

# 2020

Annual Report & Accounts

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### 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 ”

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## ABOUT THIS REPORT

Welcome to the 2020 Annual Report of Churchill Retirement plc ("the Churchill Group", "Churchill", "CRL", "the Group", "the Company"), a privately owned, founder-led business.

The Strategic Report explains CRL's strategy, business model, 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. 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 page 88.

## CHAIRMAN'S STATEMENT

# Conserving cash and keeping our Customers and Colleagues safe

“

I'm extremely proud of the way our entire 'Churchill family' has pulled together through the crisis", the Company's primary concern has been its customer, owners and staff's safety during this time."

**Spencer J McCarthy** Chairman and Chief Executive Officer

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The first half of the year continued to be affected by ongoing Brexit and General Election uncertainty. However, with the certainty and confidence created following the General Election result we began the second half of the year seeing much improved performance during January and February and a move towards a much more stable and encouraging trading environment.

Sadly, the post-election 'bounce' was short-lived with the onset of the COVID-19 pandemic in March and the resulting lockdown which saw us shut down all our sales centres, construction sites and regional offices for 3 months, furlough 80% of Colleagues in our development business, reduce hours for those Colleagues retained, and Board Directors in both Churchill Retirement Plc and Churchill Retirement Living Limited taking up to a 40% reduction in salary. The above actions resulted in overheads reducing by £2.2 million to £25.7m (2019: £27.9 million).

The full year result was particularly impacted by our financial model being weighted towards the final quarter, sales in the final quarter were at 13% of what we would expect under normal trading conditions.

However, our agile business model and decisive actions at the outset of the pandemic helped us to conserve cash, maintain a financially strong business, and more importantly to keep our Owners and Colleagues safe.

I'm extremely proud of the way our entire 'Churchill family' has pulled together through the crisis. The response from those we've had to furlough has been very positive and supportive, and everyone who remained in the business has been totally committed to getting us through this difficult period.

Our Lodge Managers have been at the front line with a very difficult job to do. Their hard work and dedication has meant that so far the rate of COVID-19 infections among our Owners is less than half the rate of the wider population of over 65s in England.

Less than 0.4% of our 10,000+ owners across the country have tested positive for COVID-19. This comparatively low number underlines the safety and security we provide at our developments. It's also a testament to the fantastic job our Lodge Managers are continuing to do.

We won't ever be complacent, but the figures speak for themselves and I'm proud of the way we've gone about keeping our Owners safe.

All our regional offices, construction sites and sales centres were closed by 25<sup>th</sup> March, and immediate measures were implemented to manage the Group's cost base and cash flows. These included:

- **Suspension of all land buying activity**
- **Ceasing all recruitment activity**
- **Putting all non-essential capital expenditure on hold**
- **Actively managing cash flows whilst ensuring that suppliers and subcontractors were paid on time**
- **Furloughing around 80% of our workforce throughout April and May**
- **Moving retained Colleagues to reduced hours, effectively a three day week, from 30th March onwards with Main and Operations Board Directors taking a 40% cut in salary**

As lockdown measures lifted, from 1<sup>st</sup> June we began to partially reopen our Sales Offices at reduced capacity to complete sales where possible in a safe and controlled environment and build a pipeline of sales for the upcoming year. All construction sites remained closed until the end of the year.

## CHAIRMAN'S STATEMENT

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Owners' garden party at Lewis Carrol Lodge, Cheltenham

Mayor visits Beck Lodge, Park Gate

As a result of the disruption to our key year end trading period, the Group completed 280 unit sales for the year (2019: 584) at an average selling price of £319k (2019: £314k).

Group revenue reduced to £91.4 million (2019: £208.6 million), with gross profit of £19.5 million (2019: £84.6 million) and a gross profit margin at 21.4% (2019: 40.5%). Having reduced overheads in response to the COVID-19 pandemic, we made an operating loss of £5.8 million (2019: profit of £60.5 million) and an operating margin of -6.4% (2019: +29.0%). We made a loss before tax of £11.3 million (2019: profit of £55.0 million).

Our part exchange service remained very important for our Customers, who often find it difficult to sell their existing property in the second hand market, and became even more inclined to avoid traditional estate agent viewings due to the risks of COVID-19. During the year 31% of sales were achieved using our part exchange service (2019: 36%). Importantly, 100% of this activity was conducted through our trusted third party providers with no second hand property risk being taken on our balance sheet.

We acquired 9 new sites across all regions, equating to c.388 new plots (2019: 13 sites, c.563 new plots), more than replenishing the stock sold during the period.

We submitted 9 planning applications during the year (2019: 12) and achieved successful planning consents for 478 new units across 10 sites (2019: 416 units, 10 sites). The planning system continues to present challenges, with protracted affordable housing negotiations and long appeal delays. The challenges are amplified by the impact of COVID-19 on the planning system, as the time taken to Committee or Appeal through this period has increased, as the planning system adapts to the new ways of working.

Prior to lockdown we were planning 8 site starts and 18 first occupation sites in the year. However, with the closure of our construction sites and the related delays, work started on 3 new developments during the year (2019: 17) and first occupations were achieved at 7 new developments (2019: 16).

With first class Customer satisfaction remaining one of our overarching Company goals, we were proud to once again be awarded the top accolade of the 5 star customer satisfaction rating by the HBF's independent survey. 95% of our Owners stated that they would recommend a Churchill apartment to a friend or family member.

Our management company, Millstream Management Services, grew its portfolio of developments by 4% and now manages 7,868 units (2019: 7,545). The launch of our own dedicated Careline Support service since the year end marks an important new addition to the business, which will help us to provide an even more comprehensive service to our Owners.

Given the increasing importance of maintaining a diverse and highly skilled workforce, we continued to place huge emphasis on retaining and nurturing our award winning team of Colleagues. The Company achieved 3<sup>rd</sup> place in The Sunday Times Top 100 Best Companies to Work For 2020, our third consecutive top five ranking, based on an independent survey of Colleagues. This is a result we are very proud of and puts us in a good position to recruit the very best people in the future as the industry continues to face a growing skills shortage.

During the year the Company acquired and opened its 5<sup>th</sup> regional office operating out of Warrington to cover the northern part of the country. Churchill has a number of selling developments in the north and has acquired some good land to further expand the business in to this region.

## CHAIRMAN'S STATEMENT

Due to the challenging market conditions experienced during 2019, the Company undertook an extensive 'brand refresh' project, reviewing all aspects of the Company's brand identity and Customer journey to refine and improve it where necessary. The project included in-depth competitor research and consumer testing with a wide range of Customers, prospects and the wider public.

The brand identity was refined to create a new confident tone of voice, focused on the values of Trust, Respect, Integrity, Family values, Recommended, and British.

The fresh look was successfully implemented across the Group during the second half of the year, prioritising selling sites and sites under construction to reinforce the Company's market leading position.

While the impact of COVID-19 on the UK retirement housing sector has been challenging, the long term market drivers underpinning our future growth are as compelling as ever, with an ageing population and a shortage of suitable retirement housing, combined with a limited number of national developers with the requisite skills and expertise to succeed in delivering this highly specialist product.

Retirement housing must now play a key part in the country's recovery plan. We continue to work with Government officials to highlight this and encourage more support for retirement housing and the many social and economic benefits our unique product provides:

- **Our apartments improve lives for individuals and their families as we enable a happier, healthier, more independent retirement, potentially saving billions in health and social care costs.**

- **Our town centre focus brings significantly more of the 'grey pound' to local high streets and communities where we build, supporting businesses which desperately need a boost in the wake of COVID-19.**
- **Enabling more people to downsize also helps boost the wider housing market by freeing up more family homes for younger people, including first time buyers.**

The Government's recently announced proposals for planning reform are a positive step forward. However, we believe the social and economic benefits that we deliver to local communities should be clearly recognised in the planning process and be credited by an exemption from Section 106 payments and CIL contributions.

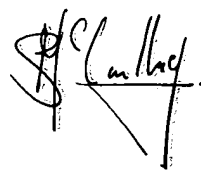
The current year will of course be impacted by the recession that we believe lies ahead. The COVID-19 fallout will impact consumer confidence for some time to come, especially for our Customers, who tend to be asset rich but cash poor, and are more inclined to take a cautious view with their average age being 79 years. Like us, many are also mindful that it is looking like a second wave of COVID-19 has started to occur. While sales and new enquiries since the year end have remained steady, we are under no illusions about the fact that further tough decisions lie ahead as the year progresses.

The Government's Stamp Duty holiday is a welcome measure to support sales in the short term. However, unlike first time buyers, there is no ongoing incentive for the "last time buyer" to downsize, so the financial, practical and emotional barriers to a move can often be harder to overcome.

Despite all the short term uncertainty, the underlying long term growth drivers for the business remain strong, with the UK's ageing population and demand for our product continuing to outpace supply. This, combined with our decisive actions to conserve cash and protect the business through the pandemic, gives us confidence that we can return to delivering sustainable growth over the medium term, with sector leading margins.

The Group entered the new financial year with a strong forward order position, an experienced team, and a clear focus and understanding of what our Customers' need. We are well respected in the industry, trusted by our Customers, and we remain a financially strong, well-run Company producing a first class product. We will maintain our disciplined approach and be prepared to react quickly to whatever lies ahead.

Our Colleagues, subcontractors and suppliers deserve great credit for their reaction throughout the crisis. Their positive response to the ongoing situation has enabled us to protect the value of our business through an extremely uncertain time and I would like to thank them all.



**Spencer J McCarthy**  
Chairman & Chief Executive Officer

Langton Lodge, Staines-on-Thames

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Wessex Lodge, Bagshot

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## OUR BUSINESS

# Leading UK developer of high quality retirement developments

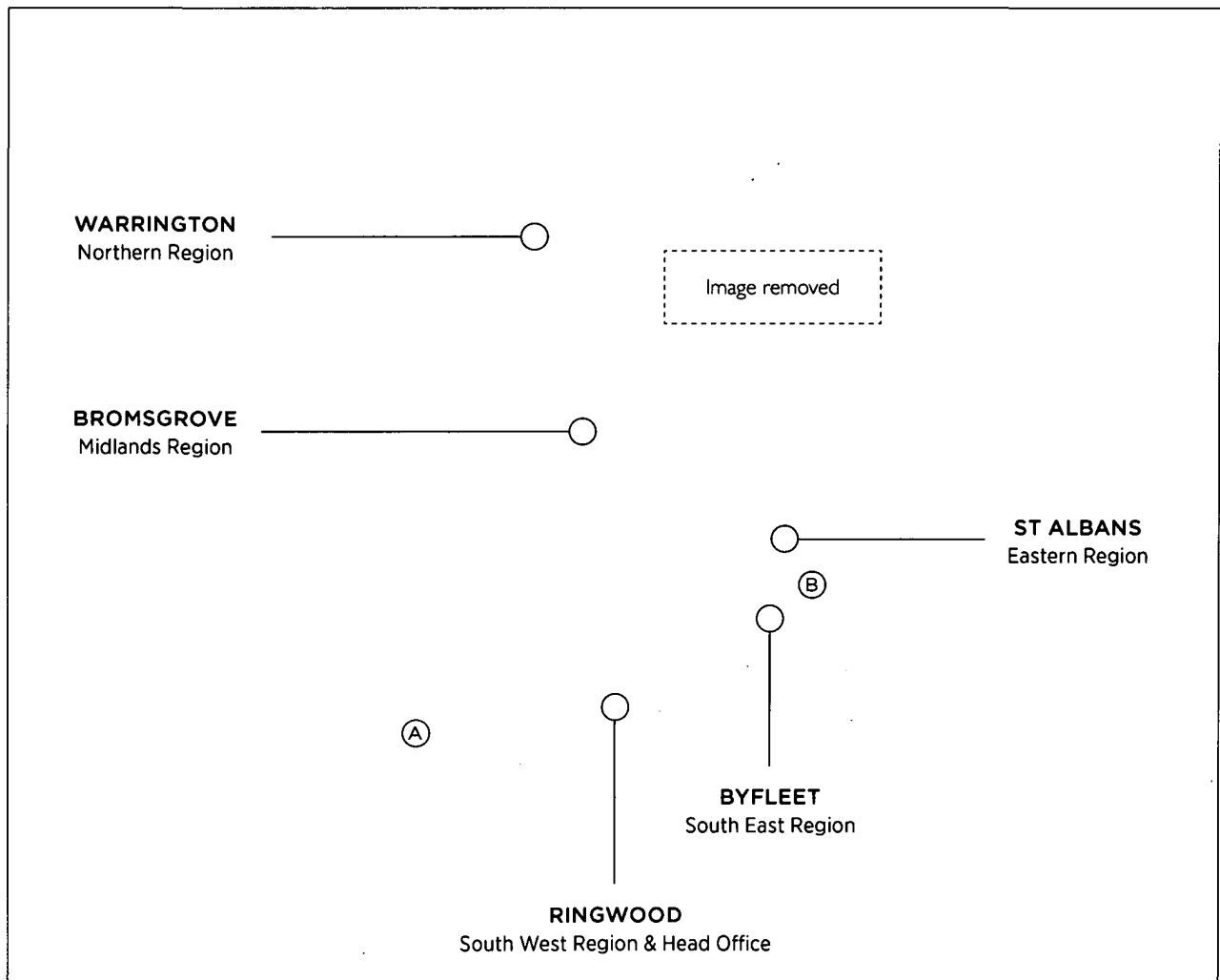
- **Founder-led business with decades of specialist retirement sector experience in the senior management team**
- **Leading UK developer of high quality retirement developments operating in the North, Midlands, Eastern, South East and South West regions**
- **Needs-based purchase benefiting from supportive demographics and structural undersupply**
- **Highly disciplined and consistent process from land buying through to specification, construction, selling and management**

### WHERE WE OPERATE

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). The South West is supported by a satellite office in Exeter. During the year we purchased a new office in Warrington as we further embedded our presence in the North with our Northern Region operating from this office.

Each region contains a fully independent operational team, with their own budgeted activity and targets.

The Group owns an additional office in Ringwood, Hampshire, which is the Head Office for Millstream Management Services (MMS).



**A** - South West Satellite Office - Exeter

**B** - London Office - Westminster



## OUR BUSINESS

### Our market

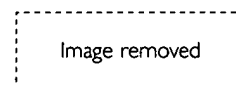
With an ageing population in the UK, CRL is the leading player in the retirement housing market, with developments throughout the UK designed to provide the best lifestyle choice for an independent, safe, secure and fulfilled retirement for our Owners. We are well-placed to continue to deliver housing to an ageing population in the UK.

#### AN AGEING POPULATION AND OLDER PEOPLE'S HOUSING SUPPLY

Statistics and projections produced by the Office for National Statistics have long shown that the UK's population is ageing. The latest projections<sup>1</sup> show that by 2032 over 5 million people will be aged over 80 and by 2066, there are likely to be an additional 8.6 million people aged 65 years and over. This would take the total number of people that are 65 years and over to 20.4 million and making up 26% of the total population.

Across the UK there are approximately 740,000 specialist homes for older people, according to data from Knight Frank<sup>2</sup>. However, that total hides a huge amount of variation in age, quality, tenure, and location. According to research<sup>3</sup> just over half of that stock was built or last refurbished more than 30 years ago. So, not only do we need to develop more retirement homes to meet demand, there is also a need to replace or refurbish dated and inefficient stock with future-proof homes that are built for modern needs.

Knight Frank reported that there are now only 715,000 homes or 2.6 per cent of total stock in this country classed as 'retirement housing' ranging from age-restricted developments to care housing, and the numbers are only rising very slowly. The gap between the potential demand and the currently supply continues to grow larger.



#### GOVERNMENT AND POLITICAL SUPPORT

##### Overview

The Government continues to recognise the need for more new retirement housing as part of the overall housing mix and has set about creating an operating environment which makes it easier to deliver this sort of specialist housing. The Government's housing target remains 300,000 new homes each year and we continue to push for that target to include 30,000 new retirement properties each year on the basis that this would help meet the needs of the UK's ageing population, most of whom want to live in their own home for as long as possible. This would in turn release an extra 20,000 first time buyer properties into the market each year. 30,000 new retirement properties is only 10% of the Government's target and this is considered by many, a conservative estimate of need given that 90% of projected household growth in the UK is expected to come from those aged 65 and over.

#### COVID-19

The Government's primary focus has been on managing the impact of COVID-19 and to this extent has been actively engaged with the retirement housing sector to ensure the sector is being adequately supported and its priorities are reflected in policy development. In addition to routine calls with the Department for Health and Social Care, the Minister wrote to Lodge Managers congratulating them on the success they have had in maintaining significantly lower infection rates than elsewhere in the general population. The Cabinet Office also accorded Lodge Managers 'key worker' status which gave them access to priority testing for COVID-19 and additional measures of support during the initial period of lockdown.

The role retirement housing has played in helping to keep older people safe during COVID-19 has reinforced its importance across Government, with the Ministry of Housing, Communities and Local Government assisting to ensure that sales viewings and house moves in the retirement sector were included in the

## OUR BUSINESS

Owners at William Lodge, Malmesbury

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Layla Moran MP visits Albert Lodge in Abingdon

early resumption of sales activity in May 2020. Recurring conference calls between the sector and relevant Government departments are ongoing.

