risk, and as such no hedge accounting is applied.

Liquidity risk
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.

Interest rate risk
The Group has interest bearing liabilities, which exposes the Group to interest rate risk. Given the size and nature of the Group's operations, the directors regard such risk to not have any adverse implications on the financial statements.

Price risk
The Group is exposed to price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments. Price risk is discussed further in the UK Market Opportunity section of the Strategic Report.

Dividend

No dividend was declared in the year (2016 - £16.00 per share).

Employees

Our people give us our competitive advantage. To maintain that advantage, our People Strategy aims to develop a committed and flexible workforce that want to learn new skills and take on new tasks and is able to do so. To support this the Group has restructured its Human Resources team, with a focus on human resource business partnering and providing expertise in the HR cornerstones of reward and recognition, learning and development, managerial capability, communication and recruitment and talent and therefore we are well placed to continually improve our team here at Churchill and provide them with a place they want to work.

All Colleagues participate in an annual bonus scheme, with targets linked to performance of their particular responsibilities or business unit. They are firstly linked to achieving budgeted profits, which keeps all Colleagues focused on our financial targets.

The Group promotes equal opportunities and treatment throughout all its Companies by applying procedures and practices as set out in our equal opportunities policy covering disabled people, which does not discriminate and which provides equality and opportunity for all job applicants and Colleagues. The Group will not discriminate in opportunities for recruitment, training, promotion and transfer of employees. Employees will be given recruitment and selection training on the application of the policy relating to their responsibilities.

Directors

The following Directors have held office since 1 July 2016 and up to the date of signing the financial statements:

S J McCarthy
C J McCarthy
D Marlow
M A Young
J S McCarthy
R M Harrison
W A Oliver (appointed 1 December 2016)
S H Boadle (appointed 3 January 2017)

The Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

The following Company Secretaries have held office since 1 July 2016 and up to the date of signing the financial statements:

R P Bailey (appointed 1 July 2016, resigned 2 February 2017)
D M Riley (appointed 2 February 2017)

Political and charitable donations

During the financial year the Group made charitable donations of £25,626 (2016 - £48,247). No donations were made to political parties in the current or previous financial period.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor

KPMG LLP were appointed as auditor during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

On behalf of the Board
C J McCarthy
Director

18 October 2017

Independent auditor's report to the members of Churchill Retirement Plc

We have audited the financial statements of Churchill Retirement Plc ("the Company") for the year ended 30 June 2017 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated statement of cash flows, the consolidated and Company statements of changes in equity and the related notes including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and Parent 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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

W. Smith.

William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP, Gateway House, Tollgate, Chandlers Ford, SO53 3TG
19 October 2017

Churchill Retirement Plc

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2017

	Note	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Revenue	5	177,962	190,449
Cost of sales		(95,528)	(103,711)
Gross profit		82,434	86,738
Other operating income	6	400	229
Administrative expenses		(24,981)	(25,091)
Profit from operations	7	57,853	61,876
Finance expense	9	(3,662)	(4,731)
Finance income	9	7	204
Profit before taxation		54,198	57,349
Tax on profit	10	(12,063)	(12,154)
Profit for the year/period after taxation and total comprehensive income		42,135	45,195
Profit for the year/period after taxation and total comprehensive income attributable to:			
Owners of the parent		42,167	45,221
Non-controlling interest		(32)	(26)
		42,135	45,195

The notes on pages 17 to 49 form part of these financial statements.

Churchill Retirement Plc

Consolidated statement of financial position
as at 30 June 2017

	Note	30 June 2017 £'000	30 June 2016 As restated* £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**14,817**	15,130
Investment property	13	**7,995**	6,345
Trade and other receivables	17	**2,263**	2,030
Total non-current assets		**25,075**	23,505
Current assets			
Inventories	15	**223,690**	174,415
Held-for-sale investment property	16	**108**	333
Trade and other receivables	17	**18,002**	14,950
Cash and cash equivalents	29	**11,059**	8,246
Total current assets		**252,859**	197,944
Total assets		**277,934**	221,449
Liabilities			
Current liabilities			
Trade and other payables	18	**32,685**	27,458
Loans and borrowings	19	**325**	391
Income tax payable		**5,090**	2,917
Total current liabilities		**38,100**	30,766
Non-current liabilities			
Loans and borrowings	19	**96,164**	89,913
Provisions	20	**995**	1,275
Deferred tax liability	21	**977**	642
Total non-current liabilities		**98,136**	91,830
Total liabilities		**136,236**	122,596
NET ASSETS		**141,698**	98,853

*See note 4
The notes on pages 17 to 49 form part of these financial statements.

Consolidated statement of financial position as at 30 June 2017 *(continued)*

	Note	30 June 2017 £'000	30 June 2016 As restated* £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	22	**522**	522
Share based payment reserve	23	**660**	-
Retained earnings		**118,578**	76,411
Capital redemption reserve		**21,000**	21,000
		140,760	97,933
Non-controlling interest		**938**	920
TOTAL EQUITY		**141,698**	98,853

The financial statements on pages 10 to 49 were approved and authorised for issue by the Board of Directors on 18 October 2017 and were signed on its behalf by:

D Marlow
Chief Financial Officer

*See note 4
The notes on pages 17 to 49 form part of these financial statements.

Churchill Retirement Plc

Consolidated statement of cash flows
for the year ended 30 June 2017

	Note	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Cash flows from operating activities			
Profit for the year		**42,135**	45,195
Adjustments for:			
Depreciation of property, plant and equipment	12	**1,256**	1,067
Change in value of investment property	13	**(1,175)**	(619)
Share based payment charge	23	**660**	-
Finance income	9	**(7)**	(204)
Finance expense	9	**3,662**	4,731
Gain on sale of property, plant and equipment		**(212)**	(2)
Income tax expense	10	**12,063**	12,154
(Increase)/decrease in trade and other receivables		**(3,702)**	7,343
Increase in inventories		**(49,050)**	(23,896)
Increase in trade and other payables		**8,470**	1,395
(Decrease)/increase in provisions		**(280)**	108
Cash generated from operations		**13,820**	47,272
Income taxes paid		**(9,556)**	(14,445)
Interest received		**425**	16
Interest paid		**(2,580)**	(3,927)
Net cash flows from operating activities carried forward		**2,109**	28,916
Investing activities			
Purchases of property, plant and equipment		**(1,276)**	(2,610)
Sale of property, plant and equipment		**327**	1,154
Net cash used in investing activities		**(949)**	(1,456)

The notes on pages 17 to 49 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 30 June 2017 *(continued)*

	Note	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Financing activities			
Proceeds/(repayment) from bank borrowings		**5,251**	(14,442)
Redemption of preference shares		**-**	(11,000)
Payments to finance lease creditors		**(430)**	(395)
Dividends paid to the shareholders of the Parent Company		**(3,168)**	(4,759)
Net cash used in financing activities		**1,653**	(30,596)
Net increase/(decrease) in cash and cash equivalents		**2,813**	(3,136)
Cash and cash equivalents at beginning of year/period		**8,246**	11,382
Cash and cash equivalents at end of year/period	29	**11,059**	8,246
Cash and cash equivalents comprise:			
Cash at bank and in hand		**11,059**	8,246
Cash and cash equivalents at end of year/period		**11,059**	8,246

The notes on pages 17 to 49 form part of these financial statements.

