ANNUAL REPORT & ACCOUNTS

CHURCHILL RETIREMENT PLC

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2018

Our Mission...

"To be the most successful housebuilder in the UK

Our Vision...

To be the retirement housebuilder of choice for an independent, secure and fulfilling lifestyle"

Spencer J McCarthy - Chairman & Chief Executive Officer

ABOUT THIS REPORT

Welcome to the 2018 Annual Report of Churchill Retirement plc ("the Churchill Group", "CRL", "the Group"), a privately owned, founder-led business.

The Strategic Report explains CRL's strategy, business model and risk management processes, and provides an overview of current performance and outlook. The detailed Financials, accompanied by a report from the Group's auditors, complete the Annual Report.

Churchill has a strategic appreciation of the cyclical nature of the property market and recognises that there are significant operational risks in identifying, designing, building and selling homes. Churchill mitigates these risks by focusing on one simple and consistent product, and being highly disciplined in its business model that it knows and understands. In doing this, Churchill maintains a strong balance sheet, keeps financial risk low and carefully allocates resources to the right projects at the right time, matching supply to demand wherever it can.

A glossary of terms is included on pages 96 and 97.

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CHAIRMAN'S STATEMENT

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A YEAR OF PROGRESS IN A CHALLENGING MARKET

Against a challenging backdrop of changing government policy, continued economic uncertainty and the shadow of Brexit, Churchill has stuck to its principles and delivered another year of measured progress. Our strong financial position, disciplined approach towards land buying and sales combined with an experienced management team has enabled us to show considerable flexibility in responding to a difficult market.

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The long term market drivers underpinning the UK retirement housing market are as robust as ever, with an ageing population and a shortage of suitable housing, combined with a limited number of national developers with the requisite skills and expertise to succeed in this specialist sector.

However, the second hand housing market remains slow, having an impact on our Customers' ability to sell their existing property and facilitate a move. Consumer confidence has also continued to suffer from the economic and political factors outlined above, and has led to our Customers delaying their purchase decisions for longer.

While our average selling price increased marginally during the year, continued caution from our Customers had an adverse effect on our enquiries, reservations and ultimately sales. Despite this, we maintained our market leading quality and customer satisfaction levels, and maintained strong momentum with new site starts and site launches throughout the year.

Group revenue was 5.9% higher at £188.4 million (2017: £178.0 million), and the Group's operating margin (statutory and adjusted) remained above

CHAIRMAN'S STATEMENT

30% at 30.1% and 30.4% respectively (2017: 32.5% and 32.9%), resulting in adjusted profit before tax of £52.7 million for the year (2017: £54.9 million). Return on Capital Employed reduced to 23.6% (2017: 29.7%), which remains at an industry leading level but also reflects continued investment in work in progress despite the drop in operating profit, providing further evidence of the financial strength and flexibility within the business.

The Group completed 521 unit sales (2017: 527).

Average Customer incentives increased to £13.9k (2017: £12.4k) although our average selling price also increased to £313k (2017: £308k). The latter was largely as a result of house price inflation.

Our cautious approach to land buying was a direct response to the uncertainty stemming from the Government's leasehold and ground rent consultation. As a result, we acquired 13 new sites across all regions, all at zero ground rents in the financial appraisal. The 13 sites acquired equated to c.540 new plots (2017: 24 sites, c.875 new plots). Of those sites, 100% were acquired under option or on a subject to planning basis, and a significant number also have viability clauses built into the contracts, again underlining our prudent and disciplined approach.

We submitted 15 planning applications during the year (2017: 15) and achieved successful planning consents for 552 new units across 13 sites (2017: 896 units, 23 sites) despite long appeal delays, protracted affordable housing negotiations and general delays in the planning system. We have a strong pipeline of applications to take into the year ahead.

We maintained a strong construction programme, with work starting on 20 new developments during the year (2017: 19). We also took first occupations at 21 new developments (2017: 18). We maintained our disciplined approach to controlling build costs, with only a moderate increase in the average build cost per unit of 3.8% from £104k on site starts in 2017, to £108k on sites starts in 2018.

Customer satisfaction is of paramount importance to us and remains one of our overarching Company goals. This year we were proud to once again be awarded the top accolade of a 5 star customer satisfaction rating by the HBF's independent survey. For a third consecutive year, over 90% of our Owners stated 'Yes' they would recommend CRL to a friend or family member. We also continue to conduct Customer care reviews, which highlighted a significant number of areas in which the Group has performed exceptionally well. They also highlighted areas where we can improve. With the support of our team and the service provided by our suppliers, sub-contractors and consultants, we are well equipped and confident of achieving this.

Our specialist management company, Millstream Management Services (MMS), puts Owners' wellbeing, satisfaction and happiness at the heart of everything it does. Providing more than just property management, MMS' service is tailored towards individual needs and is flexible to ensure developments are managed in a professional, efficient and personal way, which we feel sets us above our competition. MMS continued to expand organically and at 30 June 2018 it managed 172 retirement housing developments across the UK, totalling 6,759 units (2017: 147 developments equating to 5,783 units), of which 136 are Churchill Retirement Living developments.

We launched The Churchill Foundation less than three years ago to further enhance the community and charitable activities the Group is involved in. Since then I'm proud to say the Foundation has already raised over £800k, and

521

UNIT SALES

£313k

AVERAGE SALES PRICE

30.4%

ADJUSTED OPERATING PROFIT MARGIN

23.6%

ROCE

13

NEW LAND CONTRACTS EXCHANGED

20

NEW DEVELOPMENTS UNDER CONSTRUCTION

172

MANAGED DEVELOPMENTS

CHAIRMAN'S STATEMENT

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supported over 50 charitable causes all over the country. A charitable foundation enables us to harness the fundraising power of the business by engaging with employees, suppliers and our Owners, and ultimately enables us to support a number of charitable causes rather than being a corporate sponsor for just one charity.

Our people remain our greatest asset, and I was very proud to achieve our highest ranking to date of 4th place in The Sunday Times Top 100 Best Companies to Work For 2018. This is highly important as the industry continues to face a growing skills shortage and we are competing for the very best skilled people throughout the business. In a competitive market, we have attracted talented individuals to the Group and are committed to ensuring that we retain and grow our award winning team. Our suppliers, sub-contractors and consultants are also vital members of our team and I would like to thank all of those people who have supported us over this year.

The Government's announcement on 21st December 2017, entitled 'Crackdown on unfair leasehold practices', has had a significant impact on the retirement housing sector. Churchill does not build leasehold houses and does not employ the type of escalating ground rents that have been the cause of the Government's review into unfair practices. However, the proposal to zero-rate ground rents will disproportionately affect us. The investment finance model for our specialist form of development depends on capitalised ground rent income to fund provision of the extensive non-saleable communal space that is essential to our product. Until we have more clarity from Government on this issue, or legislation is passed, our leases will continue to include fair ground rents, linked to RPI on standard review terms.

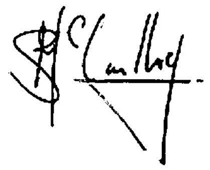
We continue to work hard with Government officials to encourage more support for retirement housing and the many social and economic benefits it provides.

The market has not been kind to us in recent years, but we are still a very financially strong, well-run Company producing a first class product with sector leading margins. Above all, we are well respected in the industry and with our Customers. We will keep investing in the business to achieve our long term goals, while maintaining our discipline and keeping a very careful eye on the market.

The Board has a clear strategy for the future development of the Group and this is being successfully implemented by the Executive team. Churchill's ambition remains to deliver strong growth over the medium term whilst maintaining the Group's sector leading margins.

We finished the year with a strong forward order position of 101 reservations (2017: 72) and a land bank that will support our growth plans through to 2022.

With a new £120 million bank facility in place and strong underlying growth drivers for the business, the Group enters the new financial year in a positive position thanks to the experience of our team, our disciplined approach to land buying, and our understanding of what our Customers need.



Spencer J McCarthy
Chairman & Chief Executive Officer

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A LEADING UK DEVELOPER OF HIGH QUALITY RETIREMENT PROPERTIES

OVER **100** developments built since 2000 with 4,374 units sold

NUMBER **1** in respect of margins in the UK retirement housing market

ONE SIMPLE & CONSISTENT PRODUCT

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Founder-led business with decades of specialist retirement sector experience in the senior management team

- Experienced management team who founded and continue to run the business
- Retirement living specialists, not just generalist house builders
- Fully aligned with shareholders financially, with strong reputational focus
- Independent board with four Non-Executive Directors

See pages 49-50

Needs-based purchase benefiting from supportive demographics and structural undersupply

Strategically positioned in a market driven by favourable underlying trends:

- Large and growing market
- Structural shortage in supply of retirement accommodation
- Supportive government policy

See pages 7-8

Looking to double output in the medium term whilst maintaining sector leading margins

Disciplined and consistent business model that underpins outstanding performance:

- Adjusted operating margin of 30.4%
- ROCE of 23.6%
- Growth underpinned by 3.5 year land bank
- Infrastructure already in place to support growth aspirations
- Market offers significant opportunity for growth

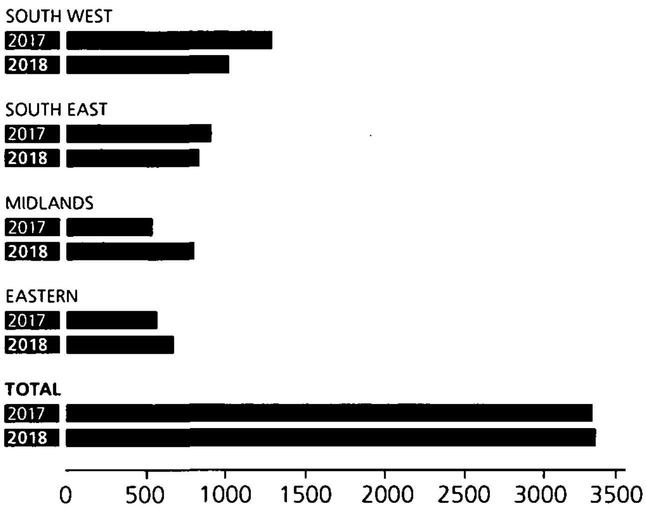
See pages 27

Highly disciplined and consistent process from land buying through to specification, construction, selling and management

- Disciplined land buying expertise with a strict hurdle rate
- Disciplined cost control - maintaining the 'blueprint'
- A business focused on one simple and consistent product with no plan to diversify

See pages 11-21

Stock units as at 30 June



Average sales price for the year ended 30 June

- Land under control without planning
- Land under control with planning permission
- Under construction
- Finished stock

Where we operate

OUR MARKET

The UK's population is ageing at a faster rate than ever before and the wealth, income and the needs of our elderly population will influence the type of housing older people need.

In 2016 there were 9.9 million people in England (11.8 million in the UK overall) over the age of 65. This number is forecast to rise by 20% over the next decade. Of the 9.9 million people 4.5 million were over 75, 1.3 million aged over 85 and 480,000 aged over 90, according to ONS 2016 data. These age cohorts have grown strongly since 2001 and official projections show that by 2026 there will be nearly 12 million people aged 65 or over in England. As the older population rises, the amount of the time spent in retirement will also lengthen, therefore, the demand for appropriate housing is significant.

According to research by Knight Frank in *The Case for Retirement Housing Insight Series 2018* the retirement housing sector (from age-restricted over-55 housing to housing with care), currently comprises 725,000 homes, which equates to 2.6% of the total housing stock in the UK. The latest Elderly Accommodation Council 'EAC' data reveals that 23% of retirement stock is private housing. A recent survey conducted for Retirement Homesearch, a retirement property specialist, said that "19% of over-50's believe it 'likely' that they'll spend their autumn years in a purpose-built retirement community". This highlights the gap between current supply and projected demand for retirement housing in the UK.

Some 25% of over-55s would consider downsizing; or moving into some sort of retirement, or purpose-built, accommodation, according to Knight Frank research. The gap between this potential demand and current supply is vast. NHBC figures show that in 2017 there were 4,023 retirement property registrations, this is low supply compared to the ageing demographic and potential demand. If this assumption is applied to the over-65s, with 25% choosing retirement housing over the next decade, according to Knight Frank, there is potential demand for our type of accommodation from over 580,000 additional individuals. Overall, some 2.2 million over-65 households (46% of the total) live in a property with an average value of up to £250k, 1.9 million (38% of the total) live in a property with a value between £250k and £500k, and some 812,000 households (16% of the total) live in housing worth more than £500k. This highlights the valuation fundamentals underpinning rising activity in the midmarket retirement housing sector.

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We believe that the Government can proactively encourage and facilitate a quantum step-change in the rate of delivery of specialist retirement housing through a simple intervention in the planning system and by the creation of a new "Planning Use" Class.

