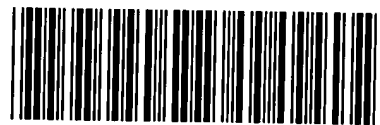


# 2021

## Annual Report & Accounts

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THURSDAY



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A07

25/11/2021

#72

COMPANIES HOUSE

Image removed

### Our Vision...

“ To be the most successful  
housebuilder in the UK ”

### Our Mission...

“ The retirement housebuilder  
of choice for an independent,  
secure and fulfilling lifestyle ”

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## ABOUT THIS REPORT

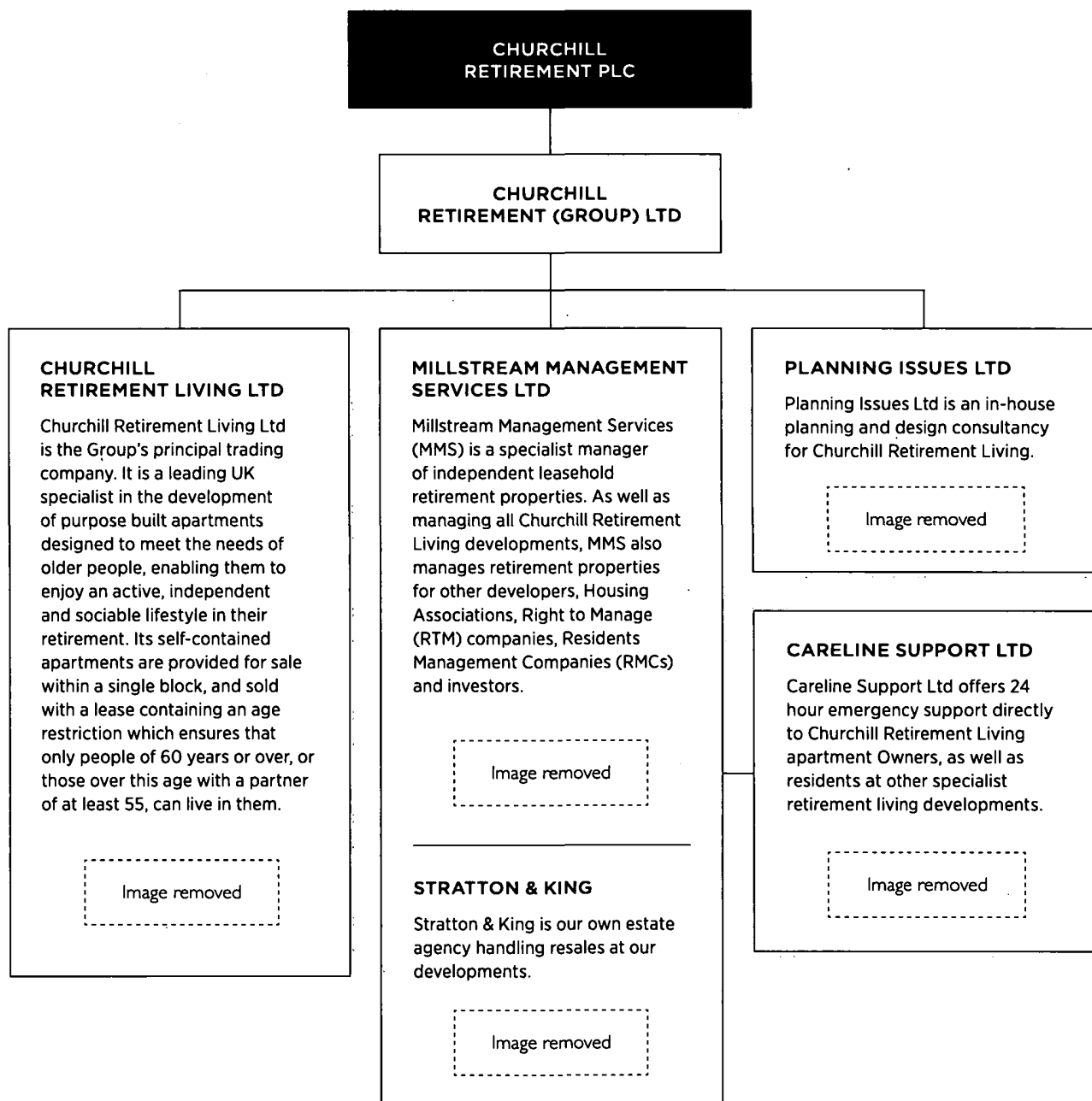
Welcome to the 2021 Annual Report of Churchill Retirement plc ("the Churchill Group", "Churchill", "CRL", "the Group", "the Company"), a privately owned, founder-led business.