Churchill Retirement Plc

Consolidated statement of changes in equity
For the year ended 30 June 2017

	Notes	Share capital £'000	Share based payment reserve £'000	Retained earnings £'000	Capital redemption reserve £'000	Total attributable to equity holders of parent £'000	Non-controlling interest £'000	Total equity £'000
1 July 2016 as restated		522	-	76,411	21,000	97,933	920	98,853
Comprehensive income for the period								
Profit for the year		-	-	42,167	-	42,167	(32)	42,135
Total comprehensive income for the period		**-**	**-**	**42,167**	**-**	**42,167**	**(32)**	**42,135**
Contributions by and distributions to owners								
Change in controlling interest		-	-	-	-	-	50	50
Share based payment charge	23	-	660	-	-	660	-	660
Total contributions by and distributions to owners		**-**	**660**	**-**	**-**	**660**	**50**	**710**
30 June 2017		**522**	**660**	**118,578**	**21,000**	**140,760**	**938**	**141,698**

The notes on pages 17 to 49 form part of these financial statements.

Churchill Retirement Plc

Consolidated statement of changes in equity
For the year ended 30 June 2017 *(continued)*

	Notes	Share capital £'000	Retained earnings £'000	Capital redemption reserve £'000	Total attributable to equity holders of parent £'000	Non-controlling interest £'000	Total equity £'000
1 June 2015		500	60,212	-	60,712	946	61,658
Comprehensive income for the period							
Profit for the period		-	45,221	-	45,221	(26)	45,195
Total comprehensive income for the period		**-**	**45,221**	**-**	**45,221**	**(26)**	**45,195**
Contributions by and distributions to owners							
Dividends	11	-	(8,000)	-	(8,000)	-	(8,000)
Issue of share capital	22	22	(22)	-	-	-	-
Reallocation as originally stated		-	(12,000)	12,000	-	-	-
Prior year adjustment	4	-	2,000	(2,000)	-	-	-
Reallocation as adjusted		-	(10,000)	10,000	-	-	-
Redemption of preference shares		-	(11,000)	11,000	-	-	-
Total contributions by and distributions to owners as restated		**22**	**(29,022)**	**21,000**	**(8,000)**	**-**	**(8,000)**
30 June 2016 as restated		**522**	**76,411**	**21,000**	**97,933**	**920**	**98,853**

The reallocation reflects recognition of a capital redemption reserve for the preference share redemptions in 2014 and 2015. As there was no impact on the net assets as a result of the reallocations above, comparative figures for reserves in the statement of financial position have not been restated.

The notes on pages 17 to 49 form part of these financial statements.

1 Accounting policies

Basis of preparation

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

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). These are the first financial statements prepared in accordance with IFRS.

The Group meets its day to day working capital requirements through cash in hand and a £100 million revolving credit facility (detailed in note 19). The Group's forecasts and projections for the foreseeable future, taking into account reasonable possible changes in trading performance, shows that the Group will be able to operate within the level of its current facilities and all bank covenants will be compiled with. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Basis of measurement

The consolidated financial statements have been prepared on an historical cost basis, except for the following items (refer to individual accounting policies for details):

- Investment property

New and forthcoming accounting standards

The following amendments to standards and IFRIC interpretation have been adopted and are effective for the current accounting year:

Standard or interpretation	Title	Effective for periods beginning on or after
IAS 16 & 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 27	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IFRS 5	Noncurrent assets held for sale and discontinued activated (Annual Improvements 2012-2014 Cycle)	1 January 2016
IAS 1	Amendments resulting from the disclosure initiative	1 January 2016

The adoption of these pronouncements has not impacted the classification or measurement of the Group's assets and liabilities.

1 Accounting policies *(continued)*

New and forthcoming accounting standards (continued)

New standards and interpretations not applied: IASB and IFRIC have issued the following relevant standards and interpretations with an effective date for periods commencing after 1 January 2017:

Standard or interpretation	Title	Effective for periods beginning on or after
IAS 7	Amendments regarding disclosure initiatives	1 January 2017
IFRS 9	Accounting for financial instruments	1 January 2018
IFRS 15	Revenue from contracts with Customers	1 January 2018
IFRS 2	Amendment regarding the classification and measurement of share based payment transactions	1 January 2018
IFRS 12	Disclosure of interests in other entities (Annual improvement 2014-2016 Cycle)	1 January 2018
IAS 40	Amendment regarding investment property	1 January 2018
IFRS 16	Changes to the accounting for leases by the lessees	1 January 2019

The adoption of these pronouncements is being assessed to determine the impact on the classification or measurement of the Group's assets and liabilities.

Revenue

Revenue comprises a number of elements. It represents the invoiced value of sales (net of discounts) adjusted for accrued and deferred income where applicable, excluding value added tax on legal completions of sheltered housing and is recognised upon legal completion. The sale of associated freehold reversionary interests is recognised upon the legal transfer to another party. Turnover in relation to estate management represents the value of administration services (net of discounts) and excluding value added tax provided during the financial year. The administration services fee is recognised evenly over the contractual period. Ground rental income earned but not necessarily invoiced to clients during the financial year (net of discounts) and excluding value added tax, is also recognised in revenue with a corresponding amount being recorded in the balance sheet under prepayments and accrued income.

1 Accounting policies *(continued)*

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

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.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Non-controlling interests

The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

1 Accounting policies *(continued)*

Financial assets

The Group classifies its financial assets as loans and receivables. The Group has not classified any of its financial assets as held to maturity, available for sale, or fair value through profit or loss.

The Group's accounting policy is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to Customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities in the consolidated statement of financial position.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities, there are none classified as fair value through profit or loss.

Other financial liabilities include the following items:

- Bank borrowings and the Group's preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

1 Accounting policies *(continued)*

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based payments are set out in note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased assets and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Dividends on the preference shares, which are classified as a financial liability, are treated as finance costs and are recognised on an accruals basis when an obligation exists at the reporting date.

1 Accounting policies *(continued)*

Investment property

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are accounted for in accordance with IAS 40 Investment Property and are held at fair value. Any surplus or deficit on revaluation is recognised in the Income Statement. The annual valuations are based upon estimates and subjective judgements that may vary from the actual values and sales prices that may be realised by the Group upon ultimate disposal.

The critical assumptions made relating to valuations have been disclosed in note 13 and note 3 to the financial statements. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed of when these are transferred to the buyer. This generally occurs on unconditional exchange or on completion, particularly if this is expected to occur significantly after exchange or the Group has significant outstanding obligations between exchange and completion. Additions to investment properties consist of costs of a capital nature and certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase.

Rent receivable is recognised on a straight-line basis over the period of the lease.

Taxation

Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company, or

- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

1 Accounting policies *(continued)*

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	-	2% per annum straight line
Leasehold improvements	-	Over the length of the lease
Plant and machinery	-	3%-25% per annum straight line
Fixtures and fittings	-	20% per annum straight line
Assets in the course of construction	-	Nil
Motor vehicles	-	25% per annum reducing balance

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Non-current assets held for sale

Non-current assets are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets are not depreciated.

Provisions

The Group has recognised provisions for liabilities of uncertain timing or amount for warranty claims. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that 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.

Estimates and judgements

- *Fair value measurement*

  The fair value measurement of the Group's investment property utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

  - *Level 1*: Quoted prices in active markets for identical items (unadjusted)
  - *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
  - *Level 3*: Unobservable inputs (i.e. not derived from market data)

  The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

  For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

- *Land held for development and work in progress*

  The Group holds inventories which are stated at the lower of cost and net realisable value. To assess the net realisable value of these inventories, the Group maintains a financial appraisal for each development that includes the expected revenues and costs based on current market conditions, to ensure that revenues exceed costs. The Company has very strict guidelines over the required margins that must be achieved when contracts are exchanged on a site that mitigates the revenues falling below costs; therefore all inventories are stated at cost.