A "NEW USE" CLASS FOR RETIREMENT HOUSING WILL:

- Help to resolve the unique development viability issues faced by housebuilders in bringing forward retirement housing schemes
- Create a more level playing field at the point of land acquisition for retirement housebuilders
- Speed up delivery through the development control planning process
- Provide real incentive for mainstream housebuilders, both major and SMEs, to enter into the specialist retirement housing market
- Consequentially, result in a significant step-change in the delivery of retirement housing

An increase in the amount and rate of provision of retirement housing could reduce health and social care costs, unlock housing chains and make better use of existing housing stock. In particular, it will directly meet the following established planning policy objectives of Government:

- Achieving sustainable development
- Delivering a sufficient supply of homes
- Meeting the critical and increasing housing needs of a specific group in the community
- Supporting the development of small windfall sites, thus contributing to the mix of sites local planning authorities should be seeking to bring forward for development
- Building a strong, competitive economy
- Ensuring the vitality of town centres
- Promoting healthy, inclusive and safe communities
- Making effective use of land
- Protecting Green Belt land

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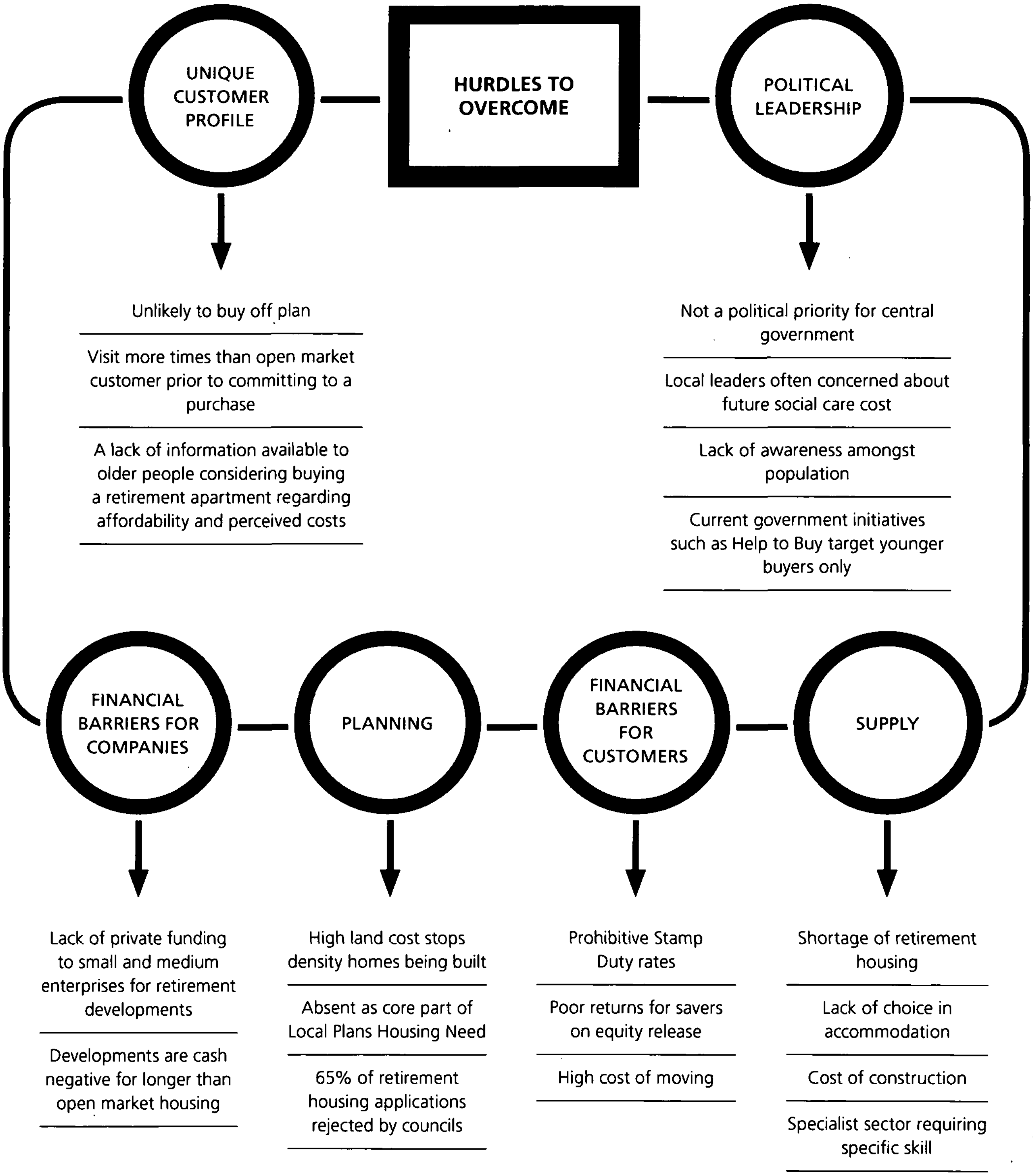
BARRIERS TO ENTRY

IN ADDITION TO A COMPETITIVE LAND MARKET THERE ARE OTHER BARRIERS INTO THE MARKET.



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OUR BUSINESS MODEL

THE CRL BUSINESS MODEL AND OUR RANGE OF IN-HOUSE EXPERTISE IS OUR UNIQUE SELLING POINT. OUR CLEARLY TARGETED APPROACH SETS US APART FROM OUR COMPETITORS.

“ Providing exceptional service to all of our Customers and putting them at the heart of our decisions to ensure the end product meets their needs is essential, and we focus on six key factors to achieve success.”

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CUSTOMER AND COMMUNITY

See pages 13-14

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LAND

See page 15

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PLANNING AND DESIGN

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CONSTRUCTION & COMMERCIAL

See pages 17-18

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SALES & MARKETING

See pages 19-20

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PROPERTY MANAGEMENT

See pages 21-22

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CUSTOMER AND COMMUNITY

TYPICAL CUSTOMER

CRL operates in a specialist market supplying one and two bedroom retirement apartments to a growing customer base. Our Customers are over 60, but are typically in their late 70s and recently widowed, leading to a high female to male ratio, and are driven by need rather than aspiration. They wish to retain their independence whilst gaining the security and support that retirement living brings.

MEETING THE NEEDS OF THE CUSTOMER

Our developments are specifically designed for the needs of our Customer. Developments are built to a high standard with specifications designed around Customer feedback and research. A review committee is in place to continually assess our offering to the Customer, ensuring they remain at the forefront of all we do.

Our exceptional customer service is delivered from initial enquiry through to purchasing, and continues once our Owner is living in their apartment. The Sales team provides a professional and helpful service designed to make the buying process as easy and enjoyable as possible; the team are experts with a solid knowledge base of the needs of our Customers and the benefits and unique selling points that our product has to offer. The Customer Services team is then on hand for two years after purchase to rectify any defects, and a Lodge Manager is available five days a week acting as a friendly neighbour to deal with day to day needs.

BENEFITS FOR THE CUSTOMER AND COMMUNITY

- Increased sense of safety, companionship and security
- A supportive community of like-minded individuals
- Regular programme of social activities in an attractive environment, improving health and wellbeing
- Close to local amenities
- Property maintenance that is affordable, easy to budget for and hassle free
- Selling Made Easy and Home Exchange services, both designed to take away the hassle and stress of moving
- Enabling older people to maintain an independent lifestyle in their own home, reducing the demand on health & social services and other care facilities
- Releases family homes for 2nd and 3rd time buyers so more homes become available for first time buyers
- The Churchill Foundation contributes to a wide range of local community causes situated near to our developments, as well as supporting many charities and organisations across the UK

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LAND

Building a pipeline - by providing clear site criteria, a commercial, professional and experienced team to do business with and maintaining a strong reputation in the land market as the developer to offer land to first.

OUR APPROACH

Our land purchase strategy focuses on identifying target towns and locations around the country, backed up by our purchase criteria and demographic profiling. We carry out in-depth analysis on local demand, pricing and market conditions before any purchase. Every site goes through a rigorous process of due diligence to ensure we manage risk effectively and meet our internal hurdle rates, to ensure we maintain our financial margins (see page 27).

Our in-house land teams have considerable knowledge of the retirement housebuilding sector.

The objective is to achieve land exchanges in accordance with the Group and Regional workflows, on time and to budget, to achieve equilibrium with other departments in the business.

MEETING THE NEEDS OF THE CUSTOMER AND BENEFITING THE COMMUNITY

We ensure all our land fits the following criteria to meet the needs of our Customer:

- 0.5 to 1.5 acres in size and located on brownfield sites within towns and cities
- A maximum of 0.5 miles from local amenities, with level access and good transport links to the local town
- Due to location we achieve a lower parking ratio than open market housing that allows for higher density accommodation, therefore maximising the site and our margins

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ACHIEVEMENTS IN 2018

- During the year they secured 13 sites equating to 540 units
- Improved land coverage and agent network

PRIORITIES FOR 2019

- Continue to expand our network of agents in Manchester and Exeter offices
- To ensure we are more competitive in the land market and increase the number of sites purchased without compromising on quality
- A more disciplined approach to land buying ensuring we achieve an even flow of land purchases during the financial year

PLANNING AND DESIGN

Obtaining the right planning permission is a key to our success and a balance has to be struck between a development designed to meet the needs of our Customer, the expectations of adopted local policies and design standards, and the context of the area.

We always seek to work in partnership with local authorities to ensure we contribute towards providing a range of housing for older people in a way that satisfies the policies of local planning policy, while also satisfying the Government's wider planning and housing objectives.

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OUR APPROACH

Our in-house planning teams have considerable knowledge of the retirement house building sector.

The Company's specialist in-house planning and affordable housing team, Planning Issues Limited (PIL), is involved from the initial identification of the land, where they are carrying out planning appraisals and providing pre-application advice to inform the decision to exchange contracts, preparing and submitting planning applications, negotiating with local authorities, coordinating planning appeals including instructing Planning Counsel, and appearing as an expert planning witness at Public Inquiries.

An under resourced Planning Inspectorate as led to significant delays of up to 18 months in the planning appeal process. We therefore try to minimise the number of developments that go to appeal.

Our team identify issues and individuals which may help or hinder what CRL want to do and then strive for the best policy or reputational outcome.

PIL will also make representations on relevant national policy consultation.

Our design strategy continues to focus on delivering attractive designs to meet the needs of our Customers, the local authority and local stakeholders while also focusing on efficiency of design to ensure our projects are cost effective and controlled. We continually evaluate our standard one and two bedroom unit types, which form the cornerstone of our product, and this year sees us introduce further specification improvements to again ensure we meet the needs of our market and the latest changes in Building Regulations.

We also look to limit on-site affordable housing requirements and mitigate the impact of Section 106 and Community Infrastructure Levy payments.

MEETING THE NEEDS OF THE CUSTOMER AND BENEFITING THE COMMUNITY

Our developments produce a large number of significant benefits which include:

- Reduction in demands on health & social services and other care facilities, with Owners remaining in better health
- More efficient use of public services with doctors, physiotherapists, nurses and other essential practitioners able to attend several occupiers at once
- Releases under-occupied housing onto the general market
- Maximises use of urban brownfield sites, which reduces pressure of sensitive greenfield locations
- Discourages the use of private vehicles by being located within highly sustainable locations in relation to town centres and public transport routes

ACHIEVEMENTS IN 2018

- We obtained 13 planning permissions with 5 allowed on appeal and 8 granted first time by the local planning authority
- Recruitment of a Public Affairs Director

PRIORITIES FOR 2019

- To ensure that the number of planning appeals are reduced
- Protecting and strengthening the core business by monitoring the political landscape

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CONSTRUCTION & COMMERCIAL

We are proud of our 5 star HBF quality certification as voted for by our Customers, and constantly strive to improve the quality of our product.

OUR APPROACH

Our developments are based on a modular system that comprises seven standard one and two bedroom apartment floor plans that can be arranged with a large number of different compositions. Our buildings generally have a traditional architectural appearance and sit comfortably in an established street scene. A typical building will be between three and four stories high and provide an average of 40 apartments for sale.

The commercial and construction processes are undertaken by our various regional teams of construction and commercial professionals. Ultimate control rests with the Group Commercial and Construction Director who is responsible for ensuring that the agreed standard specifications and design principles are followed, while monitoring and approving the overall cost of construction.

We continue to develop our supplier base and subcontractor network to ensure we control our costs and operate efficiently. Our Group Procurement Manager oversees our national Group agreements, ensuring we maximise our buying power and we maintain a consistent approach to delivery through the procurement of service level agreements.

We provide and operate all our plant internally and we have a policy of owning all the essential equipment we need to construct our buildings. In particular, we have a significant investment in tower cranes and their associated equipment along with site accommodation.

Health and safety is embedded in all that we do. More information on our approach to health and safety is included on page 40.

Our developments utilise modern energy efficient methods of providing both hot water and central heating. By using either ground source or, in some instances, air source heat pumps we are able to provide cost effective heating solutions for our Customers.

MEETING THE NEEDS OF THE CUSTOMER AND BENEFITING THE COMMUNITY

We are committed to employing methods and materials which require minimum maintenance and therefore lead to lower ongoing running costs, but at the same time provide a desirable living environment for our Owners. We have consulted with our Customers and undertaken a design review which has resulted in the development of new standard floor plans, which have increased the size of many of our flat types.

All our apartment buildings have lift access to all floors as well as significant communal spaces to allow our ever increasing range of social activities to take place. Our new open plan coffee bar areas have been a real success. We have also developed, with our supplier, a new digital emergency call system, which gives a wider range of functionality and continues to be fitted with an intruder alarm for added security and peace of mind.

ACHIEVEMENTS IN 2018

- During the year we commenced construction on 20 sites
- We continued to reduce build times during 2018 and had success in reducing the original programmed construction period on a number of our sites
- Due to reduced construction times and constantly improving design and management, we have been able to successfully control our construction costs in spite of significant upward cost pressures on imported materials as a result of the devaluation in the Pound over the period

PRIORITIES FOR 2019

- Reviewing the supplier and subcontractor network to support the continued growth of the Group, with a focus on a controlled project delivery, on time and within budget

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SALES & MARKETING

Our Sales & Marketing team work to build a strong and trusted brand, attracting a high volume of quality leads and supporting our Customers through every stage of the buying process.

OUR APPROACH

CRL has its own in-house Group Marketing department which strategically plans and implements marketing and PR initiatives for the Company, supported by in-house Graphic Design and Customer Relations teams. There are also Regional Marketing teams who look after tactical marketing for all selling and forthcoming developments.