#### Leasehold and Ground Rent

In June 2019 the Government confirmed that retirement housing would be exempt from the ban on ground rents on the basis that, unlike mainstream housing, retirement housing did receive a "tangible benefit" in the form of the extensive communal areas which are a distinct characteristic of this type of housing. This remains the Government's position and work is underway with officials to refine the details of the policy such that potential buyers may also be offered the opportunity to pay a higher purchase price for their property in return for the ground rent being set at a peppercorn level.

The Law Commission's reports on leasehold reform which were published this year confirmed that people living in a retirement property may well prefer leasehold tenure and as such should have this option left open to them rather than a general presumption in favour of commonhold.

Given the extent to which the Government has had to focus on measures relating to COVID-19, legislation in respect of leasehold reform is now expected to be later than 2021.

#### Stamp Duty

Amongst a series of measures to support housebuilding the Government exempted residential properties below £500,000 (unless they are part of a multiple property portfolio) from Stamp Duty Land Tax. This exemption will remain in place until March 31<sup>st</sup> 2021, at which point it will be reviewed and a case is being made for the exemption to remain in place for longer.

Whilst the exemption does not specifically apply to retirement housing or downsizers, a large number of Churchill Customers will benefit from the Stamp Duty exemption and the impact on the wider second-hand housing market can only be beneficial for those seeking to downsize.

#### Independent Socio-Economic Research

A series of research documents undertaken by a former HM Treasury economist continues to reinforce the socio-economic value of retirement housing. The research has been commissioned by Homes for Later Living which is made up of Churchill Retirement Living, fellow retirement housebuilders and the HBF.

The research is broken down into three separate reports; the first which focuses on health and social care savings realised through retirement housing (Report 1: Healthier and Happier<sup>4</sup>), the second which focuses on the extent to which retirement housing releases second-hand housing stock to help growing families and first time buyers move up the property ladder (Report 2: Chain Reaction<sup>5</sup>), and the third which shows the social and economic benefits retirement housing brings to the local area.

## OUR BUSINESS

The headline findings are as follows:

- Each person in a home for later living saves the NHS and social care services c.£3,500 per year. (Report 1: Healthier and Happier)
- Building 30,000 more homes for later living per year could save the NHS and social services £2.1bn per year. (Report 1: Healthier and Happier)
- The average 80 year old living in a home for later living can feel as good as someone 10 years younger (Report 1: Healthier and Happier)
- Approximately 3 million people in the UK aged over 65 want to downsize. (Report 2: Chain reaction)
- Every retirement property sold is estimated to result in two further moves down the housing chain. (Report 2: Chain reaction)
- For every 3 people moving into a retirement property 2 first time buyers homes are freed up. (Report 2: Chain reaction)

Report 3 on local benefits is currently in development but is expected to demonstrate the extent to which retirement housing meets the Government's ambition of prioritising brownfield land for redevelopment, offering architecture which is sympathetic with the existing built environment and enabling the "gentle densification" of existing communities which is key to driving housing numbers up.

Reports 1 and 2 both secured extensive positive media coverage and endorsements from senior politicians.

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De Clare Lodge, Cowbridge

### PLANNING AND DESIGN

Obtaining implementable planning permission continues to be a constraint for new build developments. We continue to work positively with Local Authorities to assist in the delivery of much needed retirement housing on brownfield or underutilised sites.

Reforms to the current planning system were proposed in August 2020, which would see developments of 50 or fewer units exempted from affordable housing obligations by lifting the threshold for which such obligations would apply. We have responded to the consultation in support of this measure and are optimistic it will be transposed into policy, thereby benefitting a typical Churchill development which would typically comprise 40 units. It is proposed that retirement housing has an exemption from the new First Homes policy and that the status of 'Permission in Principle' is used more widely, both of which we support.

In August 2020, the Government also issued the longer-term Planning White Paper, Planning for the Future<sup>6</sup>, which looks to fundamentally change how the planning system operates. The suggested changes will be significant with a focus on design, sustainability and speeding up decision making. It is intended that these changes will be implemented in the next couple of years following detailed consultation. We will actively engage in this consultation to ensure the new planning system is fit for purpose and suitably supports the critical need for older persons housing. The Paper accords a great deal of importance to the aesthetic appeal of new buildings which should assist the type of conservative, brick-built and visually low-impact designs which are frequently found in retirement housing.

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## OUR BUSINESS MODEL













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	Construction and Commercial	 See page 13
	Planning & Design	 See page 14
	Sales & Marketing	 See page 15
	Property Management	 See page 16

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Our business model is built on employing all our principal expertise in-house. With all disciplines under our direct control (land acquisition through to planning, construction, sales, after-sales and development management) we function efficiently and effectively, ensuring we are highly responsive to changes in market conditions. This model, combined with our mature process and policies, give us confidence in the Group's potential to see through the current economic uncertainty and achieve sustainable growth over the coming years.

## OUR BUSINESS MODEL



## Our Customers

CRL operates in a specialist market supplying one and two bedroom retirement apartments to the UK's growing population of over 60s. Our Customers are generally driven by need rather than aspiration, and are keen to retain their independence whilst gaining the security and sense of community and support that comes with our retirement living apartments.

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## OUR APPROACH

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 that we do.

## THE MANY BENEFITS FOR OUR CUSTOMERS ARE:

- Increased sense of safety, security and companionship
- Close to local amenities
- A supportive community of like-minded individuals
- Regular programme of social activities in an attractive environment, improving health and wellbeing
- Property maintenance that is affordable, easy to budget for and hassle free
- Help to move through our Selling Made Easy and Home Exchange services, both designed to take away the hassle and stress of moving

“

*I was the second Owner to move in here, I relocated from Yorkshire to be closer to my son Nigel. I downsized from a four bedroom house where I'd lived for many years with my husband, but it was too big for me on my own. Downsizing was difficult but I had plenty of help and I'm glad to have done it so I can look forward to life in my new apartment. I'm on the ground floor here, my living room looks out onto the communal gardens and I have a nice little patio with my pot plants.”*

*Val's son Nigel lives just a brisk bicycle ride away, and couldn't be happier about having his mum nearby. “It just makes sense to have her closer,” he says. “I like knowing there are plenty of people around her and she's less isolated than she was before. She can enjoy a sense of community at the Lodge and see people without having to venture out if the weather's bad. Plus it's a better location for her to get out and about when she wants to, with a short easy walk to the local shops. It's a lovely place, I could see me living here myself!”*

- Val Cox (& son Nigel)

“

*I absolutely love it here, I'm 100% sure I made the right decision. I used to live in a duplex apartment in Dover, but I didn't want the stairs. Now I'm close to my granddaughter and great-granddaughter who is just 13 months old. They love coming here to visit, although my great-granddaughter has done her best to dismantle my new apartment!”*

*“I've been joining in the with social events and looking forward to our roast dinner in the Owners' Lounge. I go out and about every day and I'm a bell ringer at our local church. I travel all over Kent with the bell ringing and it's a fun way to socialise.”*

*“Deal is a lovely town, we have the seafront on our doorstep and countryside walks just a short distance away. Here at the Lodge it's very quiet and peaceful considering it's a residential area, and we have a lovely garden to sit and enjoy when the weather's nice. I can walk into town every day for my bread, fish, groceries, and meat from the butchers. I hardly ever do a big supermarket shop any more as I like to support our local stores.”*

- Judy Beech

## OUR BUSINESS MODEL



### Land

Building a pipeline of land is vital to the future of the business. Our regional teams focus on providing a consistent approach to purchases based on tried and tested criteria, which ensure the sites meet the needs of our Customer while satisfying the aspirations of the business.

#### OUR APPROACH

Our land purchases are critical to the ultimate success of any development and are based on standard criteria supported by a detailed due diligence process that ensures each purchase meets the needs of our Customer as well as the commercial milestones needed within

the business. Our land purchase strategy focuses on identifying suitable locations around the country close to town and city centres based on these standard criteria and further supported by detailed demographic analysis. Each potential site goes through a rigorous due diligence process that looks into land conditions, planning, construction, sales and financial elements of the site to ensure that we manage the risk effectively with each site purchased. It is this due diligence at this stage of the business process that ensures we are able to achieve and maintain our financial margins.

#### WE ENSURE ALL OUR LAND FITS THE FOLLOWING CRITERIA:

- 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
- Maximise the site by achieving a lower parking ratio than open market housing that allows for higher density accommodation



### Construction and Commercial

We are proud to have once again received the maximum 5 star rating in the independent Customer satisfaction survey by the Home Builders Federation (HBF), in which 95% of our Customers said they would recommend us to a friend.

#### OUR APPROACH

Our developments are managed by an experienced site management team, assisted by in house, regionally based commercial and construction professionals, ensuring that we maintain our high quality standards of build, whilst maintaining robust health and safety procedures. Ultimate control rests with the Group Commercial and Construction Director who is responsible for ensuring that the agreed standard specifications and design principles are adhered to, whilst monitoring and approving the overall cost of construction.

Following a design review to reflect Customer feedback, we now have a range of standard one and two bedroom apartments which allows for a cost effective and consistent build process.

We continue to develop our subcontractor network to ensure that we have an appropriate level of resource to support the growth of the business. This, coupled with a strategic procurement process to optimise leveraging opportunities, ensures that we control our build costs and operate efficiently.

Having a policy of owning all of the essential plant and equipment we need to construct our developments, we have a significant investment in tower cranes and their associated equipment along with site accommodation.

All of the above ensures we have the consistency and control to keep our construction costs to a minimum.

#### OUR DEVELOPMENTS INCLUDE THE FOLLOWING:

- Modern energy efficient systems, which are able to produce cost effective heating and hot water
- Methods of construction and materials which require minimum maintenance and therefore lead to lower ongoing running costs
- Lift access to all floors
- Significant communal spaces, including landscaped gardens, to allow for the ever increasing range of social activities to take place
- Guest Suite to allow friends or family to stay when visiting
- An Owners' Lounge that enables our Owners to meet and enjoy various social activities
- Emergency call system, with integrated door entry and intruder alarm systems for added security and peace of mind

## OUR BUSINESS MODEL



### Planning and Design

Obtaining the right planning permission in the right location 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 areas.

#### OUR APPROACH

We always seek to work in partnership with local authorities and communities to ensure housing for the older population is delivered in a way that satisfies national and local planning policy.

Our in-house planning teams have considerable knowledge of the retirement house building sector. The Planning Issues Limited (PIL) team is made up of planning, design and affordable housing

professionals. PIL is involved from the initial identification of the land, carrying out planning appraisals and providing advice to inform the exchange of a land contract.

The planning team are responsible for progressing pre application discussions with Local Planning Authorities and conducting political and public engagement prior to preparing and submitting a planning application.

PIL liaises and negotiates with Local Planning Authorities to achieve a local level planning consent, where possible. If required the planning team will coordinate planning appeals, including instructing a planning barrister, and appearing as an expert witness at public inquiries and hearings.

#### OUR DEVELOPMENTS PRODUCE A LARGE NUMBER OF SIGNIFICANT BENEFITS TO THE COMMUNITY, WHICH INCLUDE:

- Reduction in demands on health & social services and other care facilities, with Owners remaining in better health
- Providing shared facilities for a large number of residents in a single building which makes more efficient use of material and energy resources
- 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, currently 3.8 million individuals over the age of 65 live alone
- Maximises use of urban brownfield sites, which reduces pressure on 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

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Retirement cottages at Yate

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## OUR BUSINESS MODEL



### Sales and Marketing

Our Sales & Marketing team work to build a strong and trusted brand, with a focus on attracting a high volume of quality leads and providing a unique range of services to support our Customers practically, emotionally and financially through every stage of the buying process.

#### OUR APPROACH

Our in-house Marketing team strategically plans and implements national marketing and PR initiatives for the Company, closely aligned to the commercial objectives of the business, with the support and expertise of our in-house Graphic Design, Customer Relations and regional marketing teams to oversee fully integrated tactical marketing and PR.

The Marketing teams play an integral part in helping the Sales department to achieve its targets with the provision of well-presented signage across all CRL sites, multi-platform advertising and PR activity, lifestyle and community events, and charity initiatives through the Churchill Foundation.

Our Sales team develop an in-depth knowledge of our product and our Customers by undertaking a thorough

sales training induction and development programme which has been enhanced by the launch of our dedicated Sales Training Academy. This training ensures that our teams develop first class customer service skills and the understanding that selling retirement living is not just about highlighting the physical attributes of the apartments. Equally, if not more important, is to showcase and convey the lifestyle that can be enjoyed from living in retirement accommodation, along with the ability to provide an industry-leading service to all our Customers throughout their sales journey.

Key sales tools include a range of services to support our Customers with their move, from downsizing and removal services, to help with selling their existing home, including a successful Home Exchange service, all designed to help deliver a smooth move. Financial support is also available with these services, if needed, including legal conveyance through a panel of recommended solicitors.

This integrated and supportive approach is a key driver for our sales and marketing strategy and is in place to help maintain a reputation as the best in the industry.

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*We always planned to move to Cornwall when we retired but for one reason or another we kept putting it off, until one day we saw a Churchill advert in the newspaper and decided to pick up the telephone on the spur of the moment. We always used to come to Newquay on family holidays when we were younger, so we were excited to hear about the new development at Perran Lodge. We arranged to come and spend a couple of nights in the Lodge's Guest Suite, and as soon as we walked into the Owners' Lounge we could feel the warmth and friendly atmosphere of the place. Our minds were made up very quickly!”*

*“It's a big move to make at our age, but Churchill did everything to make sure it went smoothly. Sandi the Sales Executive was a big help in making it so easy for us to make the move, helping to deal with solicitors and estate agents and explaining everything to us along the way. Now we've been here a few months we can't believe our luck to have found somewhere so nice. Maintenance, gardening, DIY and other responsibilities are all things we don't have to worry about any more. The apartment is so easy to look after, we can just spend our time socialising and enjoying ourselves.”*

*“I was a builder myself for many years, so I really appreciate the quality of the finish and the attention to detail Churchill has put in throughout this development, it really is excellent. Our Lodge Manager Jayne is also a delight, always smiling and nothing is ever too much trouble, it's very reassuring to have her looking after the place. We feel very lucky and we have to pinch ourselves sometimes, it's such a dream come true to be here.” - Michael and Barbara Sammons*

## OUR BUSINESS MODEL



### Property Management

Millstream Management Services (MMS), an award winning provider of retirement housing management services in the UK and a 100% subsidiary of the Group, provides full property management services. That is important to our Customers as it shows a continued commitment to the lifestyle that is part of retirement living.

#### OUR APPROACH

MMS manages the properties that our Customers call home and therefore with a focus on the people and their happiness and wellbeing. MMS strives to ensure that its services and costs are transparent and always open to Owners' scrutiny.

Being an expert in all aspects of retirement housing, MMS also manages a growing portfolio of retirement developments for other national developers, investors and Owners who have actively chosen MMS as their preferred manager.

Core to the success of property management are the Lodge Managers/ Development Managers that deal with all elements of daily management. Whether this be the organisation of lifestyle events to enable Owners to socialise with like-minded people, stay active and remain independent during their retirement years or taking responsibility for organising all property related repairs and maintenance with support from experienced Area Managers and Head Office team.

MMS puts the Customer at the heart of what it does and makes every effort to ensure that it improves the well being of its Customers through the lifestyle and service it provides. To support this, over the past year MMS has been working hard on the launch of Careline Support Limited (CSL), a subsidiary company to MMS. CSL will provide 24 hour emergency Careline Support to MMS Customers leading an independent lifestyle and was launched in September 2020. CSL and MMS's aim is to better the line of communication with Owners and Lodge Managers and offer Customers a high quality, end-to-end service.

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“

*Although lockdown is not what anyone would choose, we have been comfortable in our apartment. Our Lodge Manager Abigail has been very efficient and helpful in keeping us all safe. She has sought to entertain us with bingo on the intercom, a virtual Grand National, puzzles, painting books, and quizzes. Plus on VE Day she provided us with a special "ration pack" of jam, scones, cake and a drink, and a grand display of bunting and a waterfall of poppies. We are grateful to her for helping us during this unusual time.” - Patricia Atwell*

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Owners fundraising for Macmillan Cancer Support

## OUR STRATEGY




Customer Satisfaction

 See page 18




Colleague Satisfaction

 See page 19




Financial Performance

 See page 20



Operational Performance

 See page 21



Company Reputation


 See page 22

Image removed

## OUR STRATEGY



### Customer Satisfaction

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Owners enjoying our annual Garden Party in 2019

Owner, Maddy Dougal

**TO DELIVER A MARKET LEADING PRODUCT AND EXCEPTIONAL CUSTOMER SERVICE TO CREATE AN INDEPENDENT, SAFE AND SECURE LIFESTYLE.**

#### STRATEGIC PRIORITIES

- Continue to achieve 5 star HBF rating
- Ensure our core product continues to meet the needs of our Customers
- Maintain an industry-leading approach to Customer service

#### MEDIUM-TERM TARGETS AND FUTURE OUTLOOK

- Ensure Customers are safe as we navigate through the COVID-19 pandemic
- Maintain 5 star accreditation with the HBF
- Continue with focus groups and competitor 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 include the launch of Careline Support Limited
- To reduce the likelihood 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

#### KEY RISKS TO MANAGE

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

 See page 37

#### PERFORMANCE IN FY 2020

- 95% of Customers would recommend us to a friend
- 5 star accreditation in recognition of Customer service at the HBF Awards 2020 for the 5th consecutive year
- Continuous improvements in our specification to meet Customers' needs.