- *Cost capitalisation of overheads*

  Inventory includes a proportion of land, design, planning, construction and commercial overheads. Costs associated with these functions are reviewed by management to attribute those costs relating directly to the cost of the developments to inventory and those that relate to general business overheads to expenses. The assumptions used are reviewed annually by the function heads before being proposed to the CRL Board for approval.

3 Financial instruments - risk management

The Group is exposed through its operations to the following financial risks:

- Housing market risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Fair value of investment properties
- Legislative risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Preference shares.

3 Financial instruments - risk management *(continued)*

(ii) Financial instruments by category

Financial assets

	Note	Loans and receivables 2017 £'000	Loans and receivables 2016 £'000
Cash and cash equivalents	29	**11,059**	8,246
Trade and other receivables excluding prepayments	17	**17,880**	14,679
Total financial assets		**28,939**	22,925

Financial liabilities

	Note	Financial liabilities at amortised cost 2017 £'000	Financial liabilities at amortised cost 2016 £'000
Trade and other payables	18	**32,685**	27,458
Loans and borrowings	19	**96,489**	90,304
Total financial liabilities		**129,174**	117,762

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates to their fair value.

3 Financial instruments - risk management *(continued)*

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditor also reviews the risk management policies and processes and reports their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Housing market risk management

The Group's activities expose it primarily to macroeconomic risks such as deflation and the cyclical nature of the UK property prices. A deterioration in the economic outlook could have a significant impact on the Group's financial performance and the Group has the following procedures which mitigate its market related operational risk:

- The Group closely monitors industry indicators and assesses the potential impact of different economic scenarios
- The Group undertakes a weekly review of sales enquiries, visits and reservations to highlight any market trends
- All decisions on investing in a new site purchase are made with the approval of Main Board Directors and each site must meet the minimum operating profit hurdle rate
- The Group aims to maintain a wide geographic spread of developments to ensure it is not reliant on any localised markets.

Interest rate risk management

Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. The risk arises because the Group's revolving credit facility is subject to floating rates based on LIBOR. The current low level of interest rates has meant at present no mitigating action has had to be taken to limit the exposure to interest rate risk.

Credit risk management

Credit risk is the risk of financial loss to the Group if a Customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has a low exposure to credit risk due to the nature and legal framework of the UK housing market. As stated in the Group's accounting policy for revenue recognition, a sale is only recognised upon legal completion and this is accompanied by full cash receipt in virtually all cases.

In certain circumstances the Group offers sales incentives resulting in a long term debt being recognised under which the Group will receive a proportion of the resale proceeds of an apartment. The Group's equity share is protected by a registered entry on the title and usually represents the first interest in the property.

Trade receivables consist of a large number of Customers, spread across different regions and ongoing credit evaluation is performed on the financial condition of trade receivables.

3 Financial instruments - risk management *(continued)*

Credit risk management (continued)

The Group does not have any significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. There is no material concentration of credit risk in respect of one individual Customer.

The carrying amount recorded for financial assets in the financial statements is net of impairment losses and represents the Group's maximum exposure to credit risk.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board reviews rolling 12-month cash flow projections on a regular basis as well as information regarding cash balances to ensure it has the cash to meet its short term liabilities. The principal risk with these cash flows relates to achieving the level of sales volumes and prices in line with these projections.

Fair value of investment properties

The following table provides an analysis of assets that are measured subsequent to initial recognition at fair value. The grouping into Levels 1 to 3 is based on the degree to which their fair value is observable:

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The assets held by the Group that are measure at fair value all related to investment properties measured at fair value through profit and loss (FVTPL) using methods associated with Level 3.

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties				
2016	-	-	6,345	6,345
2017	-	-	**7,995**	**7,995**

There were no transfers between Levels 1, 2 or 3 in the year.

The Group's investment property consists of apartments and commercial property similar to those which it sells in the normal course of business.

The directors estimate the fair value of the investment property portfolio, at each year/period end based on average sales value achieved on similar properties, taking into account the location, and number of bedrooms of the apartment. The difference between the values and the carrying values of the asset is recorded against the carrying value of the assets and recognized directly in the Consolidated Statement of Comprehensive Income.

The following tables represent the changes in Level 3 assets for the year/period ended 30 June 2017 and 2016

3 Financial instruments - risk management *(continued)*

Fair value of investment properties (continued)

Investment properties	2017 £'000	2016 £'000
Opening balance	6,345	5,753
Additions	475	710
Disposals	-	(737)
Revaluation gains or (losses) recognised in the income statement	1,175	619
Closing Balance	7,995	6,345

The sensitivities that would impact on the fair value of investment properties would be new build premium and house price inflation. Any considered change in this assumption would not be material to the value in the accounts. The change required in these assumptions which would result in a material impact to the financial statements is considered to be highly unlikely.

4 Prior year adjustments

The prior year adjustments relate to the following:

a) A change in the disclosure of assets in the course of construction. This is now shown within inventory as the intention is to sell the freehold reversionary interests to which these balances relate, rather than to hold the assets as a fixed asset for long term capital gain. There is no impact on profit and loss reserves or the net assets of the Group; however £1.666 million has been transferred from non-current assets to current assets at 30 June 2016, and £1.555 million as at 31 May 2015.

b) A change in the disclosure of assets held for sale. £450k that was previously shown in assets held for sale at 30 June 2016 has been transferred to inventory as the intention is to sell the freehold reversionary interests to which these balances relate in the normal course of business. Additionally £278k was transferred from assets held for sale to investment properties as there was no intention to sell the asset. There is no impact on profit and loss reserves or the net assets of the Group.

c) A change in the capital redemption reserve. The capital redemption reserve in the Churchill Retirement Plc consolidated balance sheet at 30 June 2016 was £23m. This was overstated by £2m, as the capital redemption reserve in the Company balance sheet at 30 June 2016 was £21m. £2m has been adjusted in the 30 June 2016 balance sheet between the capital redemption reserve and retained earnings. There is no impact on the net assets of the Group.

5 Revenue

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Sale of retirement apartments	**162,869**	179,529
Sale of land	**1,777**	545
Sale of freehold reversionary interests	**10,900**	8,242
Estate management	**1,701**	1,464
Rental income	**414**	408
Other	**301**	261
	177,962	190,449

All revenue is derived from activities within the United Kingdom.

6 Other operating income

Other operating income mainly comprised miscellaneous charges the Group invoices in relation to estate management services, which includes sales packs and grants of probate. Since this is not considered to be part of the main revenue generating activities, the Group presents this income separately from revenue.

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Other	**400**	229

7 Profit from operations

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Profit from operations is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**972**	831
Leased	**284**	235
Profit on sale of fixed assets	**(212)**	(2)
Hire of other assets – operating leases	**804**	903
Cost of inventories recognised as an expense	**87,161**	90,617
Fair value adjustments for investment property	**(1,175)**	(619)
Auditor's remuneration:		
Fees payable to the Company's current auditor for the audit of the Parent Company	**10**	11
Fees payable to the Company's current auditor for the audit of the consolidated financial statements	**70**	44
	80	55
Fees payable to the Company's previous auditor for the audit of the consolidated financial statements	**9**	9
Fees payable to the Company's previous auditor for other services:		
Tax compliance	**1**	20
Tax advisory services	**18**	73
Corporate finance services	**-**	3
Other non-audit services	**15**	14
	43	119

8 Employee numbers and benefit expenses

	Year ended 30 June 2017 Number	13 month period ended 30 June 2016 Number
Numbers by activity:		
Land, planning and design	**69**	70
Commercial and construction	**95**	92
Sales and customer services	**123**	111
Estate management	**169**	150
Office and administration support	**75**	69
	531	492

8 Employee numbers and benefit expenses *(continued)*

Included in the estate management figures above are 146 (2016:135) Lodge Managers who are employed by the Group, but 100% of the costs are recharged to the developments that the Group manages, and are therefore not included in the costs below.