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 91.

## Our Organisation



# Leading UK developer of high quality retirement developments

## WHERE WE OPERATE

Our Group Head Office is in Ringwood, Hampshire, supported by an infrastructure of Regional 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 an Area Office in Exeter. A new office in Warrington became fully operational during the year to support the creation of our Northern Region. We have a small office in Westminster which provides a base for our London-based Colleagues to operate from.

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).

- 1 RINGWOOD**  
South West Region & Head Office
- 2 BYFLEET**  
South East Region
- 3 ST ALBANS**  
Eastern Region
- 4 BROMSGROVE**  
Midlands Region
- 5 WARRINGTON**  
Northern Region
- A EXETER**  
South West Area Office
- B WESTMINSTER**  
London Office

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## Chairman's Statement

After a year dominated by our response to the Covid-19 pandemic, I am very proud to report a strong financial performance and a return to profitability.

For a large part of the year we put all our resources into protecting the welfare of our apartment Owners, the safety of our Colleagues, and the resilience of the business to protect jobs. Thanks to the dedication and support of our Colleagues, we delivered on all three of those objectives.

As a Group, we manage over 200 retirement developments across the country, with responsibility for helping over 10,000 older people to get through the pandemic as safely and confidently as possible.

Our team of dedicated Lodge Managers were at the forefront of our task to keep Owners safe. Thanks to their efforts, people living in our developments have been three times less likely to catch the virus than those in the general population, which underlines the relative safety of our developments.

Our Colleagues, subcontractors and suppliers deserve great credit for their reaction throughout the pandemic. Their positive response to the ongoing situation enabled us to protect the value of our business through an extremely uncertain time.

Since the third lockdown lifted in March 2021 we have seen confidence restored with our Customers as they received the vaccine and started to put the pandemic behind them. This meant sales grew stronger as we approached Year End, and we achieved a much improved total of 413 unit sales for the year, up 48% on the prior year (2020: 280).

“

After a year dominated by our response to the Covid-19 pandemic, I am very proud to report a strong financial performance and a return to profitability”

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

Image removed

413

Unit sales

£160m

Revenue

£334k

Average sales price

£43m

Operating profit

14%

Return on capital  
employed

26.9%

Operating  
profit margin

The Government's Stamp Duty holiday helped support chain sales, and our specially tailored part exchange service was an increasingly important tool for our Customers, with 38% of sales taking place using this service (2020: 31%). Importantly, 100% of this activity was conducted through our trusted third party providers, meaning no impact on our balance sheet.

We acquired 13 new sites across all regions, equating to c.711 new plots (2020: 9 sites, c.420 new plots), more than replenishing the stock sold during the year. We have invested significantly in recent months to expand our Land teams in every Region – including our new Northern Region – as well as appointing a new Main Board Director, who will oversee Land, Design and Planning to help spearhead an ambitious land buying campaign in the year ahead. Our business all begins with land, so our future growth plans depend on the team's success and I'm confident we now have the right people in place to achieve this.

We achieved successful planning consents for 350 new units across 8 sites (2020: 479 units, 10 sites). The planning system continues to present challenges, with protracted affordable housing negotiations and long appeal delays. We achieved success in 5 out of 6 appeals during the year, giving us a success rate of 83%, which compares well to a national average appeal success rate that has dropped from 35% to 25% over the same period. We have a healthy planning pipeline going into the year ahead, with 18 applications currently in the planning system, 5 appeals running, and 9 applications under preparation.

Our construction programme kept pace with the level of new sites coming through, with work starting on 3 new developments during the year (2020: 3) and first occupations at 12 new developments (2020: 6). Several of our construction sites were mothballed for a large part of the year, however, we are now back on track with our construction programme and have a strong pipeline for the year ahead.