## OUR STRATEGY

### Colleague Satisfaction

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

#### STRATEGIC PRIORITIES

- Retain and develop skilled Colleagues to support the business both now and for future growth
- Develop our leadership team to be inspirational, commercial and supportive to our Colleagues
- Ensure that Colleagues are trained and developed to perform at their best
- Maintain high levels of employee engagement and give Colleagues an opportunity to feedback on matters that are important to them

- 10% of Colleagues have been promoted during the year

#### MEDIUM-TERM TARGETS AND FUTURE OUTLOOK

- Ensure our Colleagues are safe as we navigate through the COVID-19 pandemic
- Continue to build upon the success at the Sunday Times Best Companies to Work For by improving our employment brand
- Ensure that Colleagues continue to receive the right training for their role
- Ensure through our health screening for all and wellbeing strategy that Colleagues receive the right support when life proves challenging
- Ensure TORCH (Trust, Openness, Respect, Communication and Honesty) values are at the heart of everything we do and feature throughout our people development programmes and recruitment campaigns
- Continually develop our leadership team to ensure that they are inspirational and commercially focused

#### KEY RISKS TO MANAGE

- Maintaining a COVID-19 secure workplace
- Engagement of Colleagues through an evolving COVID-19 pandemic
- Keeping Colleagues engaged during a period of rightsizing
- 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 37

#### PERFORMANCE IN FY 2020

- Ranked 3<sup>rd</sup> in the Sunday Times Top 100 Best Companies to Work For, to include:
  - 1<sup>st</sup> for My Company – this demonstrates how proud our Colleagues are about what we do as a Company
  - 3<sup>rd</sup> for My Manager – Colleagues feel supported by their Manager.
  - 4<sup>th</sup> for Wellbeing – together with a recognition award highlighting our comprehensive employee assistance programme and health benefits
  - 4<sup>th</sup> for Leadership – Colleagues feel inspired by our Chairman & CEO
  - 4<sup>th</sup> for Fair Deal – this demonstrates that the pay and benefits programme across the Group rewards our Colleagues fairly for the job they do
- Introduced the Churchill Training Academy and delivered sessions virtually to ensure our teams are equipped to meet the challenges of a difficult market
- Maintained Best Companies 3 Star accreditation for extraordinary levels of Colleague engagement

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Spencer & Clinton McCarthy receiving the Best Companies to Work For award

## OUR STRATEGY



## Financial Performance and Growth

TO DELIVER DISCIPLINED GROWTH WHILST MAINTAINING SECTOR LEADING MARGINS.

## STRATEGIC PRIORITIES


- Achieve sector leading operating profit margin
- Stay within debt limits and bank covenants
- Provide sufficient funding to:
  - Achieve the Company goals (within the Company's debt appetite)
  - Safeguard the Company during a difficult market

## MEDIUM-TERM TARGETS AND FUTURE OUTLOOK

- Return our operating profit margin to sector leading levels pre-COVID-19
- Ensure strategy is in place to counter any further weakening in the market
- Remain disciplined with our cost control

## 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
- Increase in costs throughout the business
- Political uncertainty

 See page 37

## PERFORMANCE IN FY 2020

- Cash flow management through strategically pausing construction and furloughing 80% of employees
- Agreed heads of terms for additional £10 million of funding as an extension to the existing loan facility
- Transparency with funding provider around debt and covenant limits and requirements
- Operating loss of £5.8 million and loss before tax of £11.3 million
- For further details refer to our Financial Review on pages 23-24

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## OUR STRATEGY



### Operational Performance

#### FORWARD FOCUS AND REMOBILISATION OF OUR WORKFORCE.

##### STRATEGIC PRIORITIES

- Focus on buying land as effectively and efficiently as possible by relying on both old and new techniques
- Ensure we maintain an intimate knowledge of suitable sites and develop relationships with owners and agents so we are a purchaser of choice when disposal decisions are taken
- Understand and deal with legal issues early in the process to help maintain our forecasted exchange dates
- Expand our Northern region
- Maintain a high level of planning applications approved at a local level
- Remobilise the construction teams with the focus on completing the sites that were already under construction prior to COVID-19
- Review the supplier and subcontractor network to support the future growth of the Group, with a focus on a controlled development delivery, on time and within budget

##### PERFORMANCE IN FY 2020

- Increased our average selling price
- Continued to operate using robust budgeting and project control processes, with reliable and transparent benchmarks, subsequently delivering sector leading build costs
- For further details, refer to our Operational Overview on pages 25-27

##### MEDIUM-TERM TARGETS AND FUTURE OUTLOOK

- Recover to pre-COVID-19 volumes and growth trends whilst maintaining margins
- Achieve appropriate levels of land exchange in FY 2021 to support our medium term growth targets
- Ensure resources precisely match our forecasted activity levels
- Maintain focus on our core product, to drive further efficiencies
- For further details, refer to our Operational Overview on pages 25-27

##### KEY RISKS TO MANAGE

- Impact of COVID-19 and the ability to keep our Colleagues, Customers and suppliers safe.
- Land supply and pipeline
- Planning success rates and timeframes with planning applications and appeals
- Change in planning and Government legislation
- Meeting programme starts to avoid production congestion
- Build cost inflation, which has been higher than property price inflation
- Monitor market conditions and respond appropriately
- Loss of key personnel
- Brand reputation
- Political uncertainty


 See page 37

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## OUR STRATEGY



## Company Reputation

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

## STRATEGIC PRIORITIES

CRL has built an industry-leading reputation as a high-quality, highly trusted, highly successful, multi-award winning business. Protecting and further enhancing this reputation is extremely important to our stakeholders. To achieve this, we are focused on continually improving across each of the following key areas:

**BRAND** – Deliver clear and compelling brand values that resonate strongly with the expectations of our target audiences, and maintain confidence and trust in our business

**SERVICE** – Deliver a high-quality service that meets the needs and expectations of our key stakeholders, representing good value and reflecting our brand values

**PRODUCT** – Deliver a consistent, high-quality product that reinforces confidence and trust in our business among key stakeholders

**PEOPLE** – Ensure that every Colleague throughout the business, from the Boardroom to the construction site cabin, represents our brand values in a positive way

**GIVING SOMETHING BACK** – Through our charitable arm the Churchill Foundation and wider CSR initiatives, demonstrate an ongoing commitment to giving something back to the communities where we operate

## PERFORMANCE IN FY 2020

- Maintained HBF 5 star rating with 95% of Customers saying they would recommend us to a friend
- Sunday Times Top 100 Best Companies to Work For – 3<sup>rd</sup> place
- Brand refresh exercise, involving feedback from stakeholders

## MEDIUM-TERM TARGETS AND FUTURE OUTLOOK

- Maintain HBF 5 star performance
- Continue to win national and regional awards for our developments, our customer service, our business performance, and our people
- Keep all stakeholders safe through the COVID-19 pandemic

## KEY RISKS TO MANAGE

- Customer or third party complaints
- Negative news reports about CRL and/or the wider retirement sector, particularly surrounding COVID-19 infection rates
- Construction site incidents or complaints
- Employee misconduct
- Legislation breaches
- Loss of HBF rating
- Cyber threats
- Data breaches or infringements (GDPR)

 See page 37

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## CHIEF FINANCIAL OFFICER'S REPORT

### Financial review

“

At the start of the pandemic the Group took a number of actions to reduce its fixed costs and conserve cash.”

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#### A FINANCIAL YEAR DOMINATED BY OUR COVID-19 RESPONSE

As with many businesses the COVID-19 pandemic has had a severe impact on our financial performance, compounded by the lockdown coinciding with our final quarter. The Group delivered 280 unit sales (2019: 584 unit sales) and as a result total revenue decreased by 56.2% to £91.4 million (2019: £208.6 million). Despite the reduction in unit sales, there was an increase in the average sales price of 1.4% to £319k (2019: £314k). The increase in average selling price was due to a reduction in the average incentives offered to our Customers by 11.8% to £10k (2019: £11k) coupled with house price inflation.

The increase in selling prices was complemented by continued control on our costs per unit. Our average cost per unit sold was £174k (2019: £177k). At the start of the pandemic the Board took a number of actions to reduce its fixed costs and conserve cash. This included closing all offices, sales centres and construction sites, furloughing 80% of the workforce, reducing hours for those Colleagues retained, and Directors in both Churchill Retirement Plc and Churchill Retirement Living Limited taking up to a 40% reduction in salary. The above actions resulted in overheads reducing by £2.2 million to £25.7million (2019: £27.9 million).

Total Group headcount increased by 2.1% during the year to 619 (2019: 606). The increase is due to expansion of our management services business with a small reduction of 11 to 370 (2019: 381) employed in the business of developing and selling retirement apartments. The operating profit decrease from £60.5 million to a loss of £5.8 million is a result of the unprecedented unit sales position for the year, there being no freehold reversionary interest sale in the year (2019: generated £19.2 million of profit) and the increase in stock holding costs as a result of the reduced units sales.

	Units	2020	2019	Variance	% Variance
Sales Units	#	280	584	(304)	(52.1%)
Average Sales Price	£	318,652	314,241	4,411	1.4%
Revenue	£'000	91,364	208,609	(117,245)	(56.2%)
Operating Profit/(Loss)	£'000	(5,815)	60,462	(66,277)	(109.6%)
Operating Profit/(Loss) %	%	(6.4%)	29.0%	(35.4%)	(122.1%)
Net Profit/(Loss) before Tax	£'000	(11,270)	55,031	(66,301)	(120.5%)
Net Profit/(Loss) before Tax %	%	(12.3%)	26.4%	(38.7%)	(146.6%)
Net Bank Debt (year end)	£'000	78,398	54,499	23,899	43.9%
Total Debt	£'000	137,403	110,568	26,835	24.3%
Total Stock	£'000	309,490	300,242	9,248	3.1%
Net Assets	£'000	183,441	195,285	(11,844)	(6.1%)
ROCE (Average)	%	(2.0%)	21.5%	(23.5%)	(109.3%)

## CHIEF FINANCIAL OFFICER'S REPORT

The Group expensed net interest charges of £5.5 million during the year (2019: £5.4 million). Preference share interest reduced by £0.3 million due to the reduction of interest rates. After interest charges, we achieved a loss before tax of £11.3 million (2019: £55.0 million profit).

**CASH FLOW AND FUNDING**

Our resilient business model and working culture is designed for a cyclical housing market, and with long term visibility of our cash flows and a highly experienced team, we were in a good position to act decisively with the onset of COVID-19 to ensure we maintained a strong balance sheet and high liquidity.

The Group has signed heads of terms with HSBC to provide an additional £10 million revolving credit facility in addition to our existing £120 million, which had a further 3 years to run at the year end. At the year end our net bank debt stood at £78.4 million (2019: £54.5 million). The Group, with the additional flexibility of the Interest Cover Covenant being temporarily waived, remains in full compliance with all the provisions of this agreement and the Board sees this increased facility as sufficient to achieve its medium term growth goals and provide the funds required should the market deteriorate further.

Our stock levels at year end increased to £309.5 million from £300.2 million in the previous year, which is reflective of the reduced level of unit sales rather than increased investment in stock.

The Group closed the year with a further increase in its tangible gross asset value to £308.2 million (2019: £296.2 million). Net assets at 30<sup>th</sup> June 2020 were £183.4 million (2019: £195.3 million).

**RISK MANAGEMENT**

Our approach to risk is set by the Board who maintain a close involvement in planning to mitigate risks identified. We monitor certain key-risk indicators on an ongoing basis and maintain a robust risk management framework across all levels of the business. The Internal Audit function further enhances 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 on page 37.

As part of managing the financial risk in the business, we consider lessons learnt from our experience of the last recession, and monitor all those indicators that enabled us to successfully manage the business through that recession.

At the year end we faced a risk that no-one could have foreseen. Our focus remains ensuring that we keep our Colleagues and Owners safe, whilst maintaining a robust financial position.

**TARGET RETURNS**

The Group sets internal targets for sector leading margins and return on capital. However, whilst the economy finds itself in a state of uncertainty, we accept that these margins cannot be achieved in the short term. Our long term plans keep these targets at the forefront of our strategy, and maintaining a robust approach to land buying and making sensible decisions in these unprecedented times, keeps us on track to achieve these again.



Dean Marlow  
Chief Financial Officer

## OPERATIONAL OVERVIEW

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“

We will maintain our disciplined approach and with the pipeline of sites already in our control we will be able to react to any situation we find ourselves in.”

### FORWARD FOCUS ON REMOBILISATION OF OUR WORKFORCE

The financial year has yet again proved challenging, with ups and downs; at the start of the year we had the uncertainty surrounding the General Election, followed by the positivity of January and February, and finally the lockdown and cessation of activities for the final 4 months of the year. These combined factors have been key in influencing our operational decision making and performance for the year.

Amidst this difficult trading year, we take pride in retaining our 5 star HBF Customer satisfaction rating in 2020. We continued to win a number of high-profile awards during the year, including 3rd place in the

Sunday Times Top 100 Best Companies to Work For in the UK. These awards acknowledge that care for our Customers and Colleagues is at the heart of our business. These superlative achievements represent ongoing recognition of our operational excellence and outstanding position within the industry.

Our primary goal is to provide exceptional retirement developments that enhance the quality of our Customers' lives. We aim to provide communities where owners can enjoy an independent, fulfilled and sustainable lifestyle. By putting our Customers at the heart of our decision-making processes, our vision for the business remains focussed on our principal market.

### OPERATIONAL PERFORMANCE

The CRL Operations Board is responsible for delivering the Group's operational performance. Our aim is to maintain our position as the market leading specialist retirement provider by:

- **Buying desirable sites in sought after locations**
- **Recruiting and retaining skilled Colleagues to support the business and its growth, ensuring our resources precisely match our forecasted activity levels**
- **Maintaining a disciplined approach to costs to ensure that our industry leading margins are maintained**

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## OPERATIONAL OVERVIEW

## LAND AND LAND STOCK

Our land strategy continues to focus on building a strong land bank of sites, with highly conditional purchase agreements. 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.

As a direct response to the current economic uncertainty, we maintained a cautious approach to land buying, purchasing 9 sites (2019: 13) equating to 388 units (2019: 563) during the year. As at 30th June 2020, our forward land stock position stood at 2,559 plots across 95 sites, giving us sufficient stock and WIP to meet our medium term objectives, with 3.8 years of sales already under our control.

## Our priorities for 2021 are:

- Focus on buying land as effectively and efficiently as possible by relying on both old and new techniques
- Ensure we maintain an intimate knowledge of suitable sites and develop relationships with owners and agents so we are a purchaser of choice when disposal decisions are taken
- Understand and deal with legal issues earlier in the process to help maintain our forecasted exchange dates
- Expand our Northern region

## DESIGN AND PLANNING

Our in-house architects continue to create designs which not only meet the needs but also appeal to our Customers. Our ongoing programme of development and improvements to our product keeps pace with technology and ensures our product is both functional and appealing, whilst focusing on economic design to maintain tight control over build cost and efficient build delivery.

Planning Issues Limited works closely with our Land and Design teams, from initial appraisal phase, in order to realise the full potential of our sites. We continue to work with Government with the aim of increasing retirement housing delivery.

In the year to June 2020 the planning team submitted 9 planning applications (2019: 12) and secured 10 planning permissions (2019: 10) equating to 478 units (2019: 416). Of the 10 permissions 80% were approved at local level (2019: 40%).

## Our priorities for 2021 are:

- Maximize site density in terms of unit numbers
- Maintain the high level of applications approved at a local level
- Improve appeal success rate
- Protect and strengthen the core business by monitoring the political landscape
- Continue to educate both professional and public stakeholders on the significant social, economic and environmental benefits of retirement living

## COMMERCIAL AND CONSTRUCTION

Exceptional construction quality is at the heart of our product. We continually monitor the performance of our supplier/subcontractor base to ensure that they meet our demands, with the aim of maintaining the quality of our product.

Our robust budgeting and project control processes use reliable and transparent benchmarks, which deliver sector leading build costs and help to protect our business.

In the year to June 2020 we started construction on 3 sites equating to 148 units (2019: 17 sites and 655 units). At the start of lock down 21 sites were under construction and were closed for the remainder of the financial year. Many of these sites were close to completion which led to us only achieving 15 site completions (2019: 18) during the year.