The aggregate payroll costs for the Group are as follows:

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**20,065**	20,436
Defined contribution pension cost	**592**	780
Social security contributions and similar taxes	**2,531**	2,614
Share based payment charge	**660**	-
	23,848	23,830

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, which are the directors of the Company listed in the directors and advisors section of these accounts.

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Salary including employers national insurance and benefits in kind	**3,734**	4,970
Defined contribution pension scheme costs	**240**	266
Share based payment charge	**625**	-
	4,599	5,236

Directors' remuneration

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Salary including benefits in kind	**3,190**	4,408
Defined contribution pension scheme costs	**240**	266
Share based payment charge	**625**	-
	4,055	4,674

Highest paid director

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Salary including benefits in kind	**1,018**	1,846
Defined contribution pension scheme costs	**103**	92
	1,121	1,938

9 Finance income and expense

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Finance income		
Other interest received	**7**	204
Finance expense		
Bank loans	**1,707**	2,106
Finance leases (interest portion)	**45**	62
Preference shares including redemption premium	**1,901**	2,560
Other interest	**9**	3
Total finance expense	**3,662**	4,731

10 Tax expense

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Current tax expense		
Current tax on profits for the year	**11,618**	12,268
Adjustment for under provision in prior periods	**110**	(40)
Total current tax	**11,728**	12,228
Deferred tax expense		
Origination and reversal of temporary differences	**167**	32
Adjustment in respect of previous periods	**25**	5
Fair value adjustments	**143**	(111)
Total deferred tax (note 21)	**335**	(74)
Total tax expense	**12,063**	12,154

10 Tax expense *(continued)*

The reasons for the difference between the actual tax charge for the year/period and the standard rate of corporation tax in the United Kingdom applied to profits for the year/period are as follows:

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Profit on ordinary activities before taxation	**54,198**	57,349
Tax charge at the UK corporation tax rate of 19.75% (2016 – 20%)	**10,704**	11,470
Expenses not deductible for tax purposes	**757**	231
Share based payment charge	**130**	-
Adjustments in respect of preference share interest	**375**	509
Adjustments in respect of contaminated land relief	**(38)**	(21)
Adjustment for under/(over) provision in previous periods	**135**	(35)
Total tax expense	**12,063**	12,154

Changes in tax rates and factors affecting the future tax charge

The main rate of corporation tax for UK companies reduced from 20% to 19% from 1 April 2017. Finance Bill 2016, which was substantively enacted on 15 September 2016, announced a further 2% to 17% from 1 April 2020. Deferred tax has therefore been calculated at a rate of 17%.

11 Dividends

	Year ended 30 June 2017 £'000	13 month period ended 30 June 2016 £'000
Dividend of £Nil (2016 - £16.00) per ordinary share declared during the year/period	-	8,000

12 Property, plant and equipment

	Land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Leasehold improvements	Assets under construction As restated	Total As restated
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 June 2015 as originally stated	9,859	7,927	2,504	155	1,555	22,000
Prior year adjustment (note 4)	-	-	-	-	(1,555)	(1,555)
At 1 June 2015 as restated	9,859	7,927	2,504	155	-	20,445
Additions	8	1,092	584	46	-	1,730
Disposals	-	(46)	-	-	-	(46)
Transfer to inventory	(24)	-	-	-	-	(24)
At 30 June 2016	9,843	8,973	3,088	201	-	22,105
Additions	(6)	552	410	53	-	1,009
Disposals	-	(145)	-	-	-	(145)
At 30 June 2017	**9,837**	**9,380**	**3,498**	**254**	**-**	**22,969**

12 Property, plant and equipment *(continued)*

	Land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Leasehold improvements	Assets under construction As restated	Total As restated
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation						
At 1 June 2015	1,117	2,920	1,879	9	-	5,925
Depreciation charge	208	559	296	4	-	1,067
Disposals	-	(17)	-	-	-	(17)
At 30 June 2016	1,325	3,462	2,175	13	-	6,975
Depreciation	191	719	341	5	-	1,256
Disposals	-	(79)	-	-	-	(79)
At 30 June 2017	**1,516**	**4,102**	**2,516**	**18**	**-**	**8,152**
Net book value						
At 30 June 2016	8,518	5,511	913	188	-	15,130
At 30 June 2017	**8,321**	**5,278**	**982**	**236**	**-**	**14,817**

The net carrying amount of property, plant and equipment includes the following amounts held under finance lease: plant, machinery, and motor vehicles £1,086,581 (2016 - £1,264,177).

13 Investment property

	Freehold reversionary interests As restated £'000	Lodge manager apartments under construction £'000	Lodge manager apartments £'000	Commercial property £'000	Total As restated £'000
At 1 June 2015 as originally stated	-	-	4,632	843	5,475
Prior year adjustment (note 4)	278	-	-	-	278
At 1 June 2015 as restated	278	-	4,632	843	5,753
Additions	-	340	-	-	340
Transfer from inventory	-	-	370	-	370
Revaluation	-	-	286	333	619
Disposals	-	-	-	(404)	(404)
Transfer to inventory	-	-	-	(333)	(333)
At 30 June 2016	278	340	5,288	439	6,345
Additions	-	475	-	-	475
Transfer between categories	-	(815)	815	-	-
Revaluation	-	-	1,175	-	1,175
At 30 June 2017	**278**	**-**	**7,278**	**439**	**7,995**

(i) Operating lease arrangements
Refer to note 24 for details of operating leases related to investment properties.

(ii) Items of income and expense
During the year £413,619 (2016 - £283,107) was recognised in the consolidated statement of comprehensive income in relation to rental income from the investment properties. There were no direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income in the current or previous periods. There were no direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the current or previous periods.

(iii) Restrictions and obligations
At 30 June 2017 and 30 June 2016 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. There are currently no obligations to construct or develop the existing investment properties. At 30 June 2017 and 30 June 2016 there were no contractual obligations to purchase investment property.
The valuation at 30 June 2017 has been carried out in accordance with The Royal Institution of Chartered Surveyors' ("RICS") Appraisal and Valuation Standards (the "Red Book"), Seventh Edition, by the directors. The valuations have been prepared in accordance with the Red Book on the basis of market value, which is defined as follows:
"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

13 Investment property *(continued)*

Valuation process

Further information on the valuation techniques used to value investment property is disclosed in note 3.