The Marketing team is integral in helping the Sales department to achieve targets, driving good quality enquiries through a variety of channels. These include well-presented signage on site, direct mail, online activity, social media, national and regional press advertising, lifestyle events, PR activity and charity initiatives.

Our Sales team, also in-house and directly employed, is responsible for providing a first class experience to all our Customers. Our Sales Executives have a thorough sales training induction programme through our Sales Academy to ensure they are fully conversant with the high standards of customer service we expect. They also learn about the processes and policies that create the streamlined approach we follow for success, and understand the services we have to support our Customers with their purchase. An ongoing training programme is in place to upskill the team and ensure we have the best in the industry.

We provide a range of services to support Customers including help with selling their existing home, a recommended panel of solicitors, a decluttering and downsizing service, and a trusted removals service, all designed to take away the hassle of moving. A financial contribution towards these is an integral part of the service Churchill provides.

Selling retirement apartments is not just about the bricks and mortar; it's about conveying the lifestyle that can be enjoyed from living in retirement accommodation, with communal facilities for socialising, a Lodge Manager to look after the development and support the Owners, sophisticated safety and security systems to provide peace of mind to our Owners and their families, and the independence of living in a well maintained community.

MEETING THE NEEDS OF THE CUSTOMER

Our apartments give retirees the option to downsize to a smaller home with reduced energy and maintenance costs and the peace of mind that comes with living in a CRL development. There's also a Lodge Manager and all the latest safety and security features included. CRL is dedicated to ensuring that life is as effortless and hassle free as possible, allowing Owners to spend their time as they wish and ultimately enjoy their retirement.

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Our Sales & Marketing team's promote the lifestyle that is on offer at our developments and make the sales process as smooth and hassle free as possible for our Customers.

ACHIEVEMENTS IN 2018

Achieved 521 unit sales with an average sales price of £313k.

- Launched a brand new company website to ensure users receive the best possible experience
- Achieved over 80 million opportunities to see, hear and read about CRL through PR and gained 1,324 pieces of coverage
- Customer Relations handled over 41,000 calls
- Over 18,000 followers on Facebook

PRIORITIES FOR 2019

- To successfully enhance our Move With Ease process, which will focus on and further support our Customers throughout the buying stages

PROPERTY MANAGEMENT

Full property management services at our CRL developments are provided by Millstream Management Services (MMS), a subsidiary of CRL and an award winning provider of retirement housing management services in the UK.

OUR APPROACH

MMS is a people-focused business that genuinely cares about the happiness and wellbeing of all its Customers. Its services are highly transparent and always open to the Owner's scrutiny.

MMS is an acknowledged expert in all aspects of retirement housing. In addition, it manages a growing portfolio of retirement housing for other national developers, investors and Owners who have actively chosen MMS as their preferred provider.

MMS employs Lodge Managers across all of its developments, to assist with the daily management. The Lodge Managers organise lifestyle events for Owners, where social activity is encouraged but never compulsory. This enables Owners to socialise with like-minded people, stay active and remain independent during their retirement years.

Management is provided by a professional, qualified and experienced team, ensuring Owners receive a high quality service.

MEETING THE NEEDS OF THE CUSTOMER AND BENEFITING THE COMMUNITY

MMS puts its Customers at the heart of all it does. The wellbeing and happiness of the Customers is of paramount importance to the team and this ethos underpins the business and the way it operates on a daily basis.

Whether potential Owners are thinking of buying a CRL apartment or are considering appointing MMS as their management company, MMS's first priority is to give them expert, impartial advice. MMS is happy to share the benefits of its extensive experience and knowledge in this specialist sector, to ensure that Customers make decisions that are right for them.

ACHIEVEMENTS IN 2018

- The number of units managed increased by 976 to 6,759 units
- Winner - Best Managing Agent of an RMC/RTM Block
- Launched a new peer to peer recognition programme across its business called Recognising Excellence
- Achieved the Association of Residential Managing Agents (ARMA) accreditation

PRIORITIES FOR 2019

The business will continue to focus on its Mission and Vision:

"To provide its Customers with market leading property management services"

and

"To be the best property management company in the UK".

To achieve these stretching goals, the business will focus on the following:

- Professional development of its Colleagues, through e-learning courses
- Increasing Customer satisfaction
- Continued focus on its expansion of service development

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OUR STRATEGY

TO BE THE RETIREMENT HOUSEBUILDER OF CHOICE FOR AN INDEPENDENT, SECURE AND FULFILLING LIFESTYLE

CUSTOMER SATISFACTION

Provide and deliver a market leading product and service to all our Customers, putting them at the heart of all our decisions

See page 24

COLLEAGUE SATISFACTION

Create a motivating work environment in which all Colleagues feel valued, proud and able to benefit from the Company's success

See page 25

FINANCIAL PERFORMANCE

Create constant and sustainable growth through financial security with industry leading margins

See page 27

OPERATIONAL PERFORMANCE

Deliver growth of 10% per annum

See page 28

COMPANY REPUTATION

Be the most successful housebuilder in the UK

See page 29

CUSTOMER SATISFACTION

PROVIDE AND DELIVER A MARKET LEADING PRODUCT AND SERVICE TO ALL OUR CUSTOMERS WITH THE AIM OF CREATING A LIFESTYLE CHOICE THAT FULFILS THEIR REQUIREMENTS IN RETIREMENT.

Strategic priorities

- Continue to receive 5* HBF rating
- Ensure our core product continues to meet the needs of our Customers

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Performance in FY 2018

- Over 90% of Customers would recommend us to a friend
- 5* accreditation in recognition of customer service at the HBF Awards 2018 for the 3rd year
- Over 70% response rate to HBF questionnaires
- Further improvements in our specification

Medium-term targets and future outlook

- Maintain 5* accreditation with the HBF
- Continue with focus groups and competition reviews to ensure our core product continues to meet the needs of our customers
- Sustain our standing voice as a major authority in the retirement industry
- Further improvements in our specification
- Continued investment in MMS to ensure that we meet the needs of Customers on all new and existing developments
- To reduce the likeliness of defects being reported within the first two years of occupation by:
  - Adopting a robust, in-house, pre-occupation inspection process
  - Working in partnership with suppliers and subcontractors regarding feedback received from our Customers

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Key risks to manage

- Loss of our 5* HBF rating
- Construction quality failures that may cause damage to our brand, reputation and Customer satisfaction

See pages 47- 48

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COLLEAGUE SATISFACTION

CREATE A MOTIVATED WORKING ENVIRONMENT IN WHICH ALL COLLEAGUES FEEL VALUED, PROUD AND ARE ABLE TO BENEFIT FROM THE COMPANY'S SUCCESS.

Strategic priorities

- To attract and recruit skilled Colleagues to support the business and its growth
- To ensure that Colleagues have supportive and commercial leaders that ensure that they are developed, rewarded, recognised and feel valued
- Maintaining a high level of employee engagement through a defined strategy and opportunity for feedback

Image removed

Key risks to manage

- To attract and recruit skilled staff to support the business and its growth
- The Industry wide skills shortage leading to a competitive market
- Losing talented and knowledgeable Colleagues to competitors
- Managers not supporting Colleagues through induction and development

See page 47-48

Performance in FY 2018

- Ranked 4th in the Sunday Times Top 100 Best Companies to Work For, our highest position to date
- 79% of Colleagues completed the Sunday Times Top 100 Best Companies to Work For survey, therefore ensuring CRL maintained a 3 star accreditation for employee engagement, recognising extraordinary levels of achievement across our business
- In the Sunday Times Top 100 Best Companies to Work For CRL was the only housebuilder recognised and achieved 1st place in the category of Fair Deal, recognising the Company's approach to the pay and benefits it provides to its Colleagues
- The Company also secured 2nd place in the category of My Company, clearly demonstrating how our Colleagues enjoy and value what we do as a business
- Attrition has reduced since last year to 25.1%
- 339 Colleagues have attended a training course either delivered internally or externally, 66 of which resulted in a recognised qualification
- 29 Colleagues have been promoted
- Headcount has increased by 12% across the Group
- Health screening available to all Colleagues and a supportive Employee Assistance Programme

Medium-term targets and future outlook

- **Leadership development**
  To develop a leadership programme to ensure that Colleagues are led by talented, commercially focused leaders
- **Employment brand**
  Building upon the success of the Sunday Times Top 100 Best Companies to Work For by developing an effective employment brand to become an employer of choice within the industry
- **Training**
  Ensuring that Colleagues have the right training and development to do their job effectively to meet the needs of the Company and fulfil their potential.

  Ensuring that new Colleagues have a robust and rounded induction to the Company to enable them to have the right start from day one
- **Colleague wellbeing**
  Ensure that through the Manager's Essentials Programme our Managers are developed to ensure that they are providing the right support to their teams when life proves challenging

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OUR STRATEGY

FINANCIAL PERFORMANCE AND GROWTH

TO CREATE CONSTANT AND SUSTAINABLE GROWTH THROUGH FINANCIAL SECURITY WITH INDUSTRY LEADING MARGINS.

Strategic priority

- Maintain a minimum operating profit margin of 30%
- Invest at a rate which allows ROCE to stay within acceptable limits while achieving our growth aspirations
- Stay within debt limits and covenants
- Provide sufficient funding to achieve the Company goals (within the Company's debt appetite)

Key risks to manage

- Downturn in the housing market or recession
- Changes in ground rent legislation and the impact on the business cash flow and margins
- Operational activity not meeting required targets
- New/growing competitors in the same market
- Inability to secure funding
- Increase in costs throughout the business
- Company goals outweighing company debt appetite

See page 47-48

Performance in FY 2018

- 30.4% operating profit margin
- ROCE at 23.6% but stock investment maintained
- Stayed within debt and covenant limits
- Agreed a new five year, £120m revolving credit facility
- Winning Private Business of the Year at the PwC UK Private Business Awards

See page 31-32

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Medium-term targets and future outlook

- Maintain operating profit margins above our target of 30%
- Investment to bring back activity levels to pre-Brexit levels, albeit at the expense of reduced ROCE in 2018 and 2019
- Continue to grow volumes in the medium term, whilst maintaining margins
- Secure additional funding as required
- Remain disciplined with our cost control

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OPERATIONAL PERFORMANCE

DELIVER GROWTH OF 10% PER ANNUM

Strategic priorities

- Achieve a minimum of 10% volume growth p.a.
- Complete on land purchases, which comply with the land policy and timings in line with our disciplined growth
- Secure flexible land contracts
- Obtain planning permissions which exceed profit margins set at acquisition stage
- Complete construction of developments to time and cost
- Achieve site starts, delivery of apartments into stock and first occupations in line with planned activity levels
- Maintain HBF 5* rating

Image removed

Performance in FY 2018

- Growth targets were not achieved but sales volumes were broadly maintained, despite the subdued second hand market, as highlighted in the Chairman's Statement on pages 1-3
- Continued to review and keep down build costs to industry leading levels
- Improved our first occupation to site completion timescales
- Ensured our resources precisely matched our activity and minimised new recruitment levels
- Introduced new marketing initiatives to increase enquiry levels to maximise sales potential

See page 33-35

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Medium-term targets & future outlook

- To achieve land exchanges in FY 2019 to support our medium term targets
- Ensure all departments are fully resourced to meet our medium term targets
- Continue to drive efficiencies in key parts of the business including build time and costs

Key risks to manage

- Land availability/market and economy
- Planning success rates and timeframes with planning applications and appeals
- Change in planning legislation
- Meeting programme starts to avoid production congestion and delivery delays
- Build cost inflation, which may be higher than property price inflation
- Market conditions and enquiry levels
- Loss of key personel
- Brand reputation

See page 47-48

COMPANY REPUTATION

BE THE MOST SUCCESSFUL HOUSEBUILDER IN THE UK

Strategic priorities

CRL's corporate reputation as a high quality, trusted, successful and award-winning business is of paramount importance to our stakeholders. To maintain our industry leading reputation we are focused on each of the following key areas:

- Demonstrate strong brand values that resonate with our target market's own values and expectations of what CRL stands for
- Provide quality products and services to key stakeholders which support their needs, represent good value, inspire trust, and reflect our brand values
- Maintain confidence and trust in our product and services
- Ensure our leadership team and Colleagues represent CRL's brand values and promote us as an attractive and trusted Company to do business with

Image removed

Performance in FY 2018

- Maintained HBF 5* rating
- UK Over 50s Housing Awards 2017 – Most Outstanding Retirement Housing Operator for the ninth consecutive year
- Sunday Times Top 100 Best Companies to Work For – 4th place

Image removed

Medium-term targets and future outlook

- Maintain HBF 5* performance
- Continue to win national and regional awards for our developments, our customer service, our business performance, and our people

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Key risks to manage

- Customer or third party complaints
- Negative news reports about CRL and/or the wider retirement sector
- Construction site incidents or complaints
- Employee misconduct
- Legislation breaches
- Loss of HBF rating
- Cyber threats
- Data breaches or infringements (GDPR)

See page 47-48

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FINANCIAL REVIEW

DESPITE A CHALLENGING BACKDROP, CRL HAS MAINTAINED ITS SECTOR LEADING OPERATING MARGIN AND RETURN ON CAPITAL EMPLOYED.

As set out in the Chairman's statement, the Group made a number of proactive decisions as a result of government policy changes, continued economic uncertainty, and the shadow of Brexit, to ensure that we would be in a good position to deal with the slower housing market that we expected in 2018, and which came to pass.

The Group delivered 521 unit sales (2017: 527 unit sales). Despite this, total revenue increased by 5.9% to £188.4 million (2017: £178.0 million) as a result of the increased average selling price of 1.6% to £313k (2017: £308k) and mainly due to an increase in the sale of freehold reversionary interests which totalled £21.7 million in the year (2017: £10.9 million). The increase in average selling price was primarily due to house price inflation.