## Our priorities for 2021 are:

- Remobilise the construction teams with the focus on completing the sites that were already under construction to deliver first occupations
- Review the supplier and subcontractor network to support the future growth of the Group, with a focus on a controlled development delivery, on time and within budget

## OPERATIONAL OVERVIEW

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Dame Esther Rantzen DBE officially opening Lewis Carroll Lodge, Cheltenham

### SALES AND MARKETING

Sales started to pick up pace in January 2020 with the certainty the General Election gave the economy. The momentum was short lived when our 61 sales complexes had to close at the end of March 2020 due to the forced lock down, having a significant impact on sales performance in the last 4 months of the year. We anticipate that the market will remain challenging for 2021.

Lead generation remains 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. The success achieved in protecting our Customers and Owners in these unprecedented times, shows that independence, safety and security is exactly what we provide. The infection rate among our Owners remained less than half the average infection rate for people aged over 65 in England.

We will continue to place great emphasis on ensuring we deliver a first-class Customer experience, supporting our Customers and their families through their move and beyond, whilst keeping their safety at the forefront of our priorities.

#### Our priorities for 2021 are:

- **Open our sales centres, ensuring we put the safety of our Owners, Customers and Sales Colleagues at the forefront of any decisions**
- **Maintain our average sales price**
- **Reduce advertising and promotional spend**
- **Ensure our sales team are the best in the business, through our own Sales Academy and our dedicated Trainer to support Sales Colleagues.**
- **To maximise all sales opportunity to support the Group's growth.**

### SUMMARY

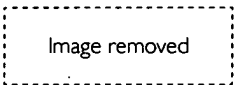
Whilst this year we have faced challenges that we could not have foreseen, and the short term outlook is uncertain, we will maintain our disciplined approach and with the pipeline of sites already in our control we will be able to react to any situation we find ourselves in.



**Clinton J McCarthy**  
Managing Director



**Martin Young**  
Chief Operating Officer



## CORPORATE SOCIAL RESPONSIBILITY

### Section 172 statement

The revised UK Corporate Governance Code ('2018 Code') was published in July 2019 and applies to accounting periods beginning on or after 1<sup>st</sup> January 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('MRR 2018') require Directors to explain how they considered the interests of all stakeholders of the business and the broader matters set out in section 172 (1) (A) to (F) of the Companies Act 2006 ('S172').

This includes considering the interest of other stakeholders which will have an impact on the long term success of the Company. The Board welcomes the direction of the UK Financial Reporting Council ('FRC').

This S172 statement which is being reported for the first time for the year ended 30<sup>th</sup> June 2020, explains how the Directors of Churchill Retirement Plc:

- **Have engaged with Colleagues, suppliers, Customers and other stakeholders of the business; and**
- **Have had due regard to Colleague interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year**

The paragraphs below set out how the Directors fulfil their duties under the Section 172 requirements.

#### DECISION MAKING OF THE BOARD

When making decisions, each Director ensures he acts in the way he considers, in good faith, to promote the long term success of the Company for the benefit of its Colleagues, Customers, suppliers and other stakeholders of the business.

#### COLLEAGUES

We see engagement with our Colleagues as of primary importance ensuring that we are including them in key business updates, listening to the feedback and concerns and giving regular updates on their progress.

With extraordinary levels of engagement, as certified by the Best Companies 3 star accreditation award, we know there is a correlation between happy Colleagues and happy Customers as shown in feedback and our HBF 5 star rating. For further details refer to page 30 of the Corporate Social Responsibility section.

#### MEETING OUR CUSTOMERS' NEEDS

We conduct regular Customer feedback and research to ensure that every detail of our developments is specifically designed to meet the needs of our Customers. Developments are built to a high standard with specifications designed around this feedback and research. A review committee is in place to continually assess our offering, ensuring our Customers' changing needs remain central to everything we do. For further details refer to page 18 of the strategic report.

#### SUPPLIERS AND SUBCONTRACTORS

The Group seeks to build strong relationships with a network of trusted suppliers and subcontractors across all regions that produce high quality outputs in line with the standard specification. This ensures high standards and efficiencies are met for both parties. Details of engagement with other stakeholders of the business can be found on page 21 of the strategic report.

#### FINANCIAL STAKEHOLDERS

The Group has complete transparency with its financial stakeholders and seeks to provide on-time information to ensure they are aware of the Group's performance and funding requirements to operate at full potential. This has proved particularly important through the COVID-19 outbreak. Agreeing heads of terms for an additional £10 million funding facility during a difficult economic period.

#### COMMUNITY, ENVIRONMENT AND SUSTAINABILITY

CRL continues to incorporate social responsibility and promote sustainability throughout its processes. These techniques are integrated within the development process through to the occupation and ultimately by our Customers. For further details refer to page 33 of the strategic report.

#### BUSINESS CONDUCT

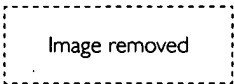
CRL has built an industry-leading reputation as a high-quality, highly trusted, highly successful, multi-award winning business. Protecting and further enhancing this reputation is extremely important to our stakeholders. For further details refer to page 22 of the strategic report.

#### ACTING FAIRLY BETWEEN BUSINESS OWNERS

The Company has just one class of ordinary share in issue and so all such shareholders benefit from the same rights, as set out in the Company's articles of association and the Companies Act 2006.

## CORPORATE SOCIAL RESPONSIBILITY

## Our People

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Colleagues at Head Office in Ringwood

**COLLEAGUE VALUES**

Our TORCH (Trust, Openness, Respect, Communication and Honesty) values are at the heart of everything we do and feature throughout our people development programmes and recruitment campaigns. It is our firm belief that our values should represent how we would like to be treated and in turn how we treat our Colleagues, Owners and Partners. The Company takes pride in Colleagues who go above and beyond demonstrating the Company values and these Colleagues are rewarded through a peer to peer recognition award known as Churchill Heroes.

**EXTRAORDINARY ENGAGEMENT**

We hold the firm belief that happy Colleagues means happy Customers so we work hard to ensure our Colleagues are engaged. For 2020, this has been more complex due to the COVID-19 pandemic and ensuring those on furlough are aware of the key messages from the Company on matters important to them. Regular communications from our Chairman and CEO provided a sense of unity during a challenging global crisis.

The Board of Directors took part in their very own Clap for Lodge Managers, recognising the tireless work that this group of Colleagues did to keep our Owners safe during the unprecedented times. In 2020, the Company was awarded 3<sup>rd</sup> Best Company to Work to for in the UK and maintained its 3 star accreditation for extraordinary levels of engagement. Meaning that for the 3<sup>rd</sup> year in a row we have been in the top 5 Best Companies to work for.

**CHURCHILL TRAINING ACADEMY**

The Churchill Training Academy has gone from strength to strength this year and has focussed its support and development on our Sales teams. The weekly training sessions that have been delivered virtually by our dedicated training team have been instrumental in ensuring our teams are both supported and motivated to achieve sales targets, whilst delivering key skills and equipping them to meet the challenges of a difficult market.

**HEALTH AND WELLBEING**

Never has the health and wellbeing of our Colleagues been more important. The Company has continued to promote the Employee Assistance Programme (EAP) but has also offered further support to those Colleagues who were supporting our Owners during the challenges that 2020 brought due to the pandemic. Colleagues have access to a range of support services for whatever life throws at them.

In addition to health and wellbeing, the Company has offered face to face pension support and other guidance for financial planning, so that Colleagues make the right decisions for them about their future.

**DIVERSITY AND INCLUSION**

CRL has continued to support females in the housebuilding industry with 62% of its workforce and a third of the CRL Operations Board Directors being female. CRL is committed to continuing to reward its Colleagues based on their performance and maintains an equal and fair reward strategy to ensure that we are recruiting and retaining the best people, whilst encouraging diversity within our industry sector. CRL supports and encourages people from all backgrounds by providing equal opportunities through its recruitment and working culture.



## CORPORATE SOCIAL RESPONSIBILITY

### Sustainability

CRL continues to incorporate social responsibility and promote sustainability throughout its processes. These techniques are integrated within the development process through to the occupation and ultimately by our Customers.

CRL works collaboratively to address sustainability issues to maintain its ability to acquire land, gain planning permission

and construct sites in an effective and responsible manner. As such, CRL created a new sustainability committee to enhance sustainability considerations into business operational procedures.

CRL particularly emphasises the use of low carbon technologies incorporated into energy efficient design to provide heating and hot water throughout its developments. Beyond this we continue to

reduce our waste streams where possible before responsibly disposing surplus materials. The procurement and sourcing of materials and labour are carefully considered to reduce their environmental impact. Where practicable, materials and labour are sourced locally to reduce transportation and travel to and from sites.

#### ENERGY USAGE AND CARBON EMISSIONS

UK Greenhouse gas emissions and energy use data for the period 1 July 2019 to 30 June 2020		2020
Energy consumption used to calculate emissions (kWh)		8,558,871
Energy consumption break down (kWh):		
• Gas & LPG		2,964,325
• Grid-Supplied Electricity		1,817,390
• Transport		3,777,156
Scope 1 emissions in metric tonnes CO2e		
• Gas & LPG		633
• Transport		919
Total Scope 1		1,552
Scope 2 emissions in metric tonnes CO2e		
• Location Basis		465
• Market Basis		98
Total gross emissions in metric tonnes CO2e		
• Location Basis		2,017
• Market Basis		1,650
Intensity ratio in metric tonnes CO2e per £m		
• Location Basis		21.4
• Market Basis		17.5

Scope 1 and 2 consumption and CO2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published emissions factors relevant for reporting year July 2019 to June 2020: Database 2019, Version 1.01.

Location basis calculates emissions from electricity (Scope 2 only) using the UK national average emissions conversion factor. Market basis allows a company to account for the emissions associated with a specific tariff – such as the green tariff procured by Churchill for around 90% of electricity consumption in empty, show and sales units, empty units and communal Ground Source Heat Pumps, and all Temporary Building Supplies, though not in offices.

Flycorp Aviation LLP is a joint venture that does not meet the SECR thresholds so has been excluded. Various other dormant subsidiaries have been excluded as well, as they do not meet the SECR threshold and do not consume energy.

## CORPORATE SOCIAL RESPONSIBILITY

## Health and Safety

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## “ Our Health &amp; Safety Vision... To create a safe and secure environment. ”

Our people are key to the development process, from the identification and purchase of land through to the sale of our apartments and ongoing Customer service. We are committed to supporting our teams and contributing to wider society. The health, safety and wellbeing of our Colleagues, Contractors and Owners is paramount. Working with our supply chain we aim to achieve the highest standards, realise industry leading performance whilst demonstrating clear unequivocal leadership.

The Head of Health & Safety chairs the Group Health & Safety Committee and two Steering Groups within CRL. These have enacted the recommendations of

the external Health & Safety performance review conducted in the last period. This includes:

- **Review and evolution of the Company processes and procedures**
- **A clear and efficient incident reporting process with data capture and analysis**
- **Demonstrable close out of safety issues raised by external independent inspections**
- **Improved Health & Safety communication**
- **Development of existing Construction Design and Management (CDM) controls**
- **Implementing robust lone worker procedures for our highest risk staff**
- **6 monthly H&S presentations to site managers**

This has resulted in increased reporting and therefore better knowledge of risk areas within the business. Minor incidents are investigated and will result in a reduction in serious incidents, keeping our people safe. Safety improvements are regularly being fed back into the build specification to improve the Churchill product.

## CORPORATE SOCIAL RESPONSIBILITY

# Community Involvement

Mayor of Fareham visits Warming Morning charity event at Beck Lodge, Park Gate

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Our developments are always located at the heart of thriving towns and communities. This naturally goes hand in hand with regenerating brownfield sites, enhancing the townscape and boosting local high streets by bringing older shoppers within walking distance of the shops and amenities they want to visit on a daily basis. In addition, our Owners tend to be the kind of positive thinking and active retirees who are keen to socialise and get involved in various initiatives that benefit their local communities.

Harnessing a sense of community spirit and engagement has never been more important than during the challenging times we've faced due to COVID-19. While this undoubtedly impacted our developments' usual programme of community events, it also provided an opportunity for individuals to really shine. This is especially true of our team of dedicated Lodge Managers, who really went the extra mile to ensure Owners remained connected to their communities.

### BRINGING COMMUNITIES TOGETHER TO SUPPORT LOCAL BUSINESSES

During February and March we called on local communities to step in out of the cold and into the warmth of our Owners' Lounges to enjoy hot drinks and indulgent snacks in return for a small donation to a local charity.

Our special Warming Morning events raised over £14,000 for a range of local charities chosen by our apartment Owners. Events were held at 54 Churchill developments up and down the country from Cornwall to Formby, with 100% of the money raised going to the local causes.

### BOOSTING LOCAL JOBS AND SKILLS - ENCOURAGING THE NEXT GENERATION OF HOUSEBUILDER

Our Allingham Lodge development in Eastbourne is an excellent example of Churchill's efforts to boost local jobs and skills. By going the extra mile to provide training opportunities for younger people in the area, the development earned an "Industry Champion" award which was presented to members of its construction team by local MP Stephen Lloyd.

As part of the county's "Skills East Sussex" skills and employment programme, the award recognised Site Manager Kevin Rowland and Senior Quantity Surveyor Joe Jarvis' efforts to work directly with young people in the county on a range of activities. These included running regular site visits for local students to find out first-hand what a career in the construction industry involves, as well as classroom talks, mentoring sessions and mock interview days with schools in the region.

A number of local students even had the opportunity to complete work experience placements at the site on Southfields Road, giving them a fully hands-on experience alongside Kevin and his team.

This is just one example of CRL's work to get involved with young people in the areas where we build, to give them an experience of what a career in the construction industry is all about, help inspire the next generation of Housebuilders and teach them some of the skills they need.

## CORPORATE SOCIAL RESPONSIBILITY

**CONNECTING THE GENERATIONS**

Across all our developments we look to foster links with local schools to create inter-generational connections that bring benefits for apartment Owners and schoolchildren alike.

During the construction phase, site safety visits introduce children to the inner workings of a Churchill site and the health and safety aspects involved. Once developments are completed and Owners move in, we can invite local school children into our Lodges to read to Owners and talk to them about subjects they are studying, with a wide range of topics to encourage interactive learning between the different generations.

At Chantry Lodge in Andover, the local Primary School has visited on several occasions, most recently for a 'Toys Through Time' event to learn about toys from the past with the apartment Owners. The event, which took place before COVID-19, compared older toys and games such as tiddlywinks and marbles with those of today, and was a big hit with young and old alike.

Michael De Kock, Lodge Manager at Chantry Lodge, said: "We really enjoyed the visit from the children. The Owners really enjoy getting involved with events like this, and it's one of the many different community events and social activities that take place in our friendly Owners' Lounge."

Other successful formats for connecting the generations include 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.

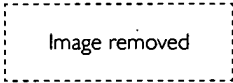


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## CORPORATE SOCIAL RESPONSIBILITY

### The Churchill Awards

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Now in their 8<sup>th</sup> year, The Churchill Awards for the Over 65s is our annual star-studded celebration of the achievements of those aged over 65, showcasing their contribution to British life during the past year. The Awards recognise the huge contribution that those in this age group make across many aspects of our society.

Previous winners included Joanna Lumley, Jilly Cooper, John Humphrys, Jimmy Tarbuck, Bob Wilson and Dame Julie Walters. Alongside the celebrities and famous faces, the awards also provide an opportunity to reward some special members of the public, with the 'Local Hero' and 'Churchill Owner' categories highlighting extraordinary achievements that deserve wider recognition.

In recent years the awards have also included a number of special charity winners in association with Churchill's charitable arm – the Churchill Foundation.

Unfortunately this year's awards ceremony could not take place due to the COVID-19 pandemic, but we look forward to presenting the silverware to our deserving winners as soon as circumstances allow.

*"Growing older is something to be celebrated, and the winners of these awards are shining examples of older people who contribute in every walk of life. They have all made a difference to the lives of millions of people, and this is a wonderful opportunity to celebrate their achievements. I wholeheartedly congratulate them all for providing us with such inspirational role models."* – Dame Esther Rantzen DBE

*"The Churchill Awards highlight what a fantastic contribution the over 65s are making to our society, and it's a chance to showcase everything this age group continues to offer. Although we were unable to celebrate with our winners this year, I'd like to congratulate them all on their impressive achievements."*  
– Spencer J McCarthy

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## CORPORATE SOCIAL RESPONSIBILITY

### The Churchill Foundation

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#### Donating gifts to support the Mission Christmas appeal

The Churchill Foundation, the charitable arm of Churchill Retirement, now in its 5th year has raised over £1.5m to date, for a wide range of local and national charities. Giving something back to the communities in which we work and build, is a fundamental part of what we believe in.

We offer funding to charities through partnerships, small grants, match-funding, and bespoke events. All charities we support must promote one of the Foundation's key areas of investment.

Foundation's key areas of investment:

- **The relief of sickness, disease and human suffering**
- **The promotion of health amongst the elderly**
- **The support and wellbeing of the young**

In September 2019 our lodges and offices took part in The World's Biggest Coffee Morning in aid of Macmillan. Fun was had by all at the Alice in Wonderland themed event and over £60,000 was raised, the highest total to date. Taking our total fundraising to date for Macmillan to over half a million pounds in funding from the Group.