14 Subsidiaries

The subsidiaries of Churchill Retirement Plc, all of which have been included in these consolidated financial statements, are as follows:

Subsidiary undertaking	Registered office	Class	Shares held %
Direct Holdings			
Churchill Retirement (Group) Limited	*	Ordinary £1	100
Indirect Holdings			
Churchill Retirement Living Limited	*	Ordinary £1	100
Millstream Management Services Limited	*	Ordinary £1	100
Planning Issues Limited	*	Ordinary £1	100
McCarthy Investments Limited	*	Ordinary £1	100
Stratton & King Limited***	*	Ordinary £1	100
Churchill Affordable Living Limited	*	Ordinary £1	100
Emlor Limited	*	Ordinary £1	100
Emlor Property No. 3 Limited	*	Ordinary £1	100
Emlor Property No. 10 Limited	*	Ordinary £1	100
Emlor Property No. 11 Limited	*	Ordinary £1	100
Emlor Properties No. 12 Limited	*	Ordinary £1	100
Emlor Properties No. 13 Limited	*	Ordinary £1	100
McCarthy Retirement Homes Limited	*	Ordinary £1	100
Nursery Care (Shirley) Limited***	**	Ordinary £1	100
Retirement Living Limited	*	Ordinary £1	100
Flycorp Aviation LLP***	*	Partnership assets	71

All the above companies are dormant with the exception of:

- Churchill Retirement (Group) Limited, an intermediate holding company,
- Churchill Retirement Living Limited, which develops and sells sheltered housing,
- Millstream Management Services Limited, which provides estate management services,
- Planning Issues Limited, which provides planning consultancy,
- McCarthy Investments Limited, which is a property investment company,
- Nursery Care (Shirley) Limited, which purchases and sells land for sheltered housing,
- Stratton and King Limited, which operates as an estate agency; and
- Flycorp Aviation LLP, which provides an aeroplane for chartering.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

*The registered office is the same as the registered office of the ultimate parent undertaking as disclosed at the front of these accounts.
**The registered office is Avebury House, Second Floor, 55 Newhall Street, Birmingham, United Kingdom, B3 3RB.
***Exempt from audit by virtue of S479A of the Companies Act 2006.

During the year Flycorp Aviation LLP repaid £346,860 of the investment reducing the controlling interest at 30 June 2017 to 71% from 73.4% at 30 June 2016.

15 Inventories

	2017 £'000	2016 As restated £'000
Land for development	**49,082**	36,473
Sites in the course of construction	**61,458**	64,058
Finished stock	**113,150**	73,884
	223,690	174,415

16 Held-for-sale investment property

	2017 £'000	2016 As restated £'000
At 1 July/1 June		666
Prior year adjustment (note 4)		(666)
At 1 June as restated	**333**	-
Transfer from investment property	**-**	333
Disposal	**(225)**	-
At 30 June	**108**	333

17 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables - net	**15,225**	10,231
Other receivables	**2,655**	4,448
Total financial assets other than cash and cash equivalents classified as loans and receivables	**17,880**	14,679
Prepayments and accrued income	**2,385**	2,301
Total trade and other receivables	**20,265**	16,980
Less: amount due after one year	**(2,263)**	(2,030)
Amount due within one year	**18,002**	14,950

The carrying value of trade and other receivables classified as loans and receivables approximates to fair value.

Trade and other receivables due after one year relate to a deferred payment plan scheme which is offered as an incentive to Customers. The Group has a legal charge on the properties to which these loans relate.

18 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**10,854**	7,072
Other payables	**3,036**	5,705
Land accruals	**8,000**	5,080
Other accruals and deferred income	**9,882**	8,729
Other payables - tax and social security payments	**913**	872
Total trade and other payables	**32,685**	27,458

Land accruals relate to payment due in respect of land which has been purchased under an unconditional contract or where conditions had been met at the year end.

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value.

19 Loans and borrowings

The book value of loans and borrowings are as follows:

	2017 £'000	2016 £'000
Non-Current		
Bank loans - secured	**40,309**	35,058
Preference shares	**55,329**	54,173
Finance leases (note 25)	**526**	682
	96,164	89,913
Current		
Finance leases (note 25)	**325**	391
	325	391
Total loans and borrowings	**96,489**	90,304

The book value of loans and borrowings measured at amortised cost approximates to fair value.

All of the Group's borrowings are denominated in sterling.

Total debt issue costs of £441,333 (2016: £692,083) are offset against the bank loan balance and are amortised over the life of the loan.

19 Loans and borrowings *(continued)*

Bank borrowings

At 30 June 2017 the Group had in place a £100m revolving credit facility, with a maturity date of February 2020. Security was held by HSBC Corporate Trustee Company (UK) Limited on the bank loan facility and overdrafts by way of fixed and floating charges over the assets of Churchill Retirement Plc, Churchill Retirement (Group) Limited, Churchill Retirement Living Limited and Planning Issues Limited. The bank loans and revolving credit facility bear interest of between 2.75% and 3.15% (2016 - 2.75% and 3.15%) above LIBOR, dependent on the Group's gearing. During the period the interest applied was 2.75% above LIBOR (2016 – 2.75% above LIBOR).

The maturity of the Group's loan position at the end of the year was as follows:

2017	**Floating rate £'000**
Expiry within 1 year	-
Expiry within 1 and 2 years	-
Expiry in more than 2 years	**40,309**
Total	**40,309**

2016	**Floating rate £'000**
Expiry within 1 year	-
Expiry within 1 and 2 years	-
Expiry in more than 2 years	35,058
Total	35,058

19 Loans and borrowings *(continued)*

Preference shares

Group – allotted and fully paid	2017 No. Thousands	2016 No. Thousands	2017 £'000	2016 £'000
5% redeemable preference shares of £1 each	**2,000**	2,000	**2,000**	2,000
A1 tracker shares of £0.9995 each	**44,400**	44,400	**44,378**	44,378
A2 tracker shares of £0.0005 each	**44,400**	44,400	**22**	22
B1 tracker shares of £0.9995 each	**1,510**	1,510	**1,509**	1,509
B2 tracker shares of £0.0005 each	**1,510**	1,510	**1**	1
	93,820	93,820	**47,910**	47,910

Preference shares amounting to £Nil (2016 - £11 million) were redeemed during the period.

20 Provisions

	Warranty provision 2017 £'000	2016 £'000
At 1 July/June	**1,275**	1,167
Charged to profit or loss	**824**	884
Utilised in year/period	**(716)**	(502)
Released in year/period	**(388)**	(274)
At 30 June	**995**	1,275
Due within one year	**529**	642
Due after more than one year	**466**	633
	995	1,275

Warranty provisions reflect the expected value of future costs that will be incurred in relation to the two year warranty provided on all apartment completions. The full provision on each apartment is expected to be 1% of total cost per apartment, this estimate is based on our experience of costs incurred in previous periods. Any unutilised provision is released at the end of the two year period.

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016 – 18%). The reduction in the main rate of corporation tax to 17% was substantively enacted in Finance Bill 2016. This new rate has been applied to deferred tax balances which are expected to reverse after the period end.

The movement on the deferred tax account is as shown below:

	2017 £'000	2016 £'000
At 1 July/June	**642**	716
Recognised in profit and loss		
Tax expense	**335**	(74)
At 30 June	**977**	642

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities during the year/period are shown below.

Details of the deferred tax liability and amounts recognised in profit or loss are as follows:

	Assets 2017 £'000	Liability 2017 £'000	Net 2017 £'000	(Charged)/ credited to profit or loss 2017 £'000
Accelerated capital allowances	46	(108)	(62)	55
Revaluations	-	(915)	(915)	(390)
Tax asset/(liabilities)	46	(1,023)	(977)	(335)
Net tax asset/(liabilities)	**46**	**(1,023)**	**(977)**	**(335)**

	Asset 2016 £'000	Liability 2016 £'000	Net 2016 £'000	Charged to profit or loss 2016 £'000
Accelerated capital allowances	60	(177)	(117)	(37)
Revaluations	-	(525)	(525)	111
Tax asset/(liabilities)	60	(702)	(642)	74
Net tax asset/(liabilities)	60	(702)	(642)	74

22 Share capital

	Authorised			
	2017 Number Thousands	2017 £'000	2016 Number Thousands	2016 £'000
Ordinary shares of £1 each	**500**	**500**	500	500
Growth shares of £1 each	**22**	**22**	22	22
	522	**522**	522	522

	Issued and fully paid			
	2017 Number Thousands	2017 £'000	2016 Number Thousands	2016 £'000
Ordinary shares of £1 each	**500**	**500**	500	500
Growth shares of £1 each	**22**	**22**	22	22
	522	**522**	522	522

During the period ended 30 June 2016, 22,867 Growth Shares with a nominal value of £1 each were issued. Further details are provided in note 23.