However, even with the reduction in volumes, the Group stayed true to its focus on profit and again produced sector leading operating margin and return on capital employed, which were 30.4% (2017: 32.9%) and 23.6% (2017: 29.7%) respectively. The reduction in return on capital employed is as a result of the continued investment during the year to ensure we have the sites and units required to achieve our growth strategy in the medium term, subject to market conditions.

The increase in selling prices was complemented by continued cost per unit control, with our average build cost per unit for sites starting construction during the year at £108k (2017: £104k). The increase is a result of continued inflation in the materials and labour market, along with regulatory changes. Costs remain under control and we continue to operate an efficient and standard approach to construction within the business.

Total Group headcount increased by 11.9% to 594 during the year (2017: 531). Of these, 399 (2017: 362) were employed in the core business of developing and selling retirement apartments.

The total average cost per unit sold increased to £170.5k (2017: £156.7k), which reflects the increase in build costs coupled with the mix of units sold. The level of overheads in the business continued to be well controlled. As a result of all of the above, the Group saw adjusted operating profit and margin reduce marginally to £57.3m from £58.5m and to 30.4% from 32.9% respectively, achieving our target of 30% for the second year running.

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The Group expensed net interest charges of £4.5 million during the year (2017: £3.7 million). Bank loan interest was the main factor in this, increasing by £0.8m as a result of the increase in the BoE base rate during the year, along with increased investment in work in progress, leading to a higher average bank debt position. Additionally £0.3 million was expensed in the year as a result of agreeing a new RCF facility. After interest charges, we achieved a 28.0% profit before tax margin.

CASH FLOW AND FUNDING

In June 2018 the Group agreed a new five year £120 million revolving credit facility with HSBC and, prior to this, the Group had continued to operate within the £100m revolving credit facility that was arranged in March 2015. At the year end, our net bank debt stood at £57.4 million (2017: £29.7 million). The Group remains in full compliance with all the provisions of this agreement. The Board sees this facility as sufficient to achieve its medium term growth goals.

Our stock levels increased to £279.4 million from £223.7 million in the previous year, which is reflected in the return on capital employed figures noted above.

The Group closed the year with a further increase in its tangible gross asset value to £266.3 million (2017: £219.3 million). Net assets at 30 June 2018 were £160.9 million (2017: £141.7 million).

CHIEF FINANCIAL OFFICER'S REPORT

RISK MANAGEMENT

The Board sets the approach to risk, maintaining a close involvement in identifying and mitigating risk, monitoring certain key risk indicators on an ongoing basis, and maintaining a robust risk management framework. This provides management of risk at all levels across the business. The Internal Audit function introduced in the prior year, 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.

More detail on our risk strategy is detailed on page 46. As part of managing the financial risk in the business, we consider lessons learnt from our experience of the last recession, the housing market and the broader UK economic environment.

CRL'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 ensures we are not over dependent on local markets. This in itself mitigates an element of market risk.

Our land acquisition policy ensures the majority of land exchanges are on options or subject to planning contracts (100% of exchanges in 2018), 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 3,338 plots as at 30 June 2018 with a potential gross development value of £1.1 billion.

TARGET RETURNS

The Group is targeting to maintain both its operating profit margin and return on capital employed at sector leading levels, with the short to medium term target to maintain or return to 30% respectively, providing current economic conditions do not deteriorate. Our current land bank and land purchase targets for future years are expected to see us achieve our growth ambitions whilst achieving these rates.

Dean Marlow
Chief Financial Officer

	Units	**2018**	2017	Variance	% Variance
Sales Units	#	**521**	527	(6)	(1.1%)
Average Sales Price	*£,000*	**313**	308	5	1.6%
Revenue	*£,000*	**188,414**	177,962	10,452	5.9%
Adjusted Operating Profit	*£,000*	**57,279**	58,513	(1,234)	(2.1%)
Adjusted Operating Profit %	%	**30.4%**	32.9%	(2.5%)	(7.6%)
Adjusted Net Profit before Tax	*£,000*	**52,739**	54,858	(2,119)	(3.9%)
Adjusted Net Profit before Tax %	%	**28.0%**	30.8%	(2.8%)	(9.1%)
Net Bank Debt (year end)	*£,000*	**57,438**	29,691	(27,747)	(93.5%)
Total Debt	*£,000*	**114,517**	85,430	(29,087)	(34.0%)
Total Stock	*£,000*	**279,381**	223,690	55,691	24.9%
Net Assets	*£,000*	**160,914**	141,698	19,216	13.6%
Gearing	%	**71.2%**	60.2%	11.0%	18.3%
ROCE (Average)	%	**23.6%**	29.7%	(6.1%)	(20.5%)

OPERATIONAL OVERVIEW

WE ARE CONFIDENT THAT DEMAND FOR OUR CORE PRODUCT WILL CONTINUE TO GROW AND OUR VISION FOR THE BUSINESS REMAINS FOCUSSED ON OUR CORE MARKET. OUR PLANS FOR DISCIPLINED GROWTH ARE UNDIMINISHED, DESPITE THE EXTERNAL FACTORS THAT HAVE IMPACTED ON OUR PERFORMANCE IN THE YEAR TO JUNE 2018.

The market has undoubtedly hardened, combined with uncertainty created by the continuing ambiguity around Brexit. The Government's decision to set ground rent on leasehold houses and flats to zero (and the subsequent loss of income from the sale of FRIs) has had additional negative impact on our business. These combined factors have been key in influencing our operational decision making and performance for the year. As a direct consequence, we maintained a cautious approach to land buying. This resulted in the group acquiring 13 sites last year at an average cost of £57k per unit. Sales were also impacted by subdued conditions in the wider second hand housing market, which led to lower levels of enquiries and reservations and ultimately lower than anticipated unit sales.

We take pride in retaining our 5 star HBF customer satisfaction rating in 2018 and continued to win a number of high profile awards during the year, including 4th place in the Sunday Times Top 100 Best Companies to Work For in the UK.

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This award recognised that care for our Customers and Colleagues is at the heart of our business. These accomplishments represent ongoing recognition of our operational excellence and outstanding position within the industry.

MARKET OPPORTUNITY

Churchill Retirement Living designs quality, purpose built apartments, based in sustainable, convenient locations, that enable our Customers to enjoy an independent lifestyle in their retirement. Our primary goal is to ensure that we provide our Customers with a product that allows them to benefit from an enhanced lifestyle. We have developed considerable knowledge and expertise around the needs of our purchasers and what drives their decisions. Our Customers are at the heart of our decision making process and we are committed to exceeding their expectations.

Our core offering is one and two bedroom apartments, which have shared facilities such as a communal Owners' Lounge and Guest Suite. We consider ourselves to be a market leading specialist retirement provider in terms of our lifestyle product offering, as well as leading in financial and operational performance.

Our business model is built on employing all of our principal expertise in-house. With all disciplines under our direct control (land acquisition through to planning, construction, sales and after-sales) we are able to function efficiently and effectively, ensuring we are highly responsive to changes in market conditions. When combined with our mature processes and policies, this lends us confidence that we have appropriate controls in place to support the business as it expands and grows.

There is still an undeniable increase in our demographic target market of the over 60s, and a recognised undersupply of purpose built retirement housing. Both are long term growth drivers for the business, and give us confidence in the Group's potential to achieve steady growth over the coming years, subject to market conditions.

OPERATIONAL CENTRES

Our Group Head Office is in Ringwood, Hampshire supported by an infrastructure of Regional Head Offices across our operational areas which are in Byfleet (South East), Bromsgrove (Midlands), St. Alban's (Eastern) and Ringwood (South West).

We envisage our growth potential being realised organically over the next few years, through the expansion of the above already well-established regional office teams, combined with the gradual development of our newer Area Office in Manchester, which we intend will operate as a standalone region. Each regional office contains a fully independent operational team, with their own budgeted activity and targets.

During the year we also opened a new office in central London, close to Westminster and Parliament, where our new internal Public Affairs team is now based.

OPERATIONAL OVERVIEW

FINANCIAL REVIEW AND KEY FINANCIAL PERFORMANCE INDICATORS

A detailed review of our financial results and key performance indicators can be found in the Chief Finance Officer's report on pages 31-32

OPERATIONAL PERFORMANCE

The CRL Board (refer to page 50) is responsible for delivering the Group's operational performance. Our aim is to maintain industry leading margins by:

- Buying desirable sites in sought after locations, at the right price
- Producing award winning designs to ensure our products remain the first choice of our Customers
- Continuing a disciplined approach to costs to ensure that our industry leading margins are maintained

We have launched 'Project Focus 2019' which identifies a number of ongoing operational initiatives to drive improvements in key parts of our business, in order to deliver objectives.

LAND AND LAND STOCK

Our land strategy continues to focus on building a strong land bank of sites, with highly conditional contracts based on viability or flexible term options. This approach means we can maintain flexibility on our commitment to purchase and bring sites forward where necessary to meet our requirements within our specified timelines. Every site we purchase goes through a rigorous process of evaluation, due diligence and a challenging approval procedure to ensure it meets our requirements for success. It is therefore imperative that we have a robust land buying strategy in place, together with strong and fully focused land teams across each of our regions, in order to deliver our pipeline land stock requirement. This year, we have strengthened our land teams in order to deliver our land and unit sales strategy.

As at 30th June 2018, our forward land stock position stood at 3,338 plots across 102 sites, giving us sufficient stock and WIP to meet our medium term objectives.

DESIGN

Our commitment is to provide attractive, high quality buildings which meet the aspirations of our Customers and external shareholders. Our focus is on controlling build costs through efficient design and maintaining tight control over spending where appropriate.

Our in-house architects will continue to create award winning designs at industry leading costs, which we are proud of, whilst at the same time adhering to a clear brief on practicality and efficient delivery.

PLANNING

Our specialist planning team, Planning Issues, handles all aspects of national and regional planning advice, applications and compliance, in addition to carrying out a programme of community engagement and public consultation activity prior to each planning submission. They work closely with our Land and Design teams to maximise the potential of our sites.

The lack of resources both in local government and the Planning Inspectorate are a major concern and are resulting in delays in taking proposals through the planning system. It can now take up to 18 months from lodging an appeal to achieve an appeal decision. We continue to lobby the Government to ensure that these problems are overcome and housing delivery increased.

In the year to June 2018 the planning team submitted 15 planning applications and secured 13 planning permissions, five of which were via appeal.

COMMERCIAL AND CONSTRUCTION

With the aim of maintaining our profit margins, we continually monitor the performance of our supplier/subcontractor base to ensure that they meet our demands. Strategic procurement processes based on a programme of principals for subcontractors and suppliers will assist in avoiding operational risks for delivery. Our budgeting and project control systems use reliable and transparent benchmarks for our product. This enables consistent delivery of value and helps protect our business.

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OPERATIONAL OVERVIEW

In the year to June 2018 we started construction on 20 sites (858 units) at an average cost of £108k per unit, with the maximum number of sites under construction at one time being 35.

SALES AND MARKETING

We anticipate that the market will remain challenging for 2019 with the sales rate in line with 2018. We recognise that on some specific sites incentives may need to increase in order for us to maintain our current rate of sales.

Our sales performance for the year to June 2018 was disappointingly down to 521 unit sales (2017: 527) due to the external market factors outlined previously in this report. A large impact on our overall performance came in the South East region where market conditions were felt the most. We saw variations across each region, with local market factors also playing a part; for example the higher value areas in Surrey being more heavily impacted by Stamp Duty changes on top of the wider economic uncertainty throughout the year. We experienced a lot more caution in the market generally across all regions, with buyers, lenders and solicitors all contributing to longer timescales between reservation and completion.

Lead generation is a key focus for the year ahead with a significant investment in on and off-line marketing activities, to enhance our brand awareness, raise the Company's profile and generate sales enquiries. We will be increasing our investment predominately in online channels, as this is the area where we are seeing a strong and measureable return on investment.

We will continue to place great emphasis on ensuring we deliver a first class customer experience and supporting our Customers through their move.

Clinton J McCarthy
Managing Director

Martin Young
Chief Operating Officer

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OUR PEOPLE

VALUES

Every company has a set of values to support the company vision, shape and culture and reflect what is important to the company. The CRL values are Trust, Openness, Respect, Communication and Honesty (TORCH).

A number of Colleagues act as TORCH Ambassadors and, through them, the Company ensures that the values stay front of mind for all Colleagues, irrespective of role or location.

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COLLEAGUE ENGAGEMENT

Colleague engagement is at the very heart of the CRL People Strategy, as it's vital to the success of the Company. Through a variety of different methods including Colleague surveys, new starter and leaver interviews, through to our Company magazine known as Team Spirit, we ensure the Company listens and addresses the topics important to its Colleagues and shares important information. Each year, our Chairman holds a Q&A session with every Region and Department, answering questions on everything from Company strategy and performance, to who inspires him. It's vital to ensure that from the very top we're listening to each and every one of our Colleagues, ensuring extraordinary levels of engagement.

SHARING OUR KNOWLEDGE

We are committed to sharing knowledge and developing those wishing to enter the housebuilding industry from school or other industries. With a number of apprentices in a range of roles across the Company, we encourage not only our Managers to look at trainee schemes but also encourage our subcontractors to do the same. We work with apprentices to create clear plans, ensuring they have the right experience to meet the requirements of their studies and set themselves up for their future careers.

OPPORTUNITIES FOR DEVELOPMENT AND TRAINING

We have designed a bespoke sales training programme to ensure that our Sales Executives are fully equipped to be the most effective in their role. In addition, our Construction teams have a bespoke induction programme to enable them to understand the CRL construction practices from day one and a dedicated Construction Training Manager supports them throughout their career with CRL.