Over 250 gifts were donated by the Foundation through monies raised in our Winter Fashion Show and many gifted by Colleagues, to the Wave 105 Mission Christmas Appeal in December bringing a smile to hundreds of children in the south on Christmas day whom would otherwise go without a gift at Christmas.

During February our annual Warming Mornings were held as an opportunity for our Owners and local visitors to eat, drink and be cosy in our Owners' Lounges in return for a small donation to a local

charity. Events were held at 54 selling developments, with 100% of the money raised going to the charities.

50 benefiting charities were chosen by the Owners of the Lodges, an amazing total of £14,355 was raised which is the most to date! The Foundation match-funded four lodges, these being the highest fundraisers within their size category.

In April 2020 an incredible total of £22,589 was donated to our 2019 charity partner End Youth Homelessness, this being funds raised by a successful 'Sleep Out' event held in November 2019. Over 60 colleagues took part in this fundraiser across the regions.

Our business partner scheme brought in over £14,000 at the beginning of 2020 however due to COVID-19 this scheme was temporarily halted in April 2020 along with all other Foundation activities.

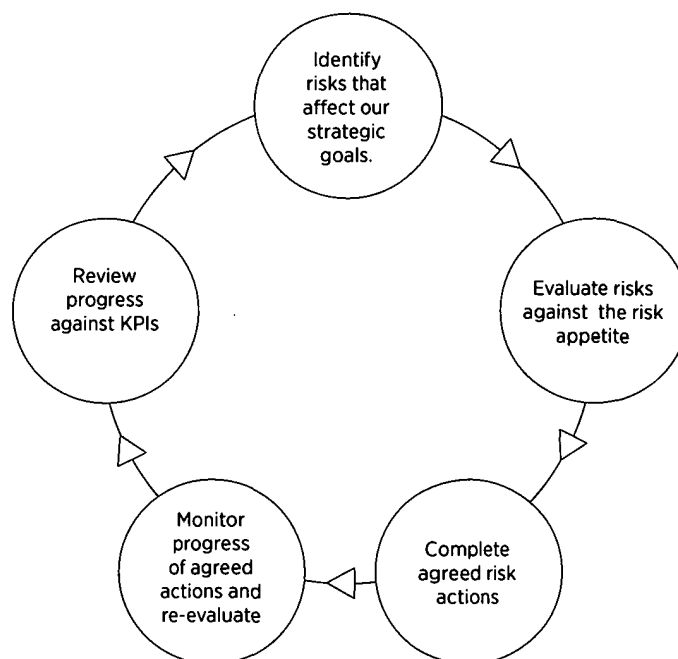
## RISK MANAGEMENT

### The Risk Management Process

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.


The overall risk management process and governance has not changed during the year. The process is set out in the risk management strategy to ensure consistency across the Group and is summarised below:

- **The Board is responsible for setting and monitoring the risk appetite for the Group when pursuing its strategic objectives**
- **Management reviews these risks including emerging risks and is also responsible for ensuring that adequate mitigating actions are in place to reduce risks to within the Boards appetite**
- **Management also monitor key risk indicators, which are designed to provide an alert to risks that are increased or not within appetite**
- **Internal Audit is responsible for providing assurance on how effectively the risk management framework is designed and operating**








### Principal Risks and Uncertainties

Understanding all of our principal risks and uncertainties, 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 outlook. 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	IMPACT	MITIGATION	LEVEL
COVID-19 	<p>COVID-19 is impacting all areas of our operations, including our Colleagues, Customers and supply chain.</p> <p>The extent of the impact will be heavily dependent on factors including, but not limited to,</p> <ul style="list-style-type: none"> <li>• the length of and extent of UK lockdowns and restrictions on movement,</li> <li>• the nature and extent of any government interventions,</li> <li>• the severity of economic effects and the speed and nature of the recovery.</li> </ul> <p>The age of our Customers mean they are particularly vulnerable so a potential lockdown for our age group is not unlikely and if there was a spike in cases amongst our Owners this could have reputational damage.</p>	<p>The COVID-19 pandemic has been a focus for the Board over the last few months. The health and safety of our Stakeholders has been paramount, with actions taken including:</p> <ul style="list-style-type: none"> <li>• Un-furloughed office-based Colleagues transitioning to home working, then returning safely to the offices in June in accordance with Government protocols.</li> <li>• All of our sales and construction sites were closed over this period.</li> <li>• Protocols were introduced at all developments we manage, to ensure we abide by Government advice to keep our Owners and Colleagues safe.</li> <li>• Monitoring our supply chain to ensure that our construction sites would be able to operate when they reopened in the new financial year.</li> <li>• Heavily utilised the Government furlough scheme.</li> </ul>	↑ <b>High Risk</b>

## RISK MANAGEMENT

RISK	IMPACT	MITIGATION	LEVEL
<b>Economic Conditions, Housing Market and Competition</b> 	<p>The general economic outlook and housing sector performance has a direct impact on the confidence and ability of our Owners to purchase one of our properties.</p>	<p>Owners often purchase due to need and therefore the Group carefully assesses competition and specifications.</p> <p>It is also recognised that the Group operates in a cyclical market and therefore a strong financial position will protect the Group in times of adverse changes.</p> <p>Maintaining a robust margin on all sites is fundamental whilst managing this against the requirement for timely land investment and construction programming to support future growth plans.</p>	<p>↔↔ High Risk</p>
<b>Government Policy, Political risks and changing legislation</b> 	<p>The Group continues to be challenged with changing laws and regulations whilst protecting its brand, reputation and shareholder value.</p> <p>It is important to predict if those regulations will impact on our strategic direction and business model.</p>	<p>Whilst the Group cannot directly influence these risks, the Group employs a Public Affairs Director to voice concerns of changes which may adversely affect the retirement sector.</p> <p>The Group only operates within England and Wales and therefore exposure to wider legislative changes are limited.</p> <p>The Group undertakes internal regulatory compliance reviews and seeks to continually improve its processes.</p> <p>All new developments have renewable energy power for heating and hot water supplies</p> <p>ESOS phase 2 report completed in the year</p>	<p>↔↔ High Risk</p>
<b>Health &amp; Safety</b> 	<p>The Group works in inherently risky environments. H&amp;S failures could result in:</p> <ul style="list-style-type: none"> <li>• Injury or death to our Colleagues, Owners, contractors or the public;</li> <li>• Reputational damage</li> <li>• Financial damage relating to legal actions, fines, claims and project progression.</li> </ul>	<p>New Head of H&amp;S appointed.</p> <p>The Group is closely monitoring new Fire Regulations and the development of the new buildings fire safety regulator.</p>	<p>↑ High Risk</p>
<b>Information Management, Cyber Security and Business Continuity</b> 	<p>As the Group relies upon IT systems the risks relating to their use increases especially with the increase in cyber threats.</p> <p>A loss in IT systems may disrupt operational activity and damage our reputation.</p>	<p>Developed system and data security through the Safe, Secure and Stable Project and in data resilience by moving data centres.</p> <p>An ongoing training programme as well as planned business continuity and data inventory projects.</p> <p>Colleagues were able to successfully and securely work from home during the pandemic.</p>	<p>↔↔ High Risk</p>
<b>Development Cycle</b> 	<p>Impact the Group's ability to meet its growth strategy; securing viable land deals in the right locations, planning delays or refusals, increasing planning contribution costs, delayed or extended construction periods and decreased sales rates.</p>	<p>The Group has a clear land policy and internal controls to minimise associated purchase risks.</p> <p>Planning permissions are handled by specialist planning advisors who know the CRL business.</p> <p>Build costs and programmes are closely monitored and have been adjusted to reflect the lockdown measures imposed during the Pandemic.</p> <p>Sales and marketing KPI's are closely monitored to assess confidence in the market and our products.</p>	<p>↔↔ High Risk</p>



## BOARD OF DIRECTORS

### EXECUTIVE

#### SPENCER J McCARTHY

##### Chairman and Chief Executive Officer - Aged 54

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 35 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.

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#### CLINTON J McCARTHY

##### Managing Director - Aged 56

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 18 years' experience in the retirement sector. Clinton takes specific responsibility for construction, plant services and customer services.

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#### DEAN MARLOW FCCA

##### Chief Financial Officer - Aged 49

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.

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#### MARTIN YOUNG

##### Chief Operating Officer - Aged 66

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.

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## BOARD OF DIRECTORS

## NON-EXECUTIVE

## BILL OLIVER

**Non-Executive Deputy Chairman - Aged 64**

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.



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## JOHN S MCCARTHY FCIOB, MBE

**Non-Executive (Investor) Director - Aged 80**

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.



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## HARRY HARRISON

**Non-Executive Director - Aged 72**

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.



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## SIMON BOADLE

**Non-Executive Director - Aged 62**

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.



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**CHURCHILL RETIREMENT PLC**

## Report and consolidated financial statements for the year ended 30 June 2020

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	R P Bailey (resigned 1 November 2019) R S Small (appointed 1 November 2019) Churchill House Parkside Ringwood Hampshire England BH24 3SG	
Company number	07428858	
Auditor	KPMG LLP Gateway House Tollgate Chandlers Ford SO53 3TG	
Banker	HSBC Bank plc Pall Mall London SW1Y 5EZ	
Solicitors	Moore Barlow 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 2020

The Directors present their report and audited consolidated financial statements of Churchill Retirement Plc 'the Group' for the year ended 30 June 2020.

#### 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 Group has made a loss from operations of £5.8million for the year to 30 June 2020 (2019 - £60.5million profit). Loss from operations includes the disposal of freehold reversionary interests that generated profit before taxation of £Nil (2019 - £19.2 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 covering the next 2 years to include both an expanding and contracting market. Our assumptions for a contracting market forecast are based on previous recessions and our experience through the COVID-19 lock down period that impacted the final four months of our financial year.

Our contracting market forecast uses a sales rate similar to that seen in 2020, which was heavily impacted by COVID-19, for the first 12 months post year end and then a sales rate in line with that which we experienced in the previous recession for the next 12 months. We have also taken into account a drop in our current market prices in addition to increasing incentives to the levels we saw during the last recession.

The resulting forecast shows the Group has the liquidity to continue to operate throughout the forecasted period. The maximum net bank debt in the contracting market forecast is £87 million with our Revolving Credit Facility in place throughout the forecast period. Additionally, throughout the forecast period the covenants, which include the additional flexibility of an interest cover covenant waiver until 31 March 2021, of the Revolving Credit Facility agreement are all complied with.

On the basis of these reviews, the Directors consider it is appropriate for the Group and Parent Company to continue 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 £3.11 per share was declared in March 2020 prior to the pandemic (2019 - £18.92).

#### COLLEAGUES

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, take on new tasks and are 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 2020 (continued)****DIRECTORS**

The following Directors have held office since 1 July 2019 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 Boodle**

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

The following Company Secretaries have held office since 1 July 2019 and up to the date of signing the financial statements:

**R P Bailey** (resigned 1 November 2019)  
**R S Small** (appointed 1 November 2019)

**POLITICAL AND CHARITABLE DONATIONS**

During the financial year the Group made political donations of £150,000 (2019 - £55,000).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual 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;

- For the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures discussed and explained in the financial statements;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor 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 auditor are aware of that information.

**INDEPENDENT AUDITOR**

The auditor, 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

12 November 2020

## Independent auditor's report to Members of Churchill Retirement Plc

### OPINION

We have audited the financial statements of Churchill Retirement Plc ("the Company") for the year ended 30 June 2020 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 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 2020 and of the Group's loss 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

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

### 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.

## Independent auditor's report to Members of Churchill Retirement Plc

### 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; or

We have nothing to report in these respects.

### DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 44, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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  
Gateway House,  
Tollgate,  
Chandlers Ford,  
SO53 3TG

13 November 2020

## CHURCHILL RETIREMENT PLC

### Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Notes	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
Revenue	4	91,364	208,609
Cost of sales		(71,848)	(124,042)
<b>Gross profit</b>		<b>19,516</b>	<b>84,567</b>
Other operating income	5	417	3,777
Administrative expenses		(25,748)	(27,882)
<b>(Loss)/Profit from operations</b>	6	<b>(5,815)</b>	<b>60,462</b>
Finance expense	8	(5,456)	(5,445)
Finance income	8	1	14
<b>(Loss)/Profit before taxation</b>		<b>(11,270)</b>	<b>55,031</b>
Tax on profit	9	872	(10,969)
<b>(LOSS)/PROFIT FOR THE YEAR AFTER TAXATION</b>		<b>(10,398)</b>	<b>44,062</b>
<b>(Loss)/Profit for the year after taxation attributable to:</b>			
Owners of the parent		(10,314)	44,178
Non-controlling interest		(84)	(116)
		<b>(10,398)</b>	<b>44,062</b>

The notes on pages 51 to 79 form part of these financial statements.



# CHURCHILL RETIREMENT PLC

## Consolidated statement of financial position as at 30 June 2020

	Notes	30 June 2020 £,000	30 June 2019 £,000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	18,834	17,484
Investment property and freehold reversionary interests	12	7,753	13,187
Trade and other receivables	16	5,376	5,371
<b>Total non-current assets</b>		<b>31,963</b>	<b>36,042</b>
<b>Current assets</b>			
Inventories	14	309,490	300,242
Held-for-sale investment property	15	390	167
Trade and other receivables	16	9,918	19,108
Cash and cash equivalents	27	8,102	14,001
<b>Total current assets</b>		<b>327,900</b>	<b>333,518</b>
<b>TOTAL ASSETS</b>		<b>359,863</b>	<b>369,560</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	26,714	42,144
Loans and borrowings	18	905	448
Income tax payable		-	4,898
<b>Total current liabilities</b>		<b>27,619</b>	<b>47,490</b>
<b>Non-current liabilities</b>			
Loans and borrowings	18	144,600	124,121
Provisions	19	3,132	1,162
Deferred tax liability	20	1,071	1,502
<b>Total non-current liabilities</b>		<b>148,803</b>	<b>126,785</b>
<b>TOTAL LIABILITIES</b>		<b>176,422</b>	<b>174,275</b>
<b>NET ASSETS</b>		<b>183,441</b>	<b>195,285</b>
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	21	522	522
Share based payment reserve	22	1,200	1,090
Retained earnings		181,035	192,905
Other reserves		-	-
		<b>182,757</b>	<b>194,517</b>
<b>Non-controlling interest</b>		<b>684</b>	<b>768</b>
<b>TOTAL EQUITY</b>		<b>183,441</b>	<b>195,285</b>

The financial statements on pages 47 to 79 were approved and authorised for issue by the Board of Directors on 12 November 2020 and were signed on its behalf by:



**Dean Marlow**  
Chief Financial Officer

Registered number: 07428858

The notes on pages 51 to 79 form part of these financial statements.

## CHURCHILL RETIREMENT PLC

### Consolidated statement of cash flows for the year ended 30 June 2020

	Notes	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit for the year		(10,398)	44,062
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	11	2,112	1,510
Change in value of investment property	12	-	(3,622)
Share based payment charge	22	110	(230)
Finance income	8	(1)	(14)
Finance expense	8	5,456	5,445
Loss/(gain) on sale of property, plant and equipment		54	(270)
Income tax (income)/expense	9	(872)	10,969
Decrease in trade and other receivables		10,839	827
Increase in inventories		(4,670)	(20,861)
Decrease in trade and other payables		(8,654)	(2,345)
Increase in provisions		1,970	199
<b>Cash (used in)/generated from operations</b>		<b>(4,054)</b>	<b>35,670</b>
Income taxes paid		(6,113)	(10,556)
Interest received		1	15
Interest paid		(3,034)	(3,183)
<b>Net cash flows from operating activities carried forward</b>		<b>(13,200)</b>	<b>21,946</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(1,326)	(4,299)
Sale of property, plant and equipment		746	1,233
<b>Net cash flows from investing activities</b>		<b>(580)</b>	<b>(3,066)</b>
<b>FINANCIAL ACTIVITIES</b>			
(Repayment)/proceeds from bank borrowings		18,250	(8,000)
Capital repayments of lease liabilities		(892)	(501)
Repayment of tracker shares		-	(1,510)
Dividends paid to the shareholders of the Parent Company		(9,477)	(14,180)
<b>Net cash (used)/generated from financing activities</b>		<b>7,881</b>	<b>(24,191)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,899)</b>	<b>(5,311)</b>
Cash and cash equivalents at beginning of year		14,001	19,312
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	27	<b>8,102</b>	<b>14,001</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash at bank and in hand		8,102	14,001
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>8,102</b>	<b>14,001</b>

The notes on pages 51 to 79 form part of these financial statements.