Details of Preference shares are disclosed in note 19.

Rights attaching to shares

Income
The profits of the Company in respect of any financial year shall be applied:

(i) First, in paying to the holders of the A1 Tracker Shares and the B1 Tracker Shares a preferential dividend equal to 0.0100050025 of the original nominal value of the shares in issue.

(ii) Second, in paying to the holders of the A2 Tracker Shares and the B2 Tracker Shares a preferential dividend of such amount per annum as is equal to (X x 2,000) of the capital paid up on them (where: X = the difference between the Bank of England base rate and 1.5% provided that if the Bank of England base rate is equal to or less than 1.5%, X = 0).

(iii) Third, in paying to the holders of the Preference Shares a preferential dividend of such amount per annum as is equal to 5.5% of the capital paid up on them.

(iv) Fourth, in paying to the holders of the Ordinary Shares such dividend as the Directors shall determine.

(v) Fifth, in paying to the holders of the Growth Shares such dividend as the Directors shall determine but subject to written consent of holders of 75% or more of the total number of Ordinary Shares in issue.

Capital
On a return of capital, the assets of the Company remaining after the payment of its liabilities shall be applied:
(a) first, in paying to:

(i) the holders of the A1 Tracker Shares and the B1 Tracker Shares their par value together with any dividend arrears.

22 Share capital *(continued)*

Rights attaching to shares *(continued)*

Capital *(continued)*

(ii) the holders of the A2 Tracker Shares such amount as shall be equal to:

a. their par value

b. a premium amounting to the aggregate of 10% of such amount as shall be equal to 2,000 multiplied by their par value; and

c. additional interest at the rate of 2% per annum accruing on a daily basis commencing 30 November 2012, such interest being payable on such amount as shall be equal to 2,000 multiplied by their par value, together with any dividend arrears.

(iii) the holders of the B2 Tracker Shares their par value together with any dividend arrears.

(b) second, in paying to the holders of the Preference Shares their par value together with any dividend arrears.

(c) third, in paying to the holders of the Ordinary Shares from the balance of the assets remaining after the payments referred to in (a) and (b) ('Return of Capital Balance') an amount equal to the lowest hurdle amount determined by the holders of 75% or more of the Ordinary Shares in proportion to the number of Ordinary Shares held.

(d) fourth, in paying to the holders of the Growth Shares, the value attributable to the Growth Shares in respect of the return of capital by applying the formula: N divided by 55,555, multiplied by V, multiplied by 10%, where N = the number of Growth Shares in issue immediately prior to the date of the return of capital, and V = the relevant Return of Capital balance less the relevant Growth Share hurdle amount except that V shall not be less than zero.

(e) fifth, in paying to the holders of the Ordinary Shares an amount equal to the balance of the Company's assets assuming no other classes of share capital are in issue.

Voting

Neither the A1 and A2 Tracker Shares nor the B1 and B2 Tracker Shares nor the Preference Shares nor the Growth Shares have any rights to receive notice of or to be present and speak at any general meeting of the Company or any voting rights. The Ordinary Shares confer voting rights.

Redemption

(a) A holder or holders of:

(i) an A1 Tracker Share or A2 Tracker Share shall have the option to redeem all or any of the A1 Tracker Shares or A2 Tracker Shares held by it or them on, or at any time, after:

a. an initial offer for the Company's securities as a result of which those securities are admitted to trading on a Stock Exchange ("IPO");

b. the date on which the sale or other disposal of 50% or more of the total voting rights conferred by all the shares in the equity share capital of the Company is completed ("Sale");

c. 1 December 2022;

(ii) a B1 Tracker Share or a B2 Tracker Share shall have the option to redeem all or any B1 Tracker Shares or B2 Tracker Shares held by it or them at any time;

(iii) a Preference Share shall have the option to redeem all or any Preference Shares held by it or them at any time;

(iv) a Growth Share shall have the option to redeem all or any Growth Shares held by it or them at any time after an IPO.

22 Share capital *(continued)*

Rights attaching to shares *(continued)*

Redemption *(continued)*

(b) Tracker Shares, Preference Shares and Growth Shares shall be redeemed on payment of their par value together with all dividend arrears except that A2 Tracker Shares shall be redeemed upon payment of the following additional amounts:

- (i) a premium amounting to the aggregate of 10% of such amount as shall be equal to 2,000 multiplied by the par value of the A2 Tracker Shares being redeemed; and
- (ii) additional interest at a rate of 2% per annum accruing on a daily basis commencing 30 November 2012, such interest being payable on such amount as shall be equal to 2,000 multiplied by the par value of the A2 Tracker Shares being redeemed.

(c) The Company shall have the option, exercisable at any time, to redeem any or all of the A Tracker Shares or B Tracker Shares in tranches of not less than the lesser of:

- (i) £1,000,000 par value provided that, in the case of the redemption of A Tracker Shares, the same number of A2 Tracker Shares as A1 Tracker Shares are redeemed (and vice versa) and, in the case of a redemption of B Tracker Shares, the same number of B2 Tracker Shares as B1 Tracker Shares are redeemed (and vice versa); and
- (ii) the aggregate nominal amount of all the A Tracker Shares or the B Tracker Shares being redeemed in issue,

upon payment of the redemption amount referred to in (b).

(d) The Company shall have the option, exercisable on or any time after:

- (i) an IPO; or
- (ii) a Sale,

to redeem any or all of the Preference Shares upon payment of the par value and accrued interest of the Preference Shares being redeemed.

(e) The Company shall have the option, exercisable on or at any time after an IPO, to redeem any or all of the Growth Shares upon payment of the amount that the holders of the Growth Shares would be entitled to receive on a Sale.

Sale

On a Sale, without prejudice to the rights of the holders of the Tracker Shares and the Preference Shares to redeem their shares, each selling shareholder of the Company shall share in the Exit Value (which is determined by the directors of the Company) as follows:

(a) If the Exit Value is less than the lowest Growth Share hurdle amount, the whole of the Exit Value shall be paid to the Ordinary shareholders;

(b) If the Exit Value is more than the lowest Growth Share hurdle amount, the Exit Value shall be applied:

- (i) first, paying to those selling shareholders who are Ordinary shareholders an amount equal to the lowest Growth Share hurdle amount;
- (ii) second, payment to those selling shareholders who are Growth shareholders a value attributable to the Growth Shares in respect of a Sale by applying the formula: N divided by 55,555, multiplied by V, multiplied by 10% where N = the number of Growth Shares in issue immediately prior to the date of the Sale, and V = the balance of the Exit Value less the hurdle amount except that V shall not be less than zero; and
- (iii) third, paying to those selling shareholders who are Ordinary shareholders an amount equal to the balance of the Exit Value.