In addition to this, a Manager's Essentials programme, that provides all Managers with the core skills and understanding to support both themselves and their teams, is delivered on a rolling basis. It's seen as essential that Managers can recruit the right people and then develop them throughout their career at CRL.

EMPLOYER OF CHOICE

In 2018, we achieved our highest ranking ever, achieving 4th place in the Sunday Times Top 100 Best Companies to Work For 2018. This was nine places up on the previous year. This award is given based on the feedback from Colleagues – a massive 79.3% of Colleagues completed this survey, ensuring that the Company maintained its 3 star accreditation for extraordinary engagement. The Company scored 1st place for how Colleagues feel they are rewarded, a direct link to the successful pay and benefits strategy at CRL. We ranked a tremendous 2nd place for how Colleagues value the Company, product and ethos – all of these acknowledgements promote CRL as a great place to work.

Externally, when new Colleagues or candidates apply to work at CRL they see this as a stand out reason – especially important as CRL is, once again, the only housebuilder to have achieved such an accolade.

DIVERSITY & INCLUSION

We believe that through our values and policies we ensure that we have a working environment where everyone is treated with fairness and respect. Our work force is split 60% female and 40% male, with women's median hourly rate only 13% lower than men's. This is better than the national average of 18.4% (as reported in by the office of national statistics figures for 2017).

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SUSTAINABILITY

CRL continues to promote sustainability, incorporating techniques within its construction processes and associated site activities to mange the impact this has on local communities. CRL continues to work collaboratively with its contractors, suppliers and Customers to minimise waste, energy wastage and reduce risk to the environment. By following good practice measures, CRL aims to continually reduce the environmental impacts across all its activities whilst helping clients and partners to do the same.

In particular, CRL strives to improve on reducing, reusing and recycling waste materials where possible, before responsibly disposing of surplus materials. Emphasis is placed on travelling between sites and offices, encouraging the use of public transport, cycling, and car sharing where practicable. Responsible and diligent procedures ensure the sourcing of materials and goods upholds low environmental impact, whilst working with local suppliers where feasible. Where possible CRL aims to reduce its carbon footprint through efficiency measures, adoption of source heat pump technology providing heating and hot water, switching or providing managed buildings with green electricity tariff supplies and, finally, maintaining integrated low energy and energy efficient design.

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HEALTH AND SAFETY

"Our Health & Safety Vision...

To create a safe and secure environment"

We are determined to develop a culture where health and safety is embedded in all that we do. This aligns with our Company values and encompasses our commitment to our Customers, to our business partners and to each other.

The plc Board has created a new Group Health & Safety Committee who are responsible for delivering this vision and encouraging and promoting a vibrant, compliant health and safety culture. Health and safety is a strategic priority, therefore the Group Health & Safety Committee will report directly into the plc Board.

The Group Health and Safety committee consists of:

- CRL Managing Director (Chair)
- Chief Operating Officer
- MMS Managing Director
- General Counsel and Company Secretary
- Head of Health and Safety

In support of our vision, this year we commissioned an independent health and safety consultant to undertake an audit and to make recommendations on how to develop and embed our health and safety culture, underpinning our drive for excellence and continuous improvement. We have also created two new Group Health & Safety Steering Groups, who will inform and assist the Group Health & Safety Committee to identify and manage the health & safety risks within our business and implement the strategy set by the Committee. We are recruiting for a new Head of Health & Safety and in the interim our health & safety consultants are reporting directly to the Managing Director and Executive Team, identifying any area of concern and reporting on accidents and near miss incidents.

CRL monitors construction site health and safety performance regularly through independent site inspections carried out by the NHBC health and safety team. Both CRL and MMS employ external health and safety consultants to further assist with inspections.

Our vision emphasises the proactive approach we expect from our colleagues, underlining the individual responsibility for health and safety that we want to engender. CRL continues to invest in our people by providing regular competence training to our workforce, contributing to our goal of fostering a culture where we are putting safety first in every decision we make.

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COMMUNITY INVOLVEMENT

By their very nature, our developments make communities more vibrant and help them to thrive, enhancing the townscape and providing shoppers for the local high street. Our Owners are typically positive thinking and active third agers who like to get involved in charity initiatives and be a part of what's happening in their local communities.

CONSTRUCTION SITE VISITS

From the moment we begin construction, on every new site, we look to engage with local schools, community leaders and MPs through construction site visits and safety talks.

Preet Gill MP said: "I was grateful to Churchill Retirement Living for inviting me to the development for a tour. Retirement properties are a crucial part of helping to unblock the UK's housing crisis and this new development is a significant addition to the housing provision here in Quinton."

CONNECTING THE GENERATIONS

We gave Year 10 student Charlie Wilson, from Panair School in Truro, the opportunity to volunteer to help our Owners learn new computer skills at Tregolls Lodge in Truro. He explains: "I thought it would be a great idea to provide IT support to the older generation. I've visited every Monday after school and have helped with all sorts of areas. I've shown Owners how to use iPads, access websites, download photos, print documents and keep in touch with friends and family using social media and Skype; whatever they need help with really. It's been great to be able to share my skills and knowledge with other people and know I'm doing something practical to help them."

SCHOOL PARTNERSHIPS

We believe strongly in the importance of encouraging the younger generation into a career in construction, and we proactively engage with local schools to introduce children of all ages to the variety of opportunities that might be open to them in our industry.

Site safety visits during the building phase introduce them to the inner workings of a construction site and the health and safety aspects involved.

Reading partnerships, where we invite local school children into our Lodges to read to Owners and talk to them about subjects they are studying, introduces a wide range of topics to encourage interactive learning between the different generations.

We also arrange time capsule projects which tie into school history topics, and wildlife visits where children and Owners explore the nature inhabiting our Lodges' communal gardens. This is in addition to regular Christmas carol concerts, and Remembrance Day and St George's Day events for local school children and the wider community.

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Bee Sanders, Year 1 class teacher at Holy Redeemer Catholic Primary School, Pershore said: "The time capsule burial at Nightingale Lodge has been a fun project for the class to get involved in and a wonderful opportunity for the children to celebrate the local history of their home town. We're very grateful to Churchill Retirement Living for organising the visit - all of the pupils worked very hard on their creations for the time capsule, which I'm sure our descendants will have a lot of enjoyment looking through one day. We had great fun thinking about what people in the future will think when they dig it up!"

SUPPORTING THE EMERGENCY SERVICES

Several of our construction sites across the country have teamed up with local fire service teams, offering them the opportunity to use our sites for training purposes prior to demolition and construction taking place. Using vacant buildings and site cranes helps them to practice vital lifesaving techniques.

Brady Morris, Watch Manager for Dorset and Wiltshire Fire and Rescue Service's Technical Rescue team said: "Man-made structures such as the crane at Churchill's Shaftesbury construction site present particularly technical challenges for our team, and with the support of organisations like Churchill to help us train, we are able to provide a better service to our community."

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THE CHURCHILL AWARDS

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Now in their sixth year, the Churchill Awards celebrate the outstanding achievements of those aged over 65, and their contribution to British life during the past year. Dame Esther Rantzen DBE led a star-studded celebration at this year's event to honour the continuing achievements of those in this age group across all realms of society.

This year's winners included Sir David Jason (stage & screen), Sir James Dyson (business), Lord Melvyn Bragg (literature), Baroness Joan Bakewell (politics), Moira Stewart (radio) and Sir Geoff Hurst and Gordon Banks (charity).

The winners were announced at an exclusive ceremony at the Mandarin Oriental, London on Thursday 1st February 2018. The judging panel for this year's awards included other well-known figures such as Dame Jacqueline Wilson DBE (literature), David Courtney (popular music), Humphrey Ocean (art), and Lawrie McMenemy (sport).

Alongside the celebrities and famous faces, it was also an opportunity to reward some ordinary people who do extraordinary things and whose achievements are less widely recognised, but no less worthy. Two special 'Local Hero' Awards went to Danny and Val Edwards from Southampton, and Oriana Taylor from Fareham, honouring them for the work they do in their local communities. Bill Morgan also won the 'Churchill Owner' Award for his contribution towards everyday life at Churchill's Eaton Lodge development in Chester.

"I wholeheartedly congratulate the winners of these awards for providing us with such remarkable role models. They have all made a difference to the lives of millions of people over the past year, and this is a wonderful opportunity to showcase and celebrate their achievements. We will continue to be inspired by them and learn from them." – *Dame Esther Rantzen DBE*

"The Churchill Awards highlight everything the over 65s contribute to our society, and recognise the significant amount they still have to offer. It was a pleasure to welcome all our winners to celebrate with us this year and I would like to thank all our judges and everyone who has played a part in these awards, which continue to go from strength to strength." – *Spencer McCarthy*

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THE CHURCHILL FOUNDATION

The Churchill Foundation, the charitable arm of CRL, was established in 2015 and after less than three years of fundraising has raised over £800,000 for a wide range of charities.

Each year, the Foundation chooses a number of charities that are close to our Owners, Colleagues and business partners. The Foundation's core values are the relief of disease and human suffering, the promotion of health amongst the elderly and the support of wellbeing for the young. This year the Foundation has partnered with Walking With The Wounded and Hope for Food.

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The year began with Warming Mornings, an event that encouraged Churchill Owners to get together and enjoy luxury hot chocolates, speciality teas and delicious cakes. A local charity was chosen by each Lodge with a total of £4,000 raised.

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Two new events have taken place this year; the Colleague Skydive saw 31 people from regional offices and Lodges push their fears to the limit by jumping from 15,000ft and raising £22,000 for Hope For Food a Bournemouth-based charity that aims to provide life's basic essentials to people in need due to the current economic climate.

The second event was the Christchurch Supercar Show. This two-day event started with a gala evening for all the car owners and their guests, followed by the Supercar Show the next day. The day saw approximately 15,000 people come and view the cars, where £150,000 was raised for Walking With The Wounded.

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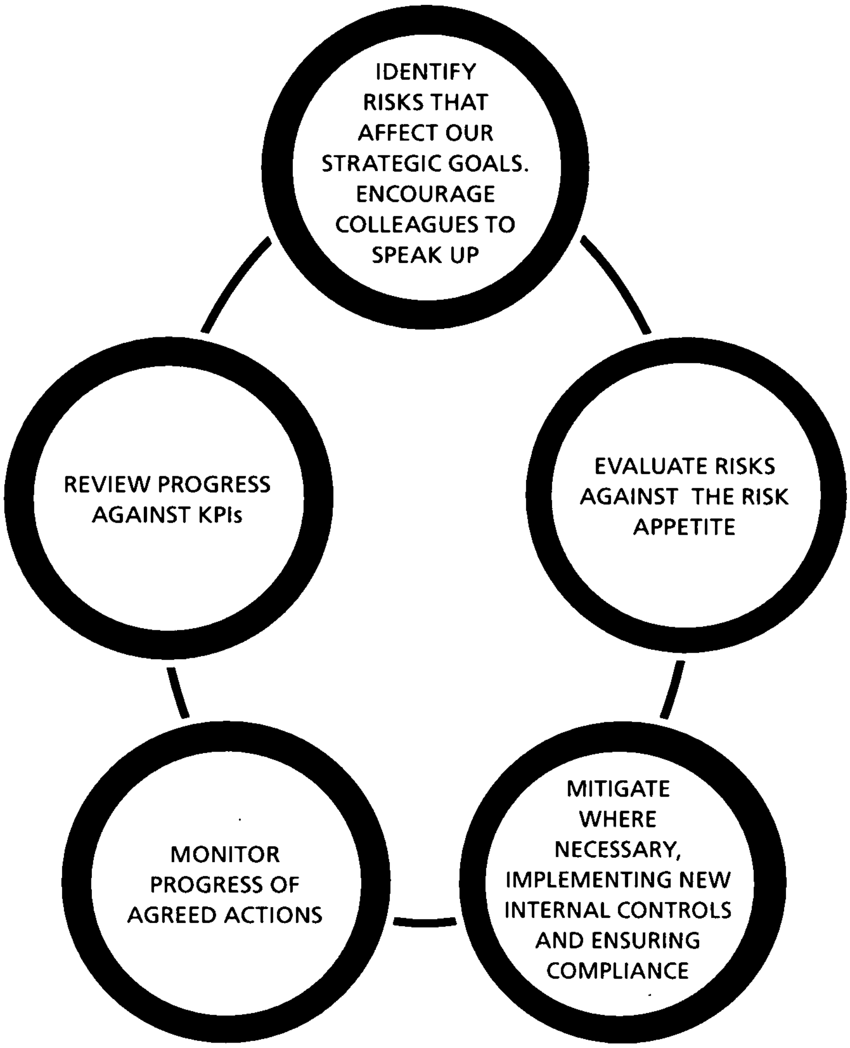
The Trustees of the Churchill Foundation are delighted with the amount of funds that have been raised to date and that the Foundation has been able to support such a wide range of local and national charities.

HOW WE MANAGE RISK

Effective risk management is more than risk management policies and processes. The Board recognises the importance of a risk aware culture and that behaviours of its Colleagues and business partners will have an impact on the overall effectiveness of the risk management framework. Behaviours have been the key focus for the year.

The overall risk management process and governance structure has not changed during the year, however a number of activities have been undertaken during the year;

- ☑ TORCH values re-communicated in several channels including the intranet, internal magazines and management training;
- ☑ New TORCH Ambassadors;
- ☑ New Speak UP initiative and updated Whistleblowing Policy;
- ☑ Updated Bribery, Gifts & Hospitality Policy
- ☑ Challenging the alerts and indicators in Board papers to ensure new and emerging risks are transparently reported prior to decisions being taken
- ☑ Review of the bonus and commissioning structures



RISK MANAGEMENT FRAMEWORK

The risk management framework requires management to regularly review their risk registers and be aware of emerging risk that could have an impact on the Company achieving its goals. The process is set out in the risk management strategy to ensure consistency across the Group.