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. Over 90% of our Customers 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 3.8% and now manages 8,166 units (2020: 7,862). We successfully launched our own dedicated emergency call system, Careline Support Ltd, in September 2020 and this has been an excellent addition to the Group, helping us to provide an even more comprehensive service to our Customers. Our resales business Stratton & King also achieved a record year of sales.

Throughout the period we continued to work hard with policymakers to encourage more support for retirement housing and to highlight the many social and economic benefits our product provides. These benefits include the following:

- **Reduces people's reliance on health and social care** – a typical development saves over £200k a year in health and social care costs.
- **Keeps people safe** – our apartment owners have been three times less likely to catch Covid-19 than their counterparts in the general population.
- **Frees up second-hand, family-sized houses** – a typical development will result in 90 moves further down the housing chain.
- **Re-uses brownfield sites** – our developments are invariably built on previously developed brownfield sites close to shops, services and transport connections.
- **Supports struggling High Street shops and services** – a typical development will lead to over £300k extra spend on the local High Street each year.

In January 2021 the Government reversed its previous policy of exempting retirement housing from a future ban on ground rent. That this reversal took place while the sector was being assured that the exemption would remain in place, and at a time when it was known businesses affected were making decisions based

on this assurance, was particularly disappointing. The decision to remove ground rents in future retirement housing developments will present new challenges for the sector to overcome as the ground rent income was an accepted means of funding the extensive communal areas which are an essential part of this type of housing. If the ambition is to increase the provision of high quality, specialist housing for older people and to make it more affordable the Government's last-minute change in Ground Rent policy will only serve to make that more difficult.

#### OUTLOOK & GROWTH DRIVE '25

Whilst the impact of Covid-19 on UK retirement housing has been significant, we can now look positively to the future. The long term market drivers underpinning our future growth are compelling and unchanged from before the pandemic, with an ageing population and a shortage of suitable housing, combined with a limited number of national developers with the requisite skills and expertise to succeed in delivering this highly specialist product.

The increased sales activity we saw in the final months of the year is an encouraging sign of Customer confidence going into the year ahead. The loneliness of lockdown has made many people think hard about how suitable their home is for their changing needs, or the needs of older family members. Many will now see the benefits of moving to a safer, lower

maintenance home with friendship and support on hand when they need it.

To reflect our confidence in the future, the Board has set out a clear, achievable strategy to take the Churchill Group to the next level in terms of sales, headcount, geographic reach and environmental sustainability. This growth plan – which we are calling Growth Drive '25 – is focused on three clear, achievable objectives over the next four years:

1. **To significantly increase unit sales whilst maintaining market leading margins**
2. **To create more jobs across every part of the Group**
3. **To achieve a countrywide presence**

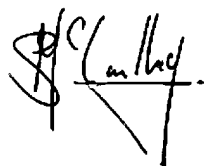
Many parts of the growth plan are already in place, with more to follow over the coming year in order to build a strong foundation for future growth. Key elements include:

- **A new Northern Region, based at our Warrington office, opened during the year**
- **Expansion of our team in Exeter to create a full Area Office**
- **Expansion of our Land buying teams across all regions**
- **Further new Area Offices to be opened at key geographic locations in the year ahead**



I would like to thank all our Colleagues, subcontractors and suppliers for their ongoing commitment and support throughout a challenging year.

The Group enters the new financial year with a strong forward sales 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 look forward to a positive year ahead.



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

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## Our Market

### BENEFITS OF RETIREMENT LIVING

Specialist retirement housing generates significant benefits for individuals and their families, for local communities, for the environment, and for society as a whole.

Our Owners enjoy the immediate benefits of not just a new apartment but a new lifestyle with friendship, support and security in their later years. Based on established national well-being criteria such as happiness and life satisfaction, an average 80-year-old feels as good as someone 10 years younger after moving to one of our apartments. This improved happiness, comfort and wellbeing in turn provides peace of mind for their families.

Looking beyond the benefits for our Owners, independent research has shown that building more specialist retirement housing can stimulate transactions throughout the entire housing market, for families looking to move into bigger homes and for first time buyers looking to take their first step on the property ladder.