22 Share capital *(continued)*

Rights attaching to shares *(continued)*

Conversion

(a) Without prejudice to the rights of the holders of the Tracker Share and Preference Shares to redeem their shares and to the rights of the Preference Share holders to sell or otherwise transfer their shares in accordance with the articles of association of the Company:

(i) each Growth shareholder shall have the option to convert all of the Growth Shares held by him or her immediately before but conditional on completion of an IPO; and

(ii) the Company shall have the option to convert all of the Growth Shares held by a Growth shareholder immediately before but conditional on completion of an IPO.

(b) Growth Shares to which these options relate shall convert into such number of Ordinary Shares on the date of completion of the IPO as shall, at the Realisation Price (being the value of the Ordinary Share immediately prior to an IPO determined by reference to the price at which Ordinary Shares are sold, placed or marketed under the IPO, as determined by the directors of the Company, acting reasonably and in good faith and with the advice of financial advisors) be equal to the Exit Value as if there was a Sale on the date of completion of the IPO.

(c) Without prejudice to the rights of the holders of the Tracker Share and Preference Shares to redeem their shares and to the rights of the Preference Share holders to sell or otherwise transfer their shares in accordance with the articles of association of the Company:

(iii) each Growth shareholder shall have the option to convert all of the Growth Shares held by him or her immediately before but conditional on completion of an IPO; and

(iv) the Company shall have the option to convert all of the Growth Shares held by a Growth shareholder immediately before but conditional on completion of an IPO.

(d) Growth Shares to which these options relate shall convert into such number of Ordinary Shares on the date of completion of the IPO as shall, at the Realisation Price (being the value of the Ordinary Share immediately prior to an IPO determined by reference to the price at which Ordinary Shares are sold, placed or marketed under the IPO, as determined by the directors of the Company, acting reasonably and in good faith and with the advice of financial advisors) be equal to the Exit Value as if there was a Sale on the date of completion of the IPO.

23 Share-based payments

The Group has operated a growth share scheme since June 2016, at this time 22,867 shares were issued and 22,867 remain in place at 30 June 2017. Under the scheme the Group issues growth shares which will be converted to ordinary shares of the Company at the end of their contractual life which is the time of an exit event such as an IPO or sale, subject to the ordinary share price performance compared to a pre-determined hurdle rate of £250 million. Rights attracting to the growth shares are detailed in note 22.

The scheme was valued using the Black-Sholes option pricing model with the following assumptions:

	24 June 2016
Share value at grant date (total £million)	370
Hurdle rate (total £million)	250
Number of shares in issue	22,867
Time to forecasted maturity (years)	5
Expected volatility (%)	20%
Risk free rate (%)	0.5%

The expected volatility has been determined based on the movement in share price of other similar listed companies. A discount has been applied to take account of the fact that shares only have a value if the Company reaches an exit event.

23 Share-based payments (continued)

No growth shares were issued or disposed of during the financial year.

The Group recognised an expense of £660,000 (2016: £nil) related to equity-settled share based payments.

24 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share capital	Represents the nominal value of shares issued
Share based payment reserve	Represents the share based payment on growth shares from the date of share issue
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Capital redemption reserve	Amounts transferred from share capital on redemption of shares.

25 Leases

Finance lease - lessee

Future lease payments are due as follows:

	Minimum lease payments £'000	**Interest £'000**	**Present value £'000**
2017			
Not later than one year	354	(29)	325
Between one year and five years	578	(52)	526
	932	**(81)**	**851**
2016			
Not later than one year	431	(40)	391
Between one year and five years	725	(43)	682
	1,156	**(83)**	**1,073**

Operating leases - lessee

The total future value of minimum lease payments is due as follows:

	2017 £'000	**2016 £'000**
Not later than one year	**685**	578
Later than one year but not later than five years	**890**	472
	1,575	1,050

25 Leases (continued)

Operating leases - lessor

The Group has a number of operating leases relating to its investment properties.

The minimum rent receivable under non-cancellable operating leases is as follows:

	2017 £'000	2016 £'000
Not later than one year	**158**	161
Later than one year but not later than five years	**512**	486
Later than five years	**1,741**	1,833
	2,411	2,480

26 Related party transactions

During the financial year the Group paid £650,000 (2016 - £650,000) as part of the annual marketing spend to Emlor S Polo LLP, an LLP in which S J McCarthy has 50% ownership. Additionally the Group pays for certain expenses on behalf of the Company and recharges these accordingly. At the period end the Group was owed £505,190 (2016 - £61,358) by Emlor S Polo LLP.

During the financial year the Group paid £450,000 (2016 - £450,000) as part of the annual marketing spend to Emlor C Polo LLP, an LLP in which C J McCarthy has 50% ownership. Additionally the Group pays for certain expenses on behalf of the Company and recharges these accordingly. At the period end the Group was owed £131,703 (2016 - £14,801) by Emlor C Polo LLP.

During the year the Company purchased the shares in a company from a director for £2. At the beginning of the year this company owed the Group £935,861. This balance was settled in the year after the shares were purchased.

During the financial year the Group paid £25,612 (2016 - £31,192) of charitable donations to The Churchill Foundation, a charitable organisation where Spencer and Clinton McCarthy are trustees. At the period end the Group owed £8,750 (2016 - £7,200) to The Churchill Foundation.

27 Transactions with Directors

Included within other creditors is one million, eight hundred and twenty thousand, three hundred and twenty seven pounds (2016 - five million, one hundred and seventy four thousand, five hundred and seventy one pounds) due to the Directors. The maximum balance owed to the Group during the period was nil pounds (2016 - one million, six hundred and eighty thousand, seven hundred and fifty four pounds) and no interest has been charged on these balances.

During the financial year, Churchill Retirement Living Limited, a 100% owned subsidiary of Churchill Retirement Plc, rented a storage site owned by S J McCarthy and C J McCarthy. Rent accrued and paid during the financial year was eighty-one thousand six hundred pounds (2016 - eighty-one thousand six hundred pounds).

As stated in note 26 Churchill Retirement Living Limited, a 100% owned subsidiary of Churchill Retirement Plc, purchased the shares in a company owned by one of the directors.

28 Events after the reporting date

There were no non-adjusting events that existed at the date of signing these accounts.

29 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2017 £'000	2016 £'000
Cash at bank and in hand available on demand	**11,059**	8,246
Bank overdrafts	**-**	-
	11,059	8,246

Significant non-cash transactions are as follows:

	2017 £'000	2016 £'000
Financing activities		
Assets acquired under finance leases	**231**	**698**

30 Effects of changes in accounting policies

No changes in the accounting policies have been accounted for in 2017 except those noted in note 4, Prior year reclassification.

Churchill Retirement Plc

Parent Company statement of financial position
As at 30 June 2017

	Note	30 June 2017 £'000	30 June 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	2	**820**	671
Investments in subsidiaries	3	**69,410**	69,410
Deferred tax asset	7	**45**	55
Total non-current assets		**70,275**	70,136
Current assets			
Trade and other receivables	4	**123,012**	66,860
Cash and cash equivalents		**486**	1,246
Total current assets		**123,498**	68,106
Total assets		**193,773**	138,242
Capital and reserves			
Share capital		**522**	522
Share based payment reserve		**660**	-
Retained earnings		**41,416**	7,508
Capital redemption reserve		**21,000**	21,000
Total equity		**63,598**	29,030
Current liabilities			
Trade and other payables	5	**34,536**	19,981
Current tax liabilities		**-**	-
Total current liabilities		**34,536**	19,981
Non-current liabilities			
Loans and borrowings	6	**95,639**	89,231
Total liabilities		**130,175**	109,212
Total equity and liabilities		**193,773**	138,242

The notes on pages 52 to 57 form part of the financial statement shown above.