All evaluated risks should be evaluated and compared to the Group risk appetite, which is set and agreed annually by the Board. The Board is also responsible for identifying principal risks facing the Group.

Management is responsible for ensuring that adequate internal controls are in place to reduce risk, however in some cases a decision may be taken to transfer the risk to a third party.

Management also monitors key indicators, which are designed to provide an alert to risks that are increasing or not within appetite.

The risk management framework is reviewed by the Internal Audit. Internal Audit is responsible for providing assurance on how effectively the risk management framework is designed and operating.

Understanding principal risks and any changes in their likelihood or impact evaluation is fundamental in setting and monitoring our strategic goals as well as assessing the longer term trends and longer term outlook.

Principal risks are regularly assessed and are considered as part of the viability statement.

PRINCIPLE RISKS AND UNCERTAINTIES

The PLC Board has assessed the risks which could affect the delivery of the strategic goals.
The most significant risks are recorded below, together with the movement since last year and the mitigation in place.

RISK	LINKED TO STRATEGIC GOAL	IMPACT	MITIGATION	CHANGE	READ MORE
UK's exit from the EU	Colleague Operational	Continued uncertainty around "Brexit" means that potential risks cannot be fully quantify in terms of availability of skilled labour (due to potential free movement of people restrictions) and availability and cost of materials (due to uncertain trade deals).	CRL will continue to monitor the position and re-assess the risks facing the group as more information is announced.	←→	
Government Policy, Political risks and changing legislation	Reputation Operational	There have been a number of changes during the year which could have a direct impact on the business model and operational activity including the Ground Rent review, the National Planning Policy, Building Regulations and GDPR. Non-compliance may result in; • Adverse publicity and damaged reputation • Financial damage arising from fines, claims, penalties, court action and slowed productivity	The group has worked with other retirement companies to address concerns of new legislation which will impact the ability for sufficient numbers of viable retirement homes to be built, to meet rising demands. The group has published gender pay results and its modern slavery statement and updated its policies around GDPR.	↑	For more on planning legislation refer to pages 7-8 For more details on the ground rent review refer to page 3
Economic Conditions, Housing Market and Competition	Operational	The general economic outlook and housing sector performance has a direct impact on the confidence and ability of our Owners to purchase one our properties. With the introduction of more equity release schemes and other retirement housing operators, the company recognises the importance of monitoring these risks closely to ensure our growth plans and financial requirements are met.	We continue to ensure our new properties cater for the needs of our Owners by undertaking regular competitor analysis, focus groups and specification reviews. During the year we have also introduced a 999 year lease and offered deferred payment plans.	↑	Chairman's statement pages 1-3 Growing need is demonstrated on pages 7-8

RISK MANAGEMENT

RISK	LINKED TO STRATEGIC GOAL	IMPACT	MITIGATION	CHANGE	READ MORE
Health & Safety	Reputation	The group works in inherently risky environments. H&S failures could result in; • injury or death to our colleagues, owners, contractors or the public; • reputational damage • financial damage relating to legal actions, fines, claims and project progression	To improve our H&S culture we have renewed the H&S Vision and Strategy, created a new H&S Committee and Steering Groups and invested in additional H&S Consultancy support, to improve our internal procedures.	↑	For more information refer to page 40
People	Colleague	The group recognises the importance of attracting and retaining talented people, in the right roles. Without this the company may have insufficient capacity, or skills to fulfil our growth plans and maintaining the successes that we have had to date.	A lot of work has been undertaken in this area to ensure we understand how colleagues feel and what they expect from their employer. It was an exceptionally successful year with our colleagues independently voting to make us the 4th Best Company to Work for in the UK.	↓	For more details on Colleague satisfaction refer to page 25
Customer service & satisfaction	Reputation Customer	Dissatisfied customers could have a significant impact on the Groups' brand which may ultimately damage our reputation.	We continue to issue surveys to all Owners. Results showed that over 90% would recommend us. MMS has won the "Best Management Agent" award. We have also improved our feedback and complaints procedure during the year.	↔	For more details on Customer satisfaction refer to page 24
Information Management, Cyber Security and Business Continuity	Reputational Operational	As the company relies upon IT systems the risks relating to their use increases especially with the increase in cyber threats. A loss in IT systems may disrupt operational activity and damage our reputation.	The company has created a security project and continues to review its business continuity arrangements.	↑	
Availability of Funding	Financial	Should funding not be available it could result in the failure of the business or an entity within it, the inability to achieve the planned margins or fund our growth plans.	A new bank facility was agreed during the year which exceeds peak and mid-term projected requirements. Cashflow and scenario planning in place.	↔	For more information on financial information refer to pages 31-32

BOARD OF DIRECTORS

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EXECUTIVE

Spencer J McCarthy
Chairman and Chief Executive Officer - Aged 52

Date of appointment to the board:
Co-founded the Company in 1994

Spencer has been in the retirement sector all his working life, boasting over 34 years' experience. Having co-founded CRL with his brother, Clinton, Spencer is responsible for the strategy and growth of the business with specific responsibility for land, planning, design, marketing and sales.

Clinton J McCarthy
Managing Director - Aged 53

Date of appointment to the board:
Co-founded the Company in 1994

Clinton has spent most of his life in the construction sector and, having co-founded CRL, has over 17 years' experience in the retirement sector. Clinton takes specific responsibility for construction, plant services and customer services.

Dean Marlow FCCA
Chief Financial Officer - Aged 47

Date of appointment to the board:
1 October 2003

Dean joined CRL in 2000 having qualified as a Certified Chartered Accountant with Smith & Williamson. He was appointed to the Board in 2003. As well as leading all debt raising to support the Group's growth, Dean is responsible for all financial reporting, budgetary control, information & communication technology and human resources.

Martin Young
Chief Operating Officer - Aged 64

Date of appointment to the board:
31 July 2015

Martin has worked in the retirement sector since 1980 and ran his own retirement building business for 16 years. He joined CRL in 2013 as a Regional Managing Director, before his promotion to the Board as Chief Operating Officer, overseeing regional activity.

BOARD OF DIRECTORS

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NON-EXECUTIVE

Bill Oliver
Non-Executive Deputy Chairman - Aged 62

Date of appointment to the board:
1 December 2016

Bill has over 35 years of housebuilding experience. A qualified Chartered Accountant, he held roles at Barratt Developments, Alfred McAlpine, The Rutland Group and Dwyer Estates, before joining St Modwen as Finance Director in 2000. Bill retired from St Modwen in 2016 after 13 years as Chief Executive and 17 years on its Board.

John S McCarthy FCIOB, MBE
Non-Executive (Investor) Director - Aged 78

Date of appointment to the board:
1 July 2004

John retired from McCarthy & Stone (the company he co-founded in 1963) in 2004 and, in the same year, was appointed as a Non-Executive Director of CRL. Over his 54 year career in the building industry, John has received many business accolades, including an MBE for his contribution to the elderly.

Harry Harrison
Non-Executive Director - Aged 70

Date of appointment to the board:
1 January 2004

Harry joined McCarthy & Stone in 1972 and became a Plc Director. In 1992 Harry formed his own property consultancy and has provided advice to CRL over many years. He was elected a Non-Executive Director in 2004.

Simon Boadle
Non-Executive Director - Aged 60

Date of appointment to the board:
3 January 2017

Simon Boadle has been a corporate finance adviser for over 30 years, and is currently a Partner and Executive Chairman, Corporate Finance with Stonehage Fleming. Previously he was a Partner with PwC Corporate Finance and a Director with NatWest Markets. He has extensive experience of mergers and acquisitions, restructurings, IPOs and capital raisings, both in the UK and internationally.

CHURCHILL RETIREMENT PLC

Report and consolidated financial statements for the year ended 30 June 2018

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
Solicitors	Moore Blatch LLP Gateway House Tollgate Chandlers Ford SO53 3TG Linklaters LLP One Silk Street London EC2Y 8HQ

CHURCHILL RETIREMENT PLC

Directors' report for the year ended 30 June 2018

The directors present their report and audited consolidated financial statements of Churchill Retirement Plc 'the Group' for the year ended 30 June 2018.

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

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 £57.3 million for the year to 30 June 2018 (2017 - £58.5 million). Adjusted profit from operations includes the disposal of freehold reversionary interests that generated an adjusted profit before taxation of £20.6 million (2017 - £10.1 million).

GOING CONCERN

The Group meets its day to day working capital requirements through cash in hand and a £120 million revolving credit facility (detailed in note 18). The Group operates a range of forecasts for the years ahead, covering both an expanding and contracting market, with assumptions for the contracting market based on previous recessions. All show the Group has the flexibility to adjust to different funding conditions and 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

A dividend of £45.13 per share was declared in the year (2017 - £Nil).

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 structured 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. The bonus is first 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.

CHURCHILL RETIREMENT PLC

Directors' report for the year ended 30 June 2018 *(continued)*

DIRECTORS

The following Directors have held office since 1 July 2017 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

S H Boadle

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

The following Company Secretary has held office since 1 July 2017 and up to the date of signing the financial statements:

D M Riley

POLITICAL AND CHARITABLE DONATIONS

During the financial year the Group made charitable donations of £8,350 (2017 - £25,626), and £15,000 (2017 - £Nil) made to political parties.

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
- 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

The auditors, KPMG LLP have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

On behalf of the Board
C J McCarthy
Director

11 October 2018

Independent auditor's report to Members of Churchill Retirement Plc
for the year ended 30 June 2018

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 2018 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 2018 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 54, 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.

Independent auditor's report to Members of Churchill Retirement Plc for the year ended 30 June 2018

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.

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

11 October 2018

CHURCHILL RETIREMENT PLC

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Notes	**Year ended 30 June 2018 £,000**	Year ended 30 June 2017 £,000
Revenue	*4*	**188,414**	177,962
Cost of sales		**(104,537)**	(95,528)
Gross profit		**83,877**	**82,434**
Other operating income	*5*	**154**	400
Administrative expenses		**(27,412)**	(24,981)
Profit from operations	*6*	**56,619**	**57,853**
Finance expense	*8*	**(4,541)**	(3,662)
Finance income	*8*	**1**	7
Profit before taxation		**52,079**	**54,198**
Tax on profit	*9*	**(10,956)**	(12,063)
PROFIT FOR THE YEAR AFTER TAXATION		**41,123**	**42,135**
Profit for the year after taxation attributable to:			
Owners of the parent		**41,177**	42,167
Non-controlling interest		**(54)**	(32)
		41,123	**42,135**

The notes on pages 61 to 88 form part of these financial statements.

CHURCHILL RETIREMENT PLC

Consolidated statement of financial position as at 30 June 2018

	Notes	30 June 2018	30 June 2017
ASSETS		**£,000**	£,000
Non-current assets			
Property, plant and equipment	*11*	17,023	14,817
Investment property	*12*	7,995	7,995
Trade and other receivables	*16*	2,977	2,263
Total non-current assets		**27,995**	**25,075**
Current assets			
Inventories	*14*	279,381	223,690
Held-for-sale investment property	*15*	346	108
Trade and other receivables	*16*	22,328	18,002
Cash and cash equivalents	*28*	19,312	11,059
Total current assets		**321,367**	**252,859**
TOTAL ASSETS		**349,362**	**277,934**
LIABILITIES			
Current liabilities			
Trade and other payables	*17*	47,670	32,685
Loans and borrowings	*18*	503	325
Income tax payable		5,021	5,090
Total current liabilities		**53,194**	**38,100**
Non-current liabilities			
Loans and borrowings	*18*	133,326	96,164
Provisions	*19*	963	995
Deferred tax liability	*20*	965	977
Total non-current liabilities		**135,254**	**98,136**
TOTAL LIABILITIES		**188,448**	**136,236**
NET ASSETS		**160,914**	**141,698**
Issued capital and reserves attributable to owners of the parent			
Share capital	*21*	522	522
Share based payment reserve	*22*	1,320	660
Retained earnings		158,188	118,578
Capital redemption reserve		-	21,000
		160,030	**140,760**
Non-controlling interest		**884**	**938**
TOTAL EQUITY		**160,914**	**141,698**

The financial statements on pages 57 to 88 were approved and authorised for issue by the Board of Directors on 11 October 2018 and were signed on its behalf by:

D. Marlow

Dean Marlow
Chief Financial Officer

The notes on pages 61 to 88 form part of these financial statements.