Our developments also create more local

economic value and more local jobs than any other type of residential housing.

People living in our apartments are healthier, more active and more likely to spend money locally than people of the same age living elsewhere, which delivers benefits to people of all ages.

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**A TYPICAL CHURCHILL DEVELOPMENT OF 45 APARTMENTS OFFERS THE FOLLOWING SPECIFIC BENEFITS\* FOR LOCAL COMMUNITIES, HEALTH AND SOCIAL CARE SERVICES, AND THE ECONOMY:**

Image removed

**Health and social care savings of £200k per year (or savings of £3,500 per person each year) due to improved lifestyle and fewer health risks.**

Image removed

**85 jobs in construction and 6 permanent jobs after completion.**

Image removed

**90 additional moves in the housing chain - with 1 move into a retirement apartment unlocking 2 moves further down the chain.**

Image removed

**£350k of new, additional spend on the local high street each year.**

Image removed

**30 first-time buyer moves - based on 2 in 3 retirement living moves leading to a first-time buyer transaction further down the chain.**

*\*All figures from Homes For Later Living reports Healthier & Happier (2019), Chain Reaction (2020), and Silver Saviours (2021).*

If the UK were to build 30,000 retirement properties every year, consistent with the level of supply that we believe is needed, £2bn of additional economic activity every year would be created across the country. 15,000 additional construction jobs would be created and sustained over the period of construction, and a further 700 jobs a year would come from management and renovation of properties freed up.

From an environmental perspective, our developments help preserve greenfield land across the UK since we always build on brownfield sites, effectively and sustainably regenerating previously developed land. Our developments are at the cutting edge of energy-efficiency and renewable energy generation, and help significantly reduce car usage due to their town centre location which enables the majority of Owners to drive much less or even give up their car altogether.

Most importantly of all, our developments help to combat loneliness, creating opportunities to reduce the social isolation suffered by many older people even before the Covid-19 pandemic.

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**George and Dorothy Metcalfe at Harington Lodge, Chichester**

### HOUSING DEMAND OUTSTRIPS SUPPLY FOR OUR AGEING POPULATION

With the UK's ageing population, and demand for our product continuing to outpace supply, the underlying long term growth drivers for the business remain strong, especially given the limited number of national developers with the requisite skills and expertise to succeed in this specialist sector.

One in four people aged over 60 would be interested in buying a retirement property, equating to 3.5 million people nationally. This number is only likely to increase, with the number of over 65s projected to rise by 20% in the next 10 years.

However, the vast majority of our housing stock is not built with the needs of older people in mind. There are far too few suitable new homes being delivered, and many older people are living in homes which are unable to meet their changing needs.

Housing has a fundamental role to play in helping us live well for longer. Given that for most people mobility, sociability and income decrease in old age, it is not just about the home we occupy, but also about the place in which we live, who we live with and who we live close to. The right kind of housing can help people to stay healthy and support them to live independently for longer.

It is estimated that there will be a shortfall of 400,000 purpose built homes for older people by 2035.

We believe the sector as a whole has the potential to deliver up to 30,000 new homes per year to meet this demand, and we aim to make a strong contribution towards that total.

Image removed

**BOUNCING BACK STRONGLY  
FROM THE PANDEMIC**


Given that our average purchaser is in their late seventies, the impact of Covid-19 on our Customer demographic has of course been significant. However, we are proud of the exceptional safety record of our developments and the excellent job our Lodge Managers have done throughout.

Our Lodge Managers were classified as key workers from an early stage of the pandemic, and their presence on site at our developments has been the single most instrumental factor in keeping apartment Owners safe and infection rates low.

We were quick to introduce a multitude of new measures in line with Government guidance, from detailed risk assessments, screening and PPE through to rules around the use of communal areas, and it's thanks to our Lodge Managers that all these measures were implemented so consistently and effectively.

We are very proud that the rate of infection among our Owners has remained two thirds below the national average. This underlines the safety of our developments and how many lives we have saved, especially when considering the fact that many of our Owners were classified as vulnerable or extremely vulnerable.

Looking to the future, we have seen how the loneliness of lockdown has made many people focus on their family and think hard about how their homes suit their changing needs. That means more people will now be likely to consider the benefits of a