These financial statements were approved by the Board on 18 October 2017 and signed on its behalf by

D Marlow
Chief Financial Officer

Churchill Retirement Plc

Parent Company statement of changes in equity
for the year ended 30 June 2017

	Share Share capital £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 31 May 2015	**500**		**-**	**2,805**	**3,305**
Comprehensive income for the period					
Profit	-	-	-	33,725	33,725
Total comprehensive income for the period	**-**	**-**	**-**	**33,725**	**33,725**
Contributions by and distributions to owners					
Dividends	-	-	-	(8,000)	(8,000)
Issue of share capital	22	-	-	(22)	-
Reallocation	-	-	10,000	(10,000)	-
Redemption of preference shares	-	-	11,000	(11,000)	-
Total contributions by and distributions to owners	**22**	**-**	**21,000**	**(29,022)**	**(8,000)**
At 30 June 2016	**522**	**-**	**21,000**	**7,508**	**29,030**
Comprehensive income for the year					
Profit	-	-	-	33,908	33,908
Total comprehensive income for the year	**-**	**-**	**-**	**33,908**	**33,908**
Contributions by and distributions to owners					
Share based payment charge	-	**660**	-	-	**660**
Total contributions by and distributions to owners	**-**	**660**	**-**	**-**	**660**
At 30 June 2017	**522**	**660**	**21,000**	**41,416**	**63,598**

The reallocation reflects recognition of a capital redemption reserve for the preference share redemptions in 2013, 2014 and 2015. As there was no impact on the net assets as a result of the reallocations above, comparative figures for reserves in the statement of financial position have not been restated.

The notes on pages 52 to 57 form part of the financial statement shown above.

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Company meets its day to day working capital requirements through cash in hand and intercompany debt. The Company forecasts and projections for the foreseeable future, taking into account reasonable possible changes in trading performance, shows that the Company will be able to operate within the level of its current facilities. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The financial statements have been prepared on an historical cost basis. The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The Company recorded a profit for the period of £33,908,000 (2016 – £33,725,716).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of the Group headed by Churchill Retirement Plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Churchill Retirement Plc. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Business combinations;
- Assets held for sale and discontinued operations;
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101, requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgement in applying the Company's accounting policies. There are no areas where significant judgements and estimates have been made in preparing the financial statements.

1 Accounting policies *(continued)*

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

1 Accounting policies *(continued)*

Deferred taxation *(continued)*

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	-	2% per annum straight line
Fixtures and fittings	-	20% per annum straight line
Assets in the course of construction	-	Nil
Motor vehicles	-	25% per annum reducing balance

Investments

Investments in Group undertakings are included in the statement of financial position at cost less any provision for impairment.

2 Property, plant and equipment

	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 June 2015	1,153	159	1,312
Additions	235	-	235
At 30 June 2016	1,388	159	1,547
Additions	360	159	519
Disposals	-	(140)	(140)
At 30 June 2017	1,748	178	1,926
Depreciation			
At 1 June 2015	548	50	598
Charge for the year	248	30	278
At 30 June 2016	796	80	876
Charge for the period	258	46	304
Eliminated on disposals	-	(74)	(74)
At 30 June 2017	1,054	52	1,106
Net book value			
At 30 June 2017	**694**	**126**	**820**
At 30 June 2016	592	79	671

3 Investments in subsidiaries

Shares held by the Company in unlisted subsidiary undertakings

	2017 £'000	2016 £'000
Cost and net book value at 30 June 2017 and 30 June 2016 (Churchill Retirement (Group) Limited)	**69,410**	69,410

The Group's principal subsidiary undertakings are listed in note 14 to the consolidated financial statements.

4 Trade and other receivables

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	**121,686**	64,345
Other debtors	**866**	1,721
Prepayments and accrued income	**460**	794
Total trade and other receivables	**123,012**	66,860

5 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**288**	146
Amounts owed to Group undertakings	**29,905**	12,932
Other payables	**2,498**	5,566
Accruals	**1,706**	1,218
Other payables – tax and social security payments	**139**	119
Total trade and other payables	**34,536**	19,981

6 Loans and borrowings

	2017 £'000	2016 £'000
Non-current		
Bank loans – secured	**40,309**	35,058
Preference shares	**55,330**	54,173
	95,639	89,231

Details of the bank loans and preference shares are provided in the note 19 to the consolidated financial statements.

Total debt issue costs of £441,333 (2016: £692,083) are offset against the bank loan balance and are amortised over the life of the loan.

7 Deferred tax

	2017 £'000	2016 £'000
Details of the deferred tax asset are as follows:		
Decelerated capital allowances	**45**	55

8 Leases

Operating leases - lessee

	2017 £'000	2016 £'000
The total future value of minimum lease payments due is as follows:		
Not later than one year	**26**	27
Later than one year and not later than five years	**22**	44
	48	71

9 Related parties

In the current year the Company was charged £147,987 (2016: £254,880) for the chartering of the aeroplane. The total amount that was due to the Company by Flycorp Aviation LLP at the period end was £71,422 (2016 - £93,561).

The Company is exempt from disclosing transactions with wholly owned subsidiaries in the Group. Other related party transactions are included within those given in note 26 of the consolidated financial statements.

Glossary of terms

'Adjusted administrative expenses'

	2017 £'000	2016 £'000
Administrative expenses	**24,981**	25,091
Add back from share based payment charge	**(660)**	-
	24,321	25,091

'Adjusted profit before taxation'

	2017 £'000	2016 £'000
Profit before taxation	**54,198**	57,349
Add back from share based payment charge	**660**	-
	54,858	57,349

'Adjusted profit before taxation margin' — Adjusted profit before taxation divided by revenue

'Adjusted profit from operations'

	2017 £'000	2016 £'000
Profit from operations	**57,853**	61,876
Add back from share based payment charge	**660**	-
	58,513	61,876

'Adjusted profit from operations margin' — Adjusted profit from operations divided by revenue

'Capital turn' — Calculated by dividing revenue by the average opening and closing tangible gross asset value in the year

'FRI' — Freehold reversionary interest being the freehold of each of the Group's developments in England and Wales which include the future income stream of ground rents

'GDV' — Gross development value – total expected sales revenue from the sale of retirement apartments

'Gearing' — Gearing is calculated by dividing net debt/cash by net assets

'HBF' — Home Builders Federation

'Land bank' — Includes owned sites and exchanged sites

'Land stock' — Total number of units of finished stock, work in progress and expected on sites where we have exchange land contracts but have not started construction

Glossary of terms (continued)

'LIBOR'	The London Interbank Offered Rate
'Net ASP'	Net average selling price – the average price agreed for sales of apartments in the year after deducting list price discounts, part exchange top-ups and other cash incentives
'Net assets'	Net assets is calculated as total assets less total liabilities
'Net bank debt/cash'	Cash and cash equivalents less long-term and short-term bank borrowings (excluding unamortised debt issue costs)
'NHBC'	National House Building Council
'Operating margin'	Profit from operations divided by revenue
'ROCE'	Return on capital employed – calculated by dividing adjusted profit from operation by the average opening and closing tangible gross asset value in the year
'Tangible Gross Assets Value'	Tangible gross asset value – calculated as:

	2017 £'000	2016 £'000
Net assets	**141,698**	98,853
Cash	**(11,059)**	(8,246)
Bank loans	**40,309**	35,058
Debt issue costs	**441**	692
Preference shares allotted	**47,910**	47,910
	219,299	174,267

'WIP'	Work in progress