CHURCHILL RETIREMENT PLC

Consolidated statement of cash flows for the year ended 30 June 2018

CASH FLOWS FROM OPERATING ACTIVITIES	*Notes*	**Year ended 30 June 2018 £,000**	Year ended 30 June 2017 £,000
Profit for the year		**41,123**	42,135
Adjustments for:			
Depreciation of property, plant and equipment	*11*	**1,442**	1,256
Change in value of investment property	*12*	**(679)**	(1,175)
Share based payment charge	*22*	**660**	660
Finance income	*8*	**(1)**	(7)
Finance expense	*8*	**4,541**	3,662
Gain on sale of property, plant and equipment		**-**	(212)
Income tax expense	*9*	**10,956**	12,063
(Increase)/decrease in trade and other receivables		**(6,036)**	(3,702)
(Increase) in inventories		**(55,691)**	(49,050)
(Decrease)/increase in trade and other payables		**(1,637)**	8,470
(Decrease) in provisions		**(32)**	(280)
Cash generated from operations		**(5,354)**	**13,820**
Income taxes paid		**(11,060)**	(9,556)
Interest received		**-**	425
Interest paid		**(2,166)**	(2,580)
Net cash flows from operating activities carried forward		**(18,580)**	**2,109**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,415)**	(1,276)
Sale of property, plant and equipment		**-**	327
Net cash used in investing activities		**(2,415)**	**(949)**
FINANCIAL ACTIVITIES			
Proceeds/(repayment) from bank borrowings		**36,441**	5,251
Payments to finance lease creditors		**(483)**	(430)
Dividends paid to the shareholders of the Parent Company		**(6,710)**	(3,168)
Net cash generated from financing activities		**29,248**	**1,653**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8,253**	**2,813**
Cash and cash equivalents at beginning of year		**11,059**	8,246
CASH AND CASH EQUIVALENTS AT END OF YEAR	*28*	**19,312**	**11,059**

CASH AND CASH EQUIVALENTS COMPRISE			
Cash at bank and in hand		**19,312**	11,059
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,312**	**11,059**

The notes on pages 61 to 88 form part of these financial statements.

CHURCHILL RETIREMENT PLC

Consolidated statement of changes in equity for the year ended 30 June 2018

	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 2017		**522**	**660**	**118,578**	**21,000**	**140,760**	**938**	**141,698**
Comprehensive income for the year								
Profit for the year		-	-	41,177	-	41,177	(54)	41,123
Total comprehensive income for the year		**-**	**-**	**41,177**	**-**	**41,177**	**(54)**	**41,123**
Contributions by and distributions to owners								
Dividends		-	-	(22,567)	-	(22,567)	-	(22,567)
Share based payment charge	*22*	-	660	-	-	660	-	660
Reduction in capital		-	-	21,000	(21,000)	-	-	-
Total contributions by and distributions to owners		**-**	**660**	**(1,567)**	**(21,000)**	**(21,907)**	**-**	**(21,907)**
30 JUNE 2018		**522**	**1,320**	**158,188**	**-**	**160,030**	**884**	**160,914**

	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		**522**	**-**	**76,411**	**21,000**	**97,933**	**920**	**98,853**
Comprehensive income for the year								
Profit for the year		-	-	42,167	-	42,167	(32)	42,135
Total comprehensive income for the year		**-**	**-**	**42,167**	**-**	**42,167**	**(32)**	**42,135**
Contributions by and distributions to owners								
Change in controlling interest		-	-	-	-	-	50	50
Share based payment charge	*22*	-	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**

During the year ended 30 June 2018 the Group received approval from the High Court to reduce its capital, resulting in a transfer of £21 million from the capital redemption reserve to retained earnings.

The notes on pages 61 to 88 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 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 £120 million revolving credit facility (detailed in note 18). The Group operates a range of forecasts for the years ahead, covering both an expanding and contracting market, with assumptions for the contracting market based on previous recessions. All show the Group has the flexibility to adjust to different funding conditions and 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.

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 amendment to standards and IFRIC interpretation has been adopted and is effective for the current accounting year:

Standard or interpretation	Title	Effective for periods beginning on or after
IAS 7	Amendments regarding disclosure initiatives	1 January 2017

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

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 2018.

Standard or interpretation	Title	Effective for periods beginning on or after
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 2014-2017 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
IFRS 9	Amendments regarding accounting for financial instruments	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.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

1 Accounting policies *(continued)*

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. Part exchange deals are completed through third parties and therefore not accounted for in the Group's balance sheet.

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.

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.

1 Accounting policies *(continued)*

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.

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 22.

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.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

1 Accounting policies *(continued)*

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.

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 12 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.

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.

1 Accounting policies *(continued)*

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. On initial purchase of a site the cost of land is split between various types of properties the company intends to develop such as investment properties and stock.

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.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

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.

3 Financial instruments - risk management *(continued)*

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.

II) FINANCIAL INSTRUMENTS BY CATEGORY

	Notes	Loans and receivables **2018 £,000**	Loans and receivables 2017 £,000
FINANCIAL ASSETS			
Cash and cash equivalents	*28*	19,312	11,059
Trade and other receivables excluding prepayments	*16*	22,254	17,880
TOTAL FINANCIAL ASSETS		**41,566**	**28,939**

	Notes	Financial liabilities at amortised cost **2018 £,000**	Financial liabilities at amortised cost 2017 £,000
FINANCIAL LIABILITIES			
Trade and other payables	*17*	47,670	32,685
Loans and borrowings	*18*	133,829	96,489
TOTAL FINANCIAL LIABILITIES		**181,499**	**129,174**

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.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

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.

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.

3 Financial instruments - risk management *(continued)*

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 measured 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				
2017	-	-	7,995	7,995
2018	-	-	**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 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 ended 30 June 2018 and 2017

	2018 **£,000**	2017 £,000
INVESTMENT PROPERTIES		
Opening balance	**7,995**	6,345
Additions	**-**	475
Transfer to held-for-sale investment property	**(679)**	-
Revaluation gains or (losses) recognised in the income statement	**679**	1,175
CLOSING BALANCE	**7,995**	**7,995**

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.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

4 Revenue

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
Sale of retirement apartments	163,326	162,869
Sale of land	383	1,777
Sale of freehold reversionary interests	21,747	10,900
Estate management	2,219	1,701
Rental income	461	414
Other	278	301
	188,414	**177,962**

All revenue is derived from activities within the United Kingdom.

5 Other operating income

Other operating income mainly comprised miscellaneous rebates and rental income. 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 2018 £,000	Year ended 30 June 2017 £,000
Other	**154**	**400**

6 Profit from operations

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
Profit from operations is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**999**	972
Leased	**443**	284
Profit on sale of fixed assets	**-**	(212)
Hire of other assets – operating leases	**1,000**	804
Cost of inventories recognised as an expense	**90,351**	87,161
Fair value adjustments for investment property	**(679)**	(1,175)
Auditor's remuneration:		
Fees payable to the Company's current auditor for the audit of the Parent Company	**10**	10
Fees payable to the Company's current auditor for the audit of the consolidated financial statements	**78**	70
	88	**80**
Fees payable to the Company's previous auditor for the audit of the consolidated financial statements	**-**	9
Fees payable to the Company's previous auditor for other services:		
Tax compliance	**-**	1
Tax advisory services	**-**	18
Corporate finance services	**-**	-
Other non-audit services	**-**	15
	-	**43**

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

7 Employee numbers and benefit expenses

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Numbers by activity:		
Land, planning and design	70	69
Commercial and construction	113	95
Sales and customer services	132	123
Estate management	195	169
Office and administration support	84	75
	594	**531**

Included in the estate management figures above are 168 (2017:146) 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 2018 £,000	Year ended 30 June 2017 £,000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	23,496	20,065
Defined contribution pension cost	682	592
Social security contributions and similar taxes	2,879	2,531
Share based payment charge	660	660
	27,717	**23,848**

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 2018 £,000	Year ended 30 June 2017 £,000
Salary including employers national insurance and benefits in kind	3,761	3,734
Defined contribution pension scheme costs	217	240
Share based payment charge	625	625
	4,603	**4,599**

7 Employee numbers and benefit expenses *(continued)*

DIRECTORS' REMUNERATION

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
Salary including benefits in kind	3,349	3,190
Defined contribution pension scheme costs	217	240
Share based payment charge	625	625
	4,191	**4,055**

HIGHEST PAID DIRECTOR

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
Salary including benefits in kind	1,137	1,018
Defined contribution pension scheme costs	114	103
	1,251	**1,121**

8 Finance income and expense

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
Finance income		
OTHER INTEREST RECEIVED	**1**	**7**
Finance expense		
Bank loans	2,462	1,707
Finance leases (interest portion)	48	45
Preference shares including redemption premium	1,904	1,901
Other interest	127	9
TOTAL FINANCE EXPENSE	**4,541**	**3,662**

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

9 Tax expense

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
Current tax expense		
Current tax on profits for the year	10,972	11,618
Adjustment for under provision in prior periods	(4)	110
Total current tax	**10,968**	**11,728**
Deferred tax expense		
Origination and reversal of temporary differences	(40)	167
Adjustment in respect of previous periods	11	25
Fair value adjustments	17	143
Total deferred tax *(note 20)*	**(12)**	**335**
TOTAL TAX EXPENSE	**10,956**	**12,063**

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 2018 £,000	Year ended 30 June 2017 £,000
Profit on ordinary activities before taxation	52,079	54,198
Tax charge at the UK corporation tax rate of 19% (2017 – 19.75%)	9,895	10,704
Expenses not deductible for tax purposes	616	757
Share based payment charge	125	130
Adjustments in respect of preference share interest	362	375
Adjustments in respect of contaminated land relief	(49)	(38)
Adjustment for under/(over) provision in previous periods	7	135
TOTAL TAX EXPENSE	**10,956**	**12,063**

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 2018. Finance Bill 2017, which was substantively enacted on 15 September 2017, announced a further 2% to 17% from 1 April 2020. Deferred tax has therefore been calculated at a rate of 17%.

10 Dividends

	Year ended 30 June 2018 £,000	Year ended 30 June 2017 £,000
DIVIDEND OF £45.13 (2017 - £NIL) PER ORDINARY SHARE DECLARED DURING THE YEAR	**22,567**	-

11 Property, plant and equipment

	Land and buildings £,000	Plant machinery and motor vehicles £,000	Fixtures and fittings £,000	Leasehold improvements £,000	Total £,000
Cost or valuation					
At 1 July 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**
Additions	1,329	1,776	392	151	3,648
Disposals	-	-	-	-	-
AT 30 JUNE 2018	**11,166**	**11,156**	**3,890**	**405**	**26,617**
Accumulated depreciation					
At 1 July 2016	**1,325**	**3,462**	**2,175**	**13**	**6,975**
Depreciation charge	191	719	341	5	1,256
Disposals	-	(79)	-	-	(79)
At 30 June 2017	**1,516**	**4,102**	**2,516**	**18**	**8,152**
Depreciation	192	877	365	8	1,442
Disposals	-	-	-	-	-
AT 30 JUNE 2018	**1,708**	**4,979**	**2,881**	**26**	**9,594**
Net book value					
At 30 June 2017	**8,321**	**5,278**	**982**	**236**	**14,817**
AT 30 JUNE 2018	**9,458**	**6,177**	**1,009**	**379**	**17,023**

The net carrying amount of property, plant and equipment includes the following amounts held under finance lease: plant, machinery, and motor vehicles £2,015,762 (2017 - £1,086,581).

12 Investment property

	Freehold reversionary interests £,000	Lodge manager apartments under construction £,000	Lodge manager apartments £,000	Commercial property £,000	Total £,000
At 1 July 2016	**278**	**340**	**5,288**	**439**	**6,345**
Additions	-	475	-	-	475
Transfer between catergories	-	(815)	815	-	-
Revaluation	-	-	1,175	-	1,175
At 30 June 2017	**278**	**-**	**7,278**	**439**	**7,995**
Additions	-	-	-	-	-
Transfer to held-for-sale investment property	-	-	-	(679)	(679)
Revaluation	-	-	-	679	679
AT 30 JUNE 2018	**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 £452,821 (2017 - £413,619) 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 2018 and 30 June 2017 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 2018 and 30 June 2017 there were no contractual obligations to purchase investment property.

VALUATION PROCESS

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

The valuation at 30 June 2018 has been carried out in accordance with The Royal Institution of Chartered Surveyors' ("RICS") Appraisal and Valuation Standards (the "Red Book"), Seventh Edition, by an independent qualified third party. 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 Investments

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	Share held %
Direct Holdings	*	Ordinary £1	100
Churchill Retirement (Group) Limited	*	Ordinary £1	100
Indirect Holdings	*	Ordinary £1	100
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 Properties No.13 Limited	*	Ordinary £1	100
Emlor Properties No.15 Limited	*	Ordinary £1	100
Emlor Properties No.16 Limited	*	Ordinary £1	100
Emlor Properties No.17 Limited	*	Ordinary £1	100
Emlor Properties No.18 Limited	*	Ordinary £1	100
Emlor Properties No.19 Limited	*	Ordinary £1	100
Emlor Properties No.20 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	62.8

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 & 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.

** Exempt from audit by virtue of S479A of the Companies Act 2006.

14 Inventories

	2018 £,000	2017 £,000
Land for development	32,057	49,082
Sites in the course of construction	75,542	61,458
Finished stock	171,782	113,150
	279,381	**223,690**

15 Held-for-sale investment property

	2018 £,000	2017 £,000
At 1 June	**108**	**333**
Transfer from investment property	679	-
Disposal	(441)	(225)
AT 30 JUNE	**346**	**108**

16 Trade and other receivables

	2018 £,000	2017 £,000
Trade receivables - net	19,689	15,225
Other receivables	2,565	2,655
Total financial assets other than cash and cash equivalents classified as loans and receivables	**22,254**	**17,880**
Prepayments and accrued income	3,051	2,385
Total trade and other receivables	**25,305**	**20,265**
Less: amount due after one year	(2,977)	(2,263)
AMOUNT DUE WITHIN ONE YEAR	**22,328**	**18,002**

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.

17 Trade and other payables

	2018 £,000	2017 £,000
Trade payables	10,416	10,854
Other payables	22,382	3,036
Land accruals	2,860	8,000
Other accruals and deferred income	11,143	9,882
Other payables - tax and social security payments	869	913
TOTAL TRADE AND OTHER PAYABLES	**47,670**	**32,685**

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.