**CHURCHILL RETIREMENT PLC****Consolidated statement of changes in equity for the year ended 30 June 2020**

<i>Notes</i>	Share capital £,000	Share based payment reserve £,000	Retained earnings £,000	Total attributable to equity holders of parent £,000	Non- controlling interest £,000	Total equity £,000
<b>1 July 2019</b>	<b>522</b>	<b>1,090</b>	<b>192,905</b>	<b>194,517</b>	<b>768</b>	<b>195,285</b>
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	(10,314)	(10,314)	(84)	(10,398)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(10,314)</b>	<b>(10,314)</b>	<b>(84)</b>	<b>(10,398)</b>
<b>Contributions by and distributions to owners</b>						
Dividends	-	-	(1,556)	(1,556)	-	(1,556)
Share based payment charge 22	-	110	-	110	-	110
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>110</b>	<b>(1,556)</b>	<b>(1,446)</b>	<b>-</b>	<b>(1,446)</b>
<b>30 JUNE 2020</b>	<b>522</b>	<b>1,200</b>	<b>181,035</b>	<b>182,757</b>	<b>684</b>	<b>183,441</b>
<b>1 July 2018</b>	<b>522</b>	<b>1,320</b>	<b>158,188</b>	<b>160,030</b>	<b>884</b>	<b>160,914</b>
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	44,178	44,178	(116)	44,062
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>44,178</b>	<b>44,178</b>	<b>(116)</b>	<b>44,062</b>
<b>Contributions by and distributions to owners</b>						
Dividends	-	-	(9,461)	(9,461)	-	(9,461)
Share based payment charge 22	-	(230)	-	(230)	-	(230)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>(230)</b>	<b>(9,461)</b>	<b>(9,691)</b>	<b>-</b>	<b>(9,691)</b>
<b>30 JUNE 2019</b>	<b>522</b>	<b>1,090</b>	<b>192,905</b>	<b>194,517</b>	<b>768</b>	<b>195,285</b>

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020

### 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).

#### 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 covering the next 2 years to include both an expanding and contracting market. Our assumptions for a contracting market forecast are based on previous recessions and our experience through the COVID-19 lock down period that impacted the final four months of our financial year.

Our contracting market forecast uses a sales rate similar to that seen in 2020, which was heavily impacted by COVID-19, for the first 12 months post year end and then a sales rate in line with that which we experienced in the previous recession for the next 12 months. We have also taken into account a drop in our current market prices in addition to increasing incentives to the levels we saw during the last recession.

The resulting forecast shows the Group has the liquidity to continue to operate throughout the forecasted period. The maximum net bank debt in the contracting market forecast is £87 million with our Revolving Credit Facility in place throughout the forecast period. Additionally, throughout the forecast period the covenants, which include the additional flexibility of an interest cover covenant waiver until 31 March 2021, of the Revolving Credit Facility agreement are all complied with.

On the basis of these reviews, the Directors consider it is appropriate for the Group and Parent Company to continue 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 have been adopted and are effective for the current accounting year:

Standard or interpretation	Title	Effective for periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IAS 19	Amendments to employee benefits	1 January 2019
IAS 28	Investments in associates, joint ventures	1 January 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease', setting out criteria for recognition, measurement and disclosure of leases. The standard is effective for periods beginning on or after 1 January 2019 and has been implemented by the Group from 1 July 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

Under IFRS 16, most leases previously classified as operating leases under IAS 17 are recognised in the Statement of Financial Position along with an associated right-of-use asset.

On adoption of IFRS 16, the Group recognised an additional £917,417 of lease liabilities, in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 1 ACCOUNTING POLICIES (*CONTINUED*)

On transition an additional £917,417 of right-of-use assets associated to the Group's leases were recognised, equal to the present value of the lease liabilities and therefore no adjustments to retained earnings.

The lease liability and right-of-use asset is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is re-measured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are subsequently measured at the present value of associated lease liability less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain re-measurements of the lease liability. Depreciation is calculated on a straight line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value.

For these leases, payments are charged to the Income Statement on a straight line basis over the term of the relevant lease. For the year ended 30 June 2020, payments charged to the Income Statement related to low value and short-term leases were insignificant.

Right-of-use assets are included in plant, property and equipment in non-current assets on the face of the Statement of Financial Position and lease liabilities are included within loans and borrowings on the face of the Statement of Financial Position in current liabilities and non-current liabilities depending on the length of the lease term.

Amendment to IAS 28 'Investments in Associates, Joint Ventures' and IFRIC 23 'Uncertainty over Income Tax Treatments' and IAS 19 'Amendments to employee benefits', were adopted, none of which have had a significant impact on reported results or position.

The International Accounting Standards Board (IASB) has published a number of minor amendments to IFRS's which will be applicable to the Group for the financial year beginning 1 July 2020. These amendments are not expected to have a significant impact on the results of the Group.

#### ALTERNATIVE PERFORMANCE MEASURES ('APMS')

Within the Annual Report, the Directors have adopted various APMS. These measures are not defined by IFRS. The Directors are of the opinion that the separate presentation of these items provides helpful information about the Group's underlying business performance.

The APMS that the Group has used are as follows:

- Return of capital employed ('ROCE')

ROCE is a measure used to ensure efficient and effective use of capital and is a key metric in determining the performance of the Group. ROCE is also a comparable metric used by our peer housebuilder group.

Reconciliations between the statutory results and ROCE are calculated in the glossary of terms on page 88.

#### REVENUE

Revenue comprises a number of elements. The Group's principal revenue stream is from the sale of residential properties. Properties are treated as sold and profits are recognised at the point control of the unit is passed to the Customer, which has been determined as the point of 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 on investment properties, including freehold reversionary interests retained on the balance sheet is 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.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 1 ACCOUNTING POLICIES (*CONTINUED*)

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; and
- 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 allowances for expected credit losses, using the simplified approach under IFRS 9.

Expected credit loss allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the expected life of the financial asset. The Group also performs analysis on a case-by-case basis for particular trade receivables based on historic activity or irregular payment patterns.

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.

**CHURCHILL RETIREMENT PLC**

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

**1 ACCOUNTING POLICIES (CONTINUED)****SHARE CAPITAL**

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

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

**SHARE-BASED PAYMENTS**

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

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**RIGHT OF USE ASSETS**

At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

**LEASE LIABILITIES**

Lease liabilities are initially measured at their present value which amounts to the minimum lease payments, discounted using the interest rate implicit in the lease. If that rate cannot be determined, the company's incremental borrowing rate of 2.81% is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The company has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the Income statement.

**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.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 1 ACCOUNTING POLICIES (*CONTINUED*)

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.

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
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.



**CHURCHILL RETIREMENT PLC**

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

**1 ACCOUNTING POLICIES (CONTINUED)****NON-CURRENT ASSETS HELD FOR SALE**

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

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification

Non-current assets are measured at the lower of:

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

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

**PROVISIONS**

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

**2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Estimates and judgements***

- Fair value measurement

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

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

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

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

- Land held for development and work in progress

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

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 3 FINANCIAL INSTRUMENTS - CAPITAL MANAGEMENT AND RISK MANAGEMENT

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

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

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

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

#### (I) PRINCIPAL FINANCIAL INSTRUMENTS

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

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

#### (II) FINANCIAL INSTRUMENTS BY CATEGORY

		Loans and receivables	
	Notes	2020 £,000	2019 £,000
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	27	8,102	14,001
Trade and other receivables excluding prepayments	16	11,076	20,208
<b>TOTAL FINANCIAL ASSETS</b>		<b>19,178</b>	<b>34,209</b>
		Financial liabilities at amortised cost	
	Notes	2020 £,000	2019 £,000
<b>FINANCIAL LIABILITIES</b>			
Trade and other payables	17	26,714	42,144
Loans and borrowings	18	145,505	124,569
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>172,219</b>	<b>166,713</b>

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**3 FINANCIAL INSTRUMENTS -  
CAPITAL MANAGEMENT AND RISK MANAGEMENT (CONTINUED)****(III) OTHER FINANCIAL INSTRUMENTS**

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.

**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:

***Capital Management***

The Group finances its operations by a combination of shareholders' funds, working capital and, where appropriate, borrowings. The Group's objective when managing capital is to maintain an appropriate capital structure in the business to allow management to focus on creating sustainable long-term value for its shareholders, with flexibility to take advantage of opportunities as they arise in the short and medium-term. This allows the Group to take advantage of prevailing market conditions by investing in land opportunistically and work in progress at the right point in the cycle, and deliver returns to shareholders through dividends.

The Group monitors capital levels principally by monitoring net cash/debt levels, cash flow forecasts and return on average capital employed. The Group considers capital employed to be net assets adjusted for net cash/debt.

Capital employed at 30 June 2020 was £308.2 million (2019: £296.2 million).

The Group's financial instruments comprise financial assets being trade receivables and cash and cash equivalents and financial liabilities being bank loans, trade payables, deposits and on account contract receipts, lease liabilities and accruals and deferred income. Cash and cash equivalents and borrowings are the principal financial instruments used to finance the business. The other financial instruments highlighted arise in the ordinary course of business.

***Housing market risk management***

The Group's activities expose it primarily to macroeconomic risks such as deflation and the cyclical nature of 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.

If interest rates on the Group's debt balances had increased by 0.5% throughout the year ended 30 June 2020, based on the average debt balances throughout the year there would not be a material impact to the statement of profit and loss. A 0.5% increase in interest rate represents management's reasonable assessment of the level of change for the year ended 30 June 2020.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 3 FINANCIAL INSTRUMENTS - CAPITAL MANAGEMENT AND RISK MANAGEMENT (*CONTINUED*)

#### *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.

The following are the contractual maturities of the financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest, contractual interest and exclude the effect of netting agreements:

FINANCIAL LIABILITIES	Carrying amount £,000	Contractual cash flows £,000	Due within 1 year £,000	Due between 1 to 2 years £,000	Due over 2 years £,000
Trade and other payables	26,714	26,714	26,714	-	-
Secured revolving credit facility	86,000	93,182	2,394	2,394	88,394
Lease liabilities	2,534	2,662	945	823	894
Tracker shares	54,971	60,072	1,154	1,154	57,764
Preference shares	2,000	2,300	100	100	2,100
<b>AT 30 JUNE 2020</b>	<b>172,219</b>	<b>184,930</b>	<b>31,307</b>	<b>4,471</b>	<b>149,152</b>

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**3 FINANCIAL INSTRUMENTS -  
CAPITAL MANAGEMENT AND RISK MANAGEMENT (CONTINUED)*****Fair value of investment properties and freehold reversionary interests***

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 are investment properties and freehold reversionary interests. The fair value adjustments through profit and loss (FVTPL) use methods associated with Level 3.

	Level 1 £,000	Level 2 £,000	Level 3 £,000	Total £,000
<b>INVESTMENT PROPERTIES AND FREEHOLD REVERSIONARY INTERESTS</b>				
2019	-	-	13,187	13,187
<b>2020</b>	<b>-</b>	<b>-</b>	<b>7,753</b>	<b>7,753</b>

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

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

The Directors estimate the fair value of the investment property and freehold reversionary interest portfolio on the following basis:

- The Group recognises the apartments and commercial property based on average sales value achieved on similar properties taking into account the location.
- The Group recognises the freehold reversionary interest (FRI) as an inherent part of the purchase of any development site. The Group bifurcates, on land acquisition, the purchase cost of each site between freehold reversionary interest in the course of construction and stock based on a ratio of estimated sales value and freehold reversionary interest value at the time of the purchase. The amount relating to a development site is subsequently transferred to freehold reversionary interests on the legal transfer to a third party and is valued by the Directors as a multiple of the ground rents which is considered to represent fair value.

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 2020 and 2019.

	2020 £,000	2019 £,000
<b>INVESTMENT PROPERTIES AND FREEHOLD REVERSIONARY INTERESTS</b>		
Opening balance	13,187	7,995
Additions	128	698
Transfer to held-for-sale investment property	(223)	-
Transfer (to)/from inventory	(4,579)	964
Disposals	(760)	(92)
Revaluation gains or recognised in the income statement	-	3,622
<b>CLOSING BALANCE</b>	<b>7,753</b>	<b>13,187</b>

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 2020 (*continued*)**4 REVENUE**

All revenue is derived from activities within the United Kingdom.

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
Sale of retirement apartments	86,591	184,119
Sale of land	1,024	689
Sale of freehold reversionary interests	-	20,447
Estate management	2,898	2,629
Rental income	524	495
Other	327	230
	<b>91,364</b>	<b>208,609</b>

**5 OTHER OPERATING INCOME**

Other operating income mainly comprised miscellaneous rebates and local authority grants related to COVID-19. 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 2020 £,000	Year ended 30 June 2019 £,000
Fair value adjustments for investment property and freehold reversionary interests	-	3,622
Other	417	155
	<b>417</b>	<b>3,777</b>

**6 (LOSS)/PROFIT FROM OPERATIONS**

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
<b>(Loss)/Profit from operations is stated after charging/(crediting):</b>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,135	1,080
Leased	977	430
(Loss)/Profit on sale of fixed assets	61	270
Hire of other assets – operating leases	262	638
Cost of inventories recognised as an expense	58,008	110,203
<b>Auditor's remuneration:</b>		
Fees payable to the Company's current auditor for the audit of the Parent Company	13	13
Fees payable to the Company's current auditor for the audit of the consolidated financial statements	92	79
	<b>105</b>	<b>92</b>

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**7 EMPLOYEE NUMBERS AND BENEFIT EXPENSES**

	Year ended 30 June 2020 Number	Year ended 30 June 2019 Number
<b>Numbers by activity:</b>		
Land, planning and design	52	61
Commercial and construction	88	103
Sales and customer services	152	136
Estate management	249	225
Office and administration support	78	81
	<b>619</b>	<b>606</b>

Included in the estate management figures above are 216 (2019:197) Lodge Managers who are employed by the Group, however 100% of the costs of these Lodge Managers 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 2020 £,000	Year ended 30 June 2019 £,000
<b>Employee benefit expenses (including Directors) comprise:</b>		
Wages and salaries	18,319	23,368
Defined contribution pension cost	729	748
Social security contributions and similar taxes	2,379	2,960
Share based payment charge	110	(230)
	<b>21,537</b>	<b>26,846</b>

**KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
Salary including employers national insurance and benefits in kind	4,334	3,933
Defined contribution pension scheme costs	355	279
Share based payment charge	104	(218)
	<b>4,793</b>	<b>3,994</b>

During the year the Group has changed its interpretation of "key management personnel", to include members of the CRL Operations Board, therefore the two years reported are not directly comparable.

**DIRECTORS' REMUNERATION**

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
Salary including benefits in kind	2,412	3,454
Defined contribution pension scheme costs	263	279
Share based payment charge	104	(218)
	<b>2,779</b>	<b>3,515</b>

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 7 EMPLOYEE NUMBERS AND BENEFIT EXPENSES (*CONTINUED*)

#### HIGHEST PAID DIRECTOR

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
Salary including benefits in kind	870	1,103
Defined contribution pension scheme costs	156	125
	<b>1,026</b>	<b>1,228</b>

### 8 FINANCE INCOME AND EXPENSE

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
<b>Finance income</b>		
<b>OTHER INTEREST RECEIVED</b>	<b>1</b>	<b>14</b>
<b>Finance expense</b>		
Bank loans	2,542	2,440
Preference shares including redemption premium	2,480	2,402
Lease interest	62	41
Other interest	372	562
<b>TOTAL FINANCE EXPENSE</b>	<b>5,456</b>	<b>5,445</b>

### 9 TAX (INCOME)/EXPENSE

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
<b>Current tax (income)/expense</b>		
Current tax (income)/expense on (loss)/profits for the year	(621)	10,670
Adjustment for over provision in prior periods	180	(238)
<b>Total current tax</b>	<b>(441)</b>	<b>10,432</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	50	(23)
Adjustment in respect of previous periods	29	(11)
Fair value adjustments	(510)	571
<b>Total deferred tax (note 20)</b>	<b>(431)</b>	<b>537</b>
<b>TOTAL TAX (INCOME)/EXPENSE</b>	<b>(872)</b>	<b>10,969</b>

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



**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**9 TAX (INCOME)/EXPENSE (CONTINUED)**

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
(Loss)/Profit on ordinary activities before taxation	(11,270)	55,031
Tax charge at the UK corporation tax rate of 19% (2019 - 19%)	(2,141)	10,456
Expenses not deductible for tax purposes	596	402
Share based payment charge	21	(44)
Adjustments in respect of preference share interest	471	456
Adjustments in respect of contaminated land relief	(28)	(52)
Adjustment for under/(over) provision in previous periods	209	(249)
<b>TOTAL TAX (INCOME)/EXPENSE</b>	<b>(872)</b>	<b>10,969</b>

***Changes in tax rates and factors affecting the future tax charge***

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019 - 17%).

**10 DIVIDENDS**

	Year ended 30 June 2020 £,000	Year ended 30 June 2019 £,000
<b>DIVIDEND OF £3.11 (2019 - £18.92) PER ORDINARY SHARE DECLARED DURING THE YEAR</b>	<b>1,556</b>	<b>9,461</b>

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £,000	Plant machinery and motor vehicles £,000	Fixtures and fittings £,000	Leasehold improvements £,000	Total £,000
<b>Cost or valuation</b>					
<b>At 1 July 2018</b>	<b>11,166</b>	<b>11,156</b>	<b>3,890</b>	<b>405</b>	<b>26,617</b>
Additions	1,801	290	329	243	2,663
Disposals	(852)	(95)	-	-	(947)
<b>At 30 June 2019</b>	<b>12,115</b>	<b>11,351</b>	<b>4,219</b>	<b>648</b>	<b>28,333</b>
Balance at 1 July 2019:					
Recognition of right-of-use asset on initial application of IFRS 16	373	544	-	-	917
Additions	575	1,891	103	17	2,586
Disposals	-	(173)	-	-	(173)
<b>AT 30 JUNE 2020</b>	<b>13,063</b>	<b>13,613</b>	<b>4,322</b>	<b>665</b>	<b>31,663</b>
<b>Accumulated depreciation</b>					
<b>At 1 July 2018</b>	<b>1,708</b>	<b>4,979</b>	<b>2,881</b>	<b>26</b>	<b>9,594</b>
Depreciation	207	910	383	10	1,510
Disposals	(183)	(72)	-	-	(255)
<b>At 30 June 2019</b>	<b>1,732</b>	<b>5,817</b>	<b>3,264</b>	<b>36</b>	<b>10,849</b>
Balance at 1 July 2019:					
Depreciation	409	1,309	381	13	2,112
Disposals	-	(132)	-	-	(132)
<b>AT 30 JUNE 2020</b>	<b>2,141</b>	<b>6,994</b>	<b>3,645</b>	<b>49</b>	<b>12,829</b>
<b>Net book value</b>					
<b>At 30 June 2019</b>	<b>10,383</b>	<b>5,534</b>	<b>955</b>	<b>612</b>	<b>17,484</b>
<b>AT 30 JUNE 2020</b>	<b>10,922</b>	<b>6,619</b>	<b>677</b>	<b>616</b>	<b>18,834</b>

The net carrying amount of property, plant and equipment includes the following amounts recognised as a Right-of-Use asset:

	2020 £,000
Plant, machinery and motor vehicles	2,505
Land and buildings	227
	<b>2,732</b>

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**12 INVESTMENT PROPERTY AND FREEHOLD REVERSIONARY INTERESTS**

	Freehold reversionary interests receivable £,000	Lodge manager apartments £,000	Commercial property £,000	Total £,000
<b>At 1 July 2018</b>	<b>278</b>	<b>7,278</b>	<b>439</b>	<b>7,995</b>
Additions	698	-	-	698
Transfer from inventory	964	-	-	964
Revaluation	2,862	-	760	3,622
Disposals	-	-	(92)	(92)
<b>At 30 June 2019</b>	<b>4,802</b>	<b>7,278</b>	<b>1,107</b>	<b>13,187</b>
Additions	128	-	-	128
Transfer to inventory	(4,579)	-	-	(4,579)
Transfer to held-for-sale investment property	-	(223)	-	(223)
Disposals	-	-	(760)	(760)
<b>AT 30 JUNE 2020</b>	<b>351</b>	<b>7,055</b>	<b>347</b>	<b>7,753</b>

Included in freehold reversionary interests receivable is £Nil (2019: £1,253k) relating to sites under construction.

**(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 £524,301 (2019 - £494,795) 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 2020 and 30 June 2019 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 2020 and 30 June 2019 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 of Lodge Manager's apartments and commercial property at 30 June 2020 has been carried out in accordance with The Royal Institution of Chartered Surveyors' ("RICS") Appraisal and Valuation Standards (the "Red Book"), Seventh Edition, by the Directors. The valuations have been prepared in accordance with the Red Book on the basis of market value.

All valuation of investment property is considered to be 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.

The fair value of freehold reversionary interests receivable at 30 June 2020 has been completed by the Directors and is based on a multiple of ground rent.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 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 %
<b>Direct Holdings</b>	*	Ordinary £1	100
Churchill Retirement (Group) Limited	*	Ordinary £1	100
<b>Indirect Holdings</b>	*	Ordinary £1	100
Churchill Retirement Living Limited**	*	Ordinary £1	100
Churchill Retirement Rentals Limited	*	Ordinary £1	100
Millstream Management Services Limited**	*	Ordinary £1	100
Planning Issues Limited**	*	Ordinary £1	100
McCarthy Investments Limited**	*	Ordinary £1	100
Emlor Property No.28 Limited**	*	Ordinary £1	100
Stratton & King Limited	*	Ordinary £1	100
Churchill Affordable Living Limited	*	Ordinary £1	100
Emlor Limited	*	Ordinary £1	100
Emlor Property No.3 Limited	*	Ordinary £1	100
Emlor Property No.10 Limited	*	Ordinary £1	100
Emlor Property No.15 Limited	*	Ordinary £1	100
Emlor Property No.16 Limited	*	Ordinary £1	100
Emlor Property No.17 Limited	*	Ordinary £1	100
Emlor Property No.18 Limited	*	Ordinary £1	100
Emlor Property No.19 Limited	*	Ordinary £1	100
Emlor Property No.20 Limited	*	Ordinary £1	100
Emlor Property No.22 Limited	*	Ordinary £1	100
Emlor Property No.23 Limited	*	Ordinary £1	100
Emlor Property No.24 Limited	*	Ordinary £1	100
Emlor Property No.25 Limited	*	Ordinary £1	100
Emlor Property No.26 Limited	*	Ordinary £1	100
Emlor Property No.27 Limited	*	Ordinary £1	100
Lifetime Living 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; and
- Flycorp Aviation LLP, which provides an aeroplane for chartering.
- Emlor Property No.28 Limited, which buys and sells land.

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.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**14 INVENTORIES**

	2020 £,000	2019 £,000
Land for development	17,828	28,718
Sites in the course of construction	87,474	66,521
Finished stock	204,188	205,003
	<b>309,490</b>	<b>300,242</b>

**15 HELD-FOR-SALE INVESTMENT PROPERTY**

	2020 £,000	2019 £,000
<b>At 1 June</b>	<b>167</b>	<b>346</b>
Transfer from investment property	223	-
Disposal	-	(179)
<b>AT 30 JUNE</b>	<b>390</b>	<b>167</b>

**16 TRADE AND OTHER RECEIVABLES**

	2020 £,000	2019 £,000
Trade receivables - net	7,320	17,605
Other receivables	2,100	2,603
Income tax receivable	1,656	-
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>	<b>11,076</b>	<b>20,208</b>
Prepayments and accrued income	4,218	4,271
<b>Total trade and other receivables</b>	<b>15,294</b>	<b>24,479</b>
Less: amount due after one year	(5,376)	(5,371)
<b>AMOUNT DUE WITHIN ONE YEAR</b>	<b>9,918</b>	<b>19,108</b>

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**

	2020 £,000	2019 £,000
Trade payables	6,624	10,317
Other payables	12,097	17,775
Land accruals	-	1,430
Other accruals and deferred income	5,466	11,595
Other payables - tax and social security payments	2,527	1,027
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>26,714</b>	<b>42,144</b>

Land accruals for the year ended 30 June 2019 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.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 18 LOANS AND BORROWINGS

The book value of loans and borrowings are as follows:

	2020 £,000	2019 £,000
<b>Non-Current</b>		
Bank loans - secured	86,000	67,750
Preference shares	56,971	55,698
Lease liabilities ( <i>note 24</i> )	1,629	673
	<b>144,600</b>	<b>124,121</b>
<b>Current</b>		
Lease liabilities ( <i>note 24</i> )	905	448
	<b>905</b>	<b>448</b>
<b>TOTAL LOANS AND BORROWINGS</b>	<b>145,505</b>	<b>124,569</b>

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 £500,000 (2019: £750,000) are offset against the bank loan balance and are amortised over the life of the loan.

#### BANK BORROWINGS

At 30 June 2020 the Group had in place a £120m revolving credit facility, with a maturity date of June 2023. Security was held by HSBC Corporate Trustee Company (UK) Limited for 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% above LIBOR. During the year the interest applied was 2.1% above LIBOR (2019 - 2.1 above LIBOR).

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

	Floating rate £,000
<b>2020</b>	
Expiry within 1 year	-
Expiry within 1 and 2 years	-
Expiry in more than 2 years	86,000
<b>TOTAL</b>	<b>86,000</b>
<b>2019</b>	
Expiry within 1 year	-
Expiry within 1 and 2 years	-
Expiry in more than 2 years	67,750
<b>Total</b>	<b>67,750</b>

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**18 LOANS AND BORROWINGS (CONTINUED)**

## PREFERENCE SHARES

	2020 No. Thousands	2019 No. Thousands	2020 £,000	2019 £,000
<b>Group – allotted and fully paid</b>				
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
	<b>90,800</b>	<b>90,800</b>	<b>46,400</b>	<b>46,400</b>
			2020 £,000	2019 £,000
Nominal value at 30 June			46,400	46,400
Interest accrued			10,571	9,298
<b>BOOK VALUE AT 30 JUNE</b>			<b>56,971</b>	<b>55,698</b>

**19 PROVISIONS**

	Warranty provision	
	2020 £,000	2019 £,000
<b>At 1 July</b>	<b>1,162</b>	<b>963</b>
Charged to profit or loss	2,823	1,119
Utilised in year/period	(746)	(850)
Released in year/period	(107)	(70)
<b>AT 30 JUNE</b>	<b>3,132</b>	<b>1,162</b>

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.

Within the warranty provision above, the Group recognised an additional maintenance provision of £1.5 million for future costs relating to a change in fire regulations and £0.8 million relating to future decorating costs on finished stock that has been held for a period of 3 years or more. This has been calculated using quoted and actual costs incurred to date and applied across all sites.

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 20 DEFERRED TAX

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019 - 17%).

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

	2020 £,000	2019 £,000
<b>At 1 July</b>	1,502	965
Recognised in profit and loss		
Tax (credit)/expense	(431)	537
<b>AT 30 JUNE</b>	<b>1,071</b>	<b>1,502</b>

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 2020 £,000	Liability 2020 £,000	Net 2020 £,000	(Charged)/credited to profit or loss 2020 £,000
Accelerated capital allowances	92	(169)	(77)	(79)
Revaluations	-	(994)	(994)	510
<b>NET TAX ASSET/(LIABILITIES)</b>	<b>92</b>	<b>(1,163)</b>	<b>(1,071)</b>	<b>431</b>

	Assets 2019 £,000	Liability 2019 £,000	Net 2019 £,000	Charged to profit or loss 2019 £,000
Accelerated capital allowances	76	(75)	1	34
Revaluations	-	(1,503)	(1,503)	(571)
<b>Net tax asset/(liabilities)</b>	<b>76</b>	<b>(1,578)</b>	<b>(1,502)</b>	<b>(537)</b>



**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**21 SHARE CAPITAL**

				Authorised
	2020 Number Thousands	2020 £,000	2019 Number Thousands	2019 £,000
Ordinary shares of £1 each	500	500	500	500
Growth shares of £1 each	22	22	22	22
	<b>522</b>	<b>522</b>	<b>522</b>	<b>522</b>

				Issued and fully paid
	2020 Number Thousands	2020 £,000	2019 Number Thousands	2019 £,000
Ordinary shares of £1 each	500	500	500	500
Growth shares of £1 each	22	22	22	22
	<b>522</b>	<b>522</b>	<b>522</b>	<b>522</b>

Details of Preference shares are disclosed in note 18.

**RIGHTS ATTACHING TO SHARES**

For definitions of terms referred to in this note, refer to the Articles of Association.

**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 a preferential dividend per annum equal to 0.0235117547 of the capital for the time being paid up (including any premium) on the shares in issue, to be paid half yearly on 1 June and 1 December each year and on redemption of any such shares;
- (ii) second, in paying to the holders of the A2 Tracker Shares a preferential dividend of such amount per annum as is equal to  $(X \times 2,000)$  of the capital paid up on them (including any premium) (where:  $X$  = such percentage as shall be equal to 0.50% below the Base Rate for Tracker Shares provided that:
  - (A) if and for so long as the Base Rate for Tracker Shares is equal to or less than 0.50%,  $X = 0.00\%$ ; and
  - (B) if and for so long as the Base Rate for Tracker Shares is more than 4.00%,  $X = 3.50\%$ ), to be paid half yearly on 1 June and 1 December each year and on redemption of any such shares.
- (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 (including any premium) to be paid half yearly on 1 June and 1 December each year and on redemption of any such shares;
- (iv) fourth, in paying to the holders of the Ordinary Shares such dividend as the Directors shall determine;
- (v) fifth, in paying to the holders of the Growth Shares such dividend as the Directors shall determine but subject to written consent of holders of 75% or more of the total number of Ordinary Shares in issue.

**CAPITAL**

On a return of capital, the assets of the Company remaining after the payment of its liabilities shall be applied:

(a) first, in paying to:

- (i) the holders of the A1 Tracker Shares the par value of such shares together with any arrears, deficiency or accruals of dividends on such shares or any debts arising in respect of the same;

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 21 SHARE CAPITAL (*CONTINUED*)

- (ii) the holders of the A2 Tracker Shares such amount as shall be equal to:
  - a. the par value of such shares;
  - b. a premium amounting to the aggregate of 10% of such amount as shall be equal to 2,000 multiplied by the par value of such shares; and
  - c. additional interest at the rate of:
    - (1) 2% per annum accruing on a daily basis commencing 30 November 2012 and expiring on 30 November 2017; and
    - (2) 1.50% per annum accruing on a daily basis commencing 1 December 2017, such interest being payable on such amount as shall be equal to 2,000 multiplied by the par value of such shares, together with any arrears, deficiency or accruals of dividends on such shares or any debts arising in respect of the same.
- (b) second, in paying to the holders of the Preference Shares the par value of such shares together with any arrears, deficiency or accruals of dividends on such shares or any debts arising in respect of the same;
- (c) third, in paying to the holders of the Ordinary Shares, from the balance of the assets remaining after the payment of its liabilities and making the payments referred to at (a) and (b) above (the "Relevant Return of Capital Balance") an amount equal to the lowest hurdle amount, as determined by the holders of 75% or more of the Ordinary Shares in issue, in proportion to the number of Ordinary Shares held by each Ordinary Shareholder;
- (d) fourth, in paying to the holders of the Growth Shares, in proportion to the number of Growth Shares held by each Growth Shareholder, the value attributable to the respective classes of Growth Shares (in each case as a class) in respect of the return of capital by applying the formula:  $N$  divided by 55,555, multiplied by  $V$ , multiplied by 10%, where  $N$  = the number of Growth Shares in issue immediately prior to the date of the return of capital, and  $V$  = the Relevant Return of Capital Balance less the relevant Growth Share hurdle amount except that  $V$  shall not be less than zero;
- (e) fifth, in paying to the Ordinary Shareholders 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 £100 million 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 holders 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 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 public offer of the Ordinary Shares as a result of which such shares 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"); or
    - c. 1 December 2022;
  - (ii) a Preference Share shall have the option to redeem all or any Preference Shares held by it or them at any time;
  - (iii) a Growth Share shall have the option to redeem all or any Growth Shares held by it or them on, or after, an IPO.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**21 SHARE CAPITAL (CONTINUED)**

- (b) Tracker Shares, Preference Shares and Growth Shares shall be redeemed on payment of the par value of such shares being redeemed together with all arrears, deficiency or accrual of dividends in respect of such shares or any debts arising in respect of the same, 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:
    - (1) 2% per annum accruing on a daily basis commencing 30 November 2012 and expiring on 30 November 2017; and
    - (2) 1.5% per annum accruing on a daily basis commencing 1 December 2017, 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 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
  - (ii) the aggregate nominal amount of all the A Tracker Shares being redeemed in issue, upon payment of the redemption amount referred to in (b).
- (d) the Company shall have the option, exercisable on or any time after:
- (i) an IPO; or
  - (ii) a Sale, to redeem any or all of the Preference Shares upon payment of the par value and accrued interest of the Preference Shares being redeemed.
- (e) the Company shall have the option, exercisable on or at any time after an IPO, to redeem any or all of the Growth Shares upon payment of the amount that the holders of the Growth Shares would be entitled to receive on a Sale.

**SALE**

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

- (a) if the Exit Value is less than or equal to 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, paying to those selling shareholders who are Growth Shareholders a value attributable to the Growth Shares in respect of a Sale by applying the formula:  $N \text{ divided by } 55,555, \text{ multiplied by } V, \text{ multiplied by } 10\%$  where  $N$  = the number of Growth Shares in issue immediately prior to the date of such Sale (such aggregate number not exceeding 55,555) 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.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**21 SHARE CAPITAL (CONTINUED)****CONVERSION**

- (a) Without prejudice to the rights of the holders of the Tracker Share and Preference Shares to redeem their shares and to the rights of the Preference Share holders to sell or otherwise transfer their shares in accordance with the articles of association of the Company:
- (i) each Growth shareholder shall have the option to convert all of the Growth Shares held by him or her immediately before but conditional on completion of an IPO; and
  - (ii) the Company shall have the option to convert all of the Growth Shares held by a Growth shareholder immediately before but conditional on completion of an IPO.
- (b) Growth Shares to which such 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) Unless otherwise determined by the Board, if a Growth Shareholder becomes a Growth Share Leaver, all of the Growth Shares held by such Growth Shareholder will automatically convert into Deferred Shares on the basis of one Deferred Share for each Growth Share held.
- (d) Upon the bankruptcy of a member holding Growth Shares, all of the Growth Shares held by such member will automatically convert into Deferred Shares on the basis of one Deferred Share for each Growth Share held.

**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 2020. 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)	11
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. With the exception of the forecasted maturity date that has increased from 5 to 11 years, there are no changes in any of the other assumptions.

The Group recognised an expense of £110,226 (2019: £230,226 income) related to equity-settled share based payments. The cumulative value of the expense recognised at the year end is £1,200,000 (2019: 1,089,774).

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**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****Change in significant accounting policies**

The Group has applied IFRS 16 using the modified retrospective method, therefore, the comparative information has not been restated and continues to be reported under IAS 17. Additionally the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

**Definition of a lease**

Previously the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

**As a lessee**

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases, with the only exception being short-term leases (less than 12 months remaining at the transition date), which continue to be expensed on a straight line basis through the statement of other comprehensive income.

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability

When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.81%

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 30 June 2019 in the Group's financial statements and the lease liabilities recognised at 1 July 2019.

	2020 £,000
Total Operating Lease commitment at 30 June under IAS 17	1,053
Expenses relating to short-term leases	(104)
<b>Lease liability before discounting</b>	<b>949</b>
Discount applied using incremental borrowing rate	(32)
<b>Lease liabilities</b>	<b>917</b>
Finance lease obligations under IAS 17 at 30 June 2019	1,122
<b>Total lease liabilities under IFRS 16 at 1 July 2019</b>	<b>2,039</b>

**As a lessor**

The Group is not required to make any adjustments on transition for leases in which it is a lessor

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 24 LEASES (*CONTINUED*)

#### As a lessee

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11):

Right of Use Assets	Land and Buildings £,000	Plant, machinery and motor vehicles £,000	Total £,000
Valuation at 1 July 2019	373	1,904	2,277
Additions	-	1,509	1,509
Depreciation	(146)	(870)	(1,016)
Derecognition of ROU assets	-	(38)	(38)
<b>Net book value at 30 June 2020</b>	<b>227</b>	<b>2,505</b>	<b>2,732</b>

Lease liabilities	Land and Buildings £,000	Plant, machinery and motor vehicles £,000	Total £,000
Valuation at 1 July 2019	373	1,666	2,039
Additions	-	1,387	1,387
Payments	(151)	(793)	(944)
Interest	10	42	52
<b>Lease liability at 30 June 2020</b>	<b>232</b>	<b>2,302</b>	<b>2,534</b>

The Group has elected not to recognise a lease liability for short term leases and therefore the associated payments have been expensed on a straight-line basis.

The following amounts have been recognised in profit or loss for which the Group is a lessee:

	2020 £,000
Short-term leases	143
Interest expense on lease liabilities	22
Depreciation of right-of-use assets	444
	<b>609</b>

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)**24 LEASES (CONTINUED)**

Future lease payments are due as follows:

	Lease payments £,000	Interest £,000	Present value £,000
<b>2020</b>			
Less than one year	945	(54)	891
One to two years	823	(42)	781
Two to three years	452	(20)	432
Three to four years	283	(10)	273
Four to five years	159	(2)	157
More than five years	-	-	-
	<b>2,662</b>	<b>(128)</b>	<b>2,534</b>
<b>2019</b>			
Less than one year	474	(26)	448
One to two years	377	(13)	364
Two to three years	226	(5)	221
Three to four years	89	(1)	88
Four to five years	-	-	-
More than five years	-	-	-
	<b>1,166</b>	<b>(45)</b>	<b>1,121</b>

**As a lessor**

Lease income from lease contracts in which the Group acts as a lessor is as follows:

Operating lease	2020 £,000
Lease income	2,004
	<b>2,004</b>

**Operating lease**

The Group leases out its investment property which has been classified as operating leases as they do not transfer the risks and rewards incidental to ownership of the assets.

The following table sets out the maturity analysis of lease payments showing the undiscounted lease payments to be received after the reporting date:

<b>Operating lease</b>	2020 £,000
Less than one year	131
One to two years	120
Two to three years	43
Three to four years	25
Four to five years	17
More than five years	1,668
<b>Total undiscounted lease payments</b>	<b>2,004</b>

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2020 (*continued*)

### 25 RELATED PARTY TRANSACTIONS

During the financial year the Group paid £1,000,000 (2019 - £700,000) 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 year end the Group was owed £Nil (2019 - £Nil) by Emlor S Polo LLP.

During the financial year the Group paid £450,000 (2019 - £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 year end the Group was owed £Nil (2019 - £Nil) by Emlor C Polo LLP.

### 26 TRANSACTIONS WITH DIRECTORS

Included within other creditors is £9,306,910 (2019 - £16,267,789) due to the Directors and their families, as a result of unpaid dividends at the year end. The maximum balance owed to the Group during the period was £Nil (2019 - £905,532). Included in the balance is interest of £371,438 (2019: £568,845) charged to the Group.

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 £138,248 (2019 - £136,158).

During the financial year, S J McCarthy entered into a contract with Churchill Retirement Living Limited for a personal building project. The amount of costs to date are included in work in progress and totalled £283,855 (2019 - £Nil).

During the financial year, C J McCarthy entered into a contract with Churchill Retirement Living Limited for a personal building project. The amount of costs to date are included in work in progress and totalled £1,283,856 (2019 - £Nil).

### 27 NOTES SUPPORTING STATEMENT OF CASH FLOWS

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

	2020 £,000	2019 £,000
Cash at bank and in hand available on demand	8,102	14,001
	<b>8,102</b>	<b>14,001</b>

Significant non-cash transactions are as follows:

	2020 £,000	2019 £,000
Financing activities		
<b>Assets acquired under finance leases</b>	<b>1,130</b>	<b>28</b>



**CHURCHILL RETIREMENT PLC**

Parent Company statement of financial position as at 30 June 2020

		30 June 2020 £,000	30 June 2019 £,000
<b>ASSETS</b>	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	2	2,689	765
Investments in subsidiaries	3	69,410	69,410
Current tax		78	78
Deferred tax asset	7	92	75
<b>Total non-current assets</b>		<b>72,269</b>	<b>70,328</b>
<b>Current assets</b>			
Trade and other receivables	4	192,354	186,765
Cash and cash equivalents		127	434
<b>Total current assets</b>		<b>192,481</b>	<b>187,199</b>
<b>TOTAL ASSETS</b>		<b>264,750</b>	<b>257,527</b>
<b>Current liabilities</b>			
Trade and other payables	5	11,915	22,224
Loans and borrowings	6	213	-
<b>Total current liabilities</b>		<b>12,128</b>	<b>22,224</b>
<b>Non-current liabilities</b>			
Loans and borrowings	6	144,812	123,448
<b>Total non-current liabilities</b>		<b>144,812</b>	<b>123,448</b>
<b>TOTAL LIABILITIES</b>		<b>156,940</b>	<b>145,672</b>
<b>NET ASSETS</b>		<b>107,810</b>	<b>111,855</b>
<b>Capital and reserves</b>			
Share capital		522	522
Share based payment reserve		1,200	1,090
Retained earnings		106,088	110,243
<b>TOTAL EQUITY</b>		<b>107,810</b>	<b>111,855</b>

The notes on pages 82 to 87 form part of the financial statement shown above. These financial statements of Churchill Retirement plc (07428858) were approved by the Board on 12 November 2020 and signed on its behalf by



**Dean Marlow**  
Chief Financial Officer

## CHURCHILL RETIREMENT PLC

### Parent Company statement of changes in equity for the year ended 30 June 2020

	Share capital £,000	Share based payment reserve £,000	Retained earnings £,000	Total £,000
<b>At 30 June 2018</b>	<b>522</b>	<b>1,320</b>	<b>78,927</b>	<b>80,769</b>
Comprehensive income for the period				
Profit	-	-	40,777	40,777
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>40,777</b>	<b>40,777</b>
Contributions by and distributions to owners				
Dividends	-	-	(9,461)	(9,461)
Share based payment charge	-	(230)	-	(230)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>(230)</b>	<b>(9,461)</b>	<b>(9,691)</b>
<b>At 30 June 2019</b>	<b>522</b>	<b>1,090</b>	<b>110,243</b>	<b>111,855</b>
Comprehensive income for the year				
Loss	-	-	(2,599)	(2,599)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(2,599)</b>	<b>(2,599)</b>
Contributions by and distributions to owners				
Dividends	-	-	(1,556)	(1,556)
Share based payment charge	-	110	-	110
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>110</b>	<b>(1,556)</b>	<b>(1,446)</b>
<b>AT 30 JUNE 2020</b>	<b>522</b>	<b>1,200</b>	<b>106,088</b>	<b>107,810</b>

The notes on pages 82 to 87 form part of the financial statement shown above.

**CHURCHILL RETIREMENT PLC****Notes to the Parent Company financial statements for the year ended 30 June 2020****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.

**GOING CONCERN**

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. For further details refer to page 51 of the consolidated 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 loss for the period of £2,599,373 (2019 – £40,776,984 profit).

**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.

**LEASED ASSETS**

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Right of Use Assets**

At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

## CHURCHILL RETIREMENT PLC

Notes to the Parent Company financial statements for the year ended 30 June 2020 (*continued*)

### 1 ACCOUNTING POLICIES (*CONTINUED*)

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### Lease Liabilities

Lease liabilities are initially measured at their present value which amounts to the minimum lease payments, discounted using the interest rate implicit in the lease. If that rate cannot be determined, the company's incremental borrowing rate of 2.81% is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The Company has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the Income statement.

#### 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.

#### 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.

**CHURCHILL RETIREMENT PLC**Notes to the Parent Company financial statements for the year ended 30 June 2020 (*continued*)**2 PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings £,000	Office equipment £,000	Motor vehicles £,000	Total £,000
<b>Cost</b>				
At 1 July 2018	-	2,056	178	2,234
Additions	-	248	-	248
At 30 June 2019	-	2,304	178	2,482
Balance at 1 July 2019:				
Recognition of right-of-use asset on initial application of IFRS 16 (see note 8)	2,066	94	-	2,160
Additions	-	143	168	311
Disposals	-	-	(144)	(144)
<b>At 30 June 2020</b>	<b>2,066</b>	<b>2,541</b>	<b>202</b>	<b>4,809</b>
<b>Depreciation</b>				
At 1 July 2018	-	1,327	94	1,421
Charge for the year	-	275	21	296
At 30 June 2019	-	1,602	115	1,717
Charge for the year	173	294	40	507
Disposals	-	-	(104)	(104)
<b>At 30 June 2020</b>	<b>173</b>	<b>1,896</b>	<b>51</b>	<b>2,120</b>
<b>Net book value</b>				
<b>At 30 June 2020</b>	<b>1,893</b>	<b>645</b>	<b>151</b>	<b>2,689</b>
<b>At 30 June 2019</b>	<b>-</b>	<b>702</b>	<b>63</b>	<b>765</b>

The net carrying amount of property, plant and equipment includes the following amounts recognised as a Right-of-Use asset:

	2020 £,000
Office equipment	100
Land and buildings	1,893
	<b>1,993</b>

**3 INVESTMENTS IN SUBSIDIARIES**

Shares held by the Company in unlisted subsidiary undertakings

	2020 £,000	2019 £,000
<b>COST AND NET BOOK VALUE AT 30 JUNE (CHURCHILL RETIREMENT (GROUP) LIMITED)</b>	<b>69,410</b>	<b>69,410</b>

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

## CHURCHILL RETIREMENT PLC

Notes to the Parent Company financial statements for the year ended 30 June 2020 (*continued*)

### 4 TRADE AND OTHER RECEIVABLES

	2020 £,000	2019 £,000
Trade receivables	5	-
Amounts owed by Group undertakings	191,110	185,005
Other debtors	732	1,163
Prepayments and accrued income	507	597
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>192,354</b>	<b>186,765</b>

### 5 TRADE AND OTHER PAYABLES

	2020 £,000	2019 £,000
Trade payables	163	220
Amounts owed to Group undertakings	278	3,010
Other payables	9,902	16,861
Accruals	1,066	1,906
Other payables – tax and social security payments	506	227
<b>TOTAL TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR</b>	<b>11,915</b>	<b>22,224</b>

### 6 LOANS AND BORROWINGS

<b>Non-current</b>	2020 £,000	2019 £,000
Bank loans – secured	86,000	67,750
Preference shares	56,971	55,698
Lease liabilities ( <i>Note 8</i> )	1,841	-
	<b>144,812</b>	<b>123,448</b>
<b>Current</b>	2020 £,000	2019 £,000
Lease liabilities ( <i>Note 8</i> )	213	-
	<b>213</b>	<b>-</b>

Details of the bank loans and preference shares are provided in the note 18 to the consolidated financial statements.

Total debt issue costs of £500,000 (2019: £750,000) are offset against the bank loan balance and are amortised over the life of the loan.

### 7 DEFERRED TAX

<b>Details of the deferred tax asset are as follows:</b>	2020 £,000	2019 £,000
<b>DECELERATED CAPITAL ALLOWANCES</b>	<b>92</b>	<b>75</b>

**CHURCHILL RETIREMENT PLC****Notes to the Parent Company financial statements for the year ended 30 June 2020 (continued)****8 LEASES****Change in significant accounting policies**

The Company has applied IFRS 16 using the modified retrospective method, therefore, the comparative information has not been restated and continues to be reported under IAS 17. Additionally the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

**Definition of a lease**

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

**As a lessee**

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases, with the only exception being short-term leases (less than 12 months remaining at the transition date), which continue to be expensed on a straight line basis through the statement of other comprehensive income.

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.81%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 30 June 2019 in the Company's financial statements and the lease liabilities recognised at 1 July 2019.

	2020 £,000
Total Operating Lease commitment at 30 June under IAS 17	2,632
Expenses relating to short-term leases	(5)
<b>Lease liability before discounting</b>	<b>2,627</b>
Discount applied using incremental borrowing rate	(467)
<b>Lease liabilities</b>	<b>2,160</b>
Finance lease obligations under IAS 17 at 30 June 2019	-
<b>Total lease liabilities under IFRS 16 at 1 July 2019</b>	<b>2,160</b>

## CHURCHILL RETIREMENT PLC

Notes to the Parent Company financial statements for the year ended 30 June 2020 (*continued*)

### 8 LEASES (CONTINUED)

#### As a lessee

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 2):

Right of Use Assets	Land and Buildings £,000	Office equipment £,000	Total £,000
Valuation at 1 July 2019	2,066	94	2,160
Additions	-	41	41
Depreciation	(173)	(35)	(208)
<b>Net book value Cfwd</b>	<b>1,893</b>	<b>100</b>	<b>1,993</b>

Lease liabilities	Land and Buildings £,000	Office equipment £,000	Total £,000
Valuation at 1 July 2019	2,066	94	2,160
Additions	-	41	41
Payments	(169)	(38)	(207)
Interest	57	3	60
<b>Lease liability Cfwd</b>	<b>1,954</b>	<b>100</b>	<b>2,054</b>

The Company has elected not to recognise a lease liability for short term leases and therefore the associated payments have been expensed on a straight-line basis.

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2020 £,000
Short-term leases	5
Interest expense on lease liabilities	60
Depreciation of right-of-use assets	208
	<b>273</b>

Future lease payments are due as follows:

2020	Lease payments £,000	Interest £,000	Present value £,000
Less than one year	212	(55)	157
One to two years	208	(54)	154
Two to three years	185	(47)	138
Three to four years	179	(43)	136
Four to five years	170	(40)	130
More than five years	1,515	(176)	1,339
	<b>2,469</b>	<b>(415)</b>	<b>2,054</b>

### 9 RELATED PARTIES

In the current year the Company was charged £213,665 (2019: £210,593) by Flycorp Aviation LLP, an LLP in which McCarthy Investments Limited, a wholly owned subsidiary in the Group owns a 62.8% share, for the chartering of an aeroplane. The total amount that was due to the Company by Flycorp Aviation LLP at the period end was £496,891 (2019 - £435,994).

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

'Capital turn'	-	Calculated by dividing revenue by the average opening and closing tangible gross asset value in the year
'FRI'	-	Freehold reversionary interest being the freehold of each of the Group's developments in England and Wales which include the future income stream of ground rents
'GDV'	-	Gross development value – total expected sales revenue from the sale of retirement apartments
'Gearing'	-	Gearing is calculated by dividing net debt/cash by net assets
'HBF'	-	Home Builders Federation
'Land bank'	-	Includes owned sites and exchanged sites
'Land stock'	-	Total number of units of finished stock, work in progress and expected on sites where we have exchanged land contracts but have not started construction
'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 follows:

	Notes	2020 £,000	2019 £,000
Net assets		183,441	195,285
Cash	27	(8,102)	(14,001)
Bank loans	18	86,000	67,750
Debt issue costs	18	500	750
Preference shares allotted	18	46,400	46,400
		<b>308,239</b>	<b>296,184</b>

'WIP'	-	Work in progress
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