18 Loans and borrowings

The book value of loans and borrowings are as follows:

	2018 £,000	2017 £,000
Non-Current		
Bank loans - secured	75,750	40,309
Preference shares	56,485	55,329
Finance leases *(note 24)*	1,091	526
	133,326	**96,164**
Current		
Finance leases *(note 24)*	503	325
	503	325
TOTAL LOANS AND BORROWINGS	**133,829**	**96,489**

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 £1,000,000 (2017: £441,333) are offset against the bank loan balance and are amortised over the life of the loan.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

18 Loans and borrowings *(continued)*

BANK BORROWINGS

At 30 June 2018 the Group had in place a £120m revolving credit facility (at 30 June 2017: £100m), with a maturity date of June 2023. 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 2.1% (2017 - 2.75% and 3.15% dependent on the Group's gearing) above LIBOR. During the year the interest applied was between 2.1% and 2.75% above LIBOR (2017 – 2.75% above LIBOR).

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

	Floating rate £,000
2018	
Expiry within 1 year	-
Expiry within 1 and 2 years	-
Expiry in more than 2 years	75,750
TOTAL	**75,750**
2017	
Expiry within 1 year	-
Expiry within 1 and 2 years	-
Expiry in more than 2 years	40,309
Total	**40,309**

PREFERENCE SHARES

Group – allotted and fully paid	**2018 No. Thousands**	2017 No. Thousands	**2018 £,000**	2017 £,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**

	2018 £,000	2017 £,000
Normal value at 30 June	47,910	47,910
Interest accrued	8,575	7,419
BOOK VALUE AT 30 JUNE	**56,485**	**55,329**

Preference shares amounting to £Nil (2017 - £Nil) were redeemed during the year.

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

19 Provisions

	Warranty provision	
	2018	2017
	£,000	£,000
At 1 July	**995**	**1,275**
Charged to profit or loss	**885**	824
Utilised in year/period	**(843)**	(716)
Released in year/period	**(74)**	(388)
AT 30 JUNE	**963**	**995**
Due within one year	**499**	529
Due after more than one year	**464**	466
	963	**995**

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.

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017 – 18%). The reduction in the main rate of corporation tax to 17% was substantively enacted in Finance Bill 2017. 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:

	2018	2017
	£,000	£,000
At 1 July	**977**	642
Recognised in profit and loss		
Tax (credit)/expense	**(12)**	335
AT 30 JUNE	**965**	**977**

20 Deferred tax *(continued)*

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 are shown below.

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

	Assets 2018 £,000	**Liability 2018 £,000**	**Net 2018 £,000**	**(Charged)/credited to profit or loss 2018 £,000**
Accelerated capital allowances	66	(99)	(33)	29
Revaluations	-	(932)	(932)	(17)
NET TAX ASSET/(LIABILITIES)	**66**	**(1,031)**	**(965)**	**12**

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

21 Share capital

				Authorised
	2018 Number Thousands	**2018 £,000**	2017 Number Thousands	2017 £,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
	2018 Number Thousands	**2018 £,000**	2017 Number Thousands	2017 £,000
Ordinary shares of £1 each	**500**	**500**	500	500
Growth shares of £1 each	**22**	**22**	22	22
	522	**522**	**522**	**522**

Details of Preference shares are disclosed in note 18.

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.

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.

(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.

21 Share capital *(continued)*

(c) third, in paying to the holders of the Ordinary Shares an amount equal to the balance of such assets in proportion to the number of Ordinary Shares held by each Ordinary Shareholder until an amount equal to £100m has been distributed to the holders of the Ordinary Shares.

(d) fourth, in paying to the holders of the Growth Shares an amount equal to such percentage as shall be determined in accordance with a formula. A divided by 55,555, multiplied by 100 (where A = the total number of Growth Shares in issue) of the amount by which the balance of assets exceeds £100m in proportion to number of Growth Shares held by each Growth Shareholder.

(e) fifth, in paying to the Ordinary Share holders an amount equal to the balance of such assets in proportion to the number of Ordinary Shares held by each Ordinary Shareholder until an amount equal to £100m in respect of each Ordinary Share in issue has been distributed.

(f) sixth, in paying an amount equal to the balance of such assets amongst the holder of the Deferred Shares in proportion to the number of Deferred Shares held by each Deferred Shareholder.

(g) seventh, in paying to the Ordinary Shareholders an amount equal to the balance of such assets in proportion to the number of Ordinary Shares held by each Ordinary Shareholder.

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 them on, or after an IPO.

(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).

21 Share capital *(continued)*

(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.

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.

CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2018 *(continued)*

22 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 2018. 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 21.

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. The expected value of shares at the date of grant was £3,300,000.

No growth shares were issued or disposed of during the financial year. There is no change in the numbers of shares expected to vest or any other of the assumptions, and therefore there is no remeasurement during the year.

The Group recognised an expense of £660,000 (2017: £660,000) related to equity-settled share based payments. The cumulative value of the expense recognised at the year end is £1,320,000.

23 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

24 Leases

Finance lease - lessee

Future lease payments are due as follows:

	Lease payments £,000	Interest £,000	Present value £,000
2018			
Not later than one year	545	(42)	503
Between one year and five years	1,136	(45)	1,091
	1,681	**(87)**	**1,594**
2017			
Not later than one year	354	(29)	325
Between one year and five years	578	(52)	526
	932	**(81)**	**851**

Operating leases - lessee

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

	2018 £,000	2017 £,000
Not later than one year	707	685
Later than one year but not later than five years	762	890
	1,469	**1,575**

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:

	2018 £,000	2017 £,000
Not later than one year	182	158
Later than one year but not later than five years	450	512
Later than five years	1,698	1,741
	2,330	**2,411**

25 Related party transactions

During the financial year the Group paid £650,000 (2017 - £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 £Nil (2017 - £305,190) by Emlor S Polo LLP.

During the financial year the Group paid £450,000 (2017 - £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 £Nil (2017 - £131,703) by Emlor C Polo LLP.

During the financial year the Group paid £8,350 (2017 - £25,612) of charitable donations to The Churchill Foundation, a charitable organisation where Spencer and Clinton McCarthy are trustees. At the year end the Group owed £6,450 (2017 - £8,750) to The Churchill Foundation.

26 Transactions with directors

Included within other creditors is twenty million, nine hundred and ninety seven thousand, five hundred and sixty eight pounds (2017 - one million, eight hundred and twenty thousand, three hundred and twenty seven pounds) due to the Directors, as a result of unpaid dividends at the year end. The maximum balance owed to the Group during the period was nil pounds (2017 - Nil pounds). Interest of one hundred and twenty eight thousand and twelve pounds was charged during the year (2017: £Nil)

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 (2017 - eighty-one thousand six hundred pounds).

27 Events after the reporting date

B1 and B2 tracker shares amounting to £1.51 million were redeemed on 31 July 2018.

28 Notes supporting statement of cash flows

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

	2018 **£,000**	2017 £,000
Cash at bank and in hand available on demand	19,312	11,059
Bank overdrafts	-	-
	19,312	**11,059**

Significant non-cash transactions are as follows:

Financing activities	**2018** **£,000**	2017 £,000
Assets acquired under finance leases	1,412	231

CHURCHILL RETIREMENT PLC

Parent Company statement of financial position as at 30 June 2018

ASSETS	Notes	**30 June 2018 £,000**	30 June 2017 £,000
Non-current assets			
Property, plant and equipment	*2*	813	820
Investments in subsidiaries	*3*	69,410	69,410
Current tax		-	-
Deferred tax asset	*7*	66	45
Total non-current assets		**70,289**	**70,275**
Current assets			
Trade and other receivables	*4*	163,544	123,012
Cash and cash equivalents		5,847	486
Total current assets		**169,391**	**123,498**
TOTAL ASSETS		**239,680**	**193,773**
Capital and reserves			
Share capital		522	522
Share based payment reserve		1,320	660
Retained earnings		78,927	41,416
Capital redemption reserve		-	21,000
Total equity		**80,769**	**63,598**
Current liabilities			
Trade and other payables	*5*	26,676	34,536
Current tax liabilities		-	-
Total current liabilities		**26,676**	**34,536**
Non-current liabilities			
Loans and borrowings	*6*	132,235	95,639
Total liabilities		**158,911**	**130,175**
TOTAL EQUITY AND LIABILITIES		**239,680**	**193,773**

The notes on pages 91 to 95 form part of the financial statement shown above. These financial statements of Churchill Retirement plc (07428858) were approved by the Board on 11 October 2018 and signed on its behalf by

D. Marlow

Dean Marlow
Chief Financial Officer

CHURCHILL RETIREMENT PLC

Parent Company statement of changes in equity for the year ended 30 June 2018

	Share capital £,000	Share based payment reserve £,000	Capital redemption reserve £,000	Retained earnings £,000	Total £,000
At 31 June 2016	**522**	**-**	**21,000**	**7,508**	**29,030**
Comprehensive income for the period					
Profit	-	-	-	33,908	33,908
Total comprehensive income for the period	**-**	**-**	**-**	**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**
Comprehensive income for the year					
Profit	-	-	-	39,078	39,078
Total comprehensive income for the year	**-**	**-**	**-**	**39,078**	**39,078**
Contributions by and distributions to owners					
Dividends	-	-	-	(22,567)	(22,567)
Reduction in capital	-	-	(21,000)	21,000	-
Share based payment charge	-	660	-	-	660
Total contributions by and distributions to owners	**-**	**660**	**(21,000)**	**(1,567)**	**(21,907)**
AT 30 JUNE 2018	**522**	**1,320**	**-**	**78,927**	**80,769**

During the year ended 30th June 2018 the company received approval from the high court to reduce its capital.

The notes on pages 91 to 95 form part of the financial statement shown above.

Notes to the Parent Company financial statements for the year ended 30 June 2018

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 £39,078,000 (2017 – £33,908,000).

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).

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.

Notes to the Parent Company financial statements for the year ended 30 June 2018 *(continued)*

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
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

	Office equipment £,000	Motor vehicles £,000	Total £,000
Cost			
At 1 July 2016	1,388	159	1,547
Additions	360	159	519
Disposals	-	(140)	(140)
At 30 June 2017	1,748	178	1,926
Additions	308	-	308
	2,056	**178**	**2,234**
Depreciation			
At 1 July 2016	796	80	876
Charge for the year	258	46	304
Eliminated on disposals	-	(74)	(74)
At 30 June 2017	1,054	52	1,106
Charge for the period	273	42	315
	1,327	**94**	**1,421**
Net book value			
At 30 June 2018	**729**	**84**	**813**
At 30 June 2017	**694**	**126**	**820**

CHURCHILL RETIREMENT PLC

Notes to the Parent Company financial statements for the year ended 30 June 2018 *(continued)*

3 Investments in subsidiaries

Shares held by the Company in unlisted subsidiary undertakings

	2018 £,000	2017 £,000
COST AND NET BOOK VALUE AT 30 JUNE 2018 AND 30 JUNE 2017 (CHURCHILL RETIREMENT (GROUP) LIMITED)	**69,410**	**69,410**

The Group's principal subsidiary undertakings are listed in note 13 to the consolidated financial statements.

4 Trade and other receivables

	2018 £,000	2017 £,000
Amounts owed by Group undertakings	162,394	121,686
Other debtors	456	866
Prepayments and accrued income	694	460
TOTAL TRADE AND OTHER RECEIVABLES	**163,544**	**123,012**

5 Trade and other payables

	2018 £,000	2017 £,000
Trade payables	274	288
Amounts owed to Group undertakings	1,621	29,905
Other payables	21,692	2,498
Accruals	2,946	1,706
Other payables – tax and social security payments	143	139
TOTAL TRADE AND OTHER PAYABLES	**26,676**	**34,536**

6 Loans and borrowings

Non-current	**2018 £,000**	2017 £,000
Bank loans – secured	75,750	40,309
Preference shares	56,485	55,330
	132,235	**95,639**

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

Total debt issue costs of £1,000,000 (2017: £441,333) are offset against the bank loan balance and are amortised over the life of the loan.

7 Deferred tax

Details of the deferred tax asset are as follows:	**2018 £,000**	2017 £,000
DECELERATED CAPITAL ALLOWANCES	**66**	**45**

8 Leases

Operating leases - lessee

The total future value of minimum lease payments due is as follows:	**2018 £,000**	2017 £,000
Not later than one year	35	26
Later than one year and not later than five years	100	22
	135	**48**

9 Related parties

In the current year the Company was charged £213,628 (2017: £147,987) by Flycorp Aviation LLP, an LLP in which McCarthy Office Investments Limited, a wholly owned subsidiary in the Group owns a 62.8% share, for the chartering of the aeroplane. The total amount that was due to the Company by Flycorp Aviation LLP at the period end was £186,863 (2017 - £71,422).

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 25 of the consolidated financial statements.

CHURCHILL RETIREMENT PLC

Glossary of terms

'Adjusted administrative expenses'

	Notes	2018 £,000	2017 £,000
Administrative expenses		27,412	24,981
Add back from share based payment charge	22	(660)	(660)
		26,752	**24,321**

'Adjusted profit before taxation'

	Notes	2018 £,000	2017 £,000
Profit before taxation		52,079	54,198
Add back from share based payment charge	22	660	660
		52,739	**54,858**

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

'Adjusted profit from operations'

	Notes	2018 £,000	2017 £,000
Profit from operations		56,619	57,853
Add back from share based payment charge	22	660	660
		57,279	**58,513**

'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

Glossary of terms *(continued)*

'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 constructions
'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

	Notes	**2018 £,000**	2017 £,000
Net assets		**160,914**	141,698
Cash	*28*	**(19,312)**	(11,059)
Bank loans	*18*	**75,750**	40,309
Debt issue costs	*18*	**1,000**	441
Preference shares allotted	*18*	**47,910**	47,910
		266,262	**219,299**

'WIP'	–	Work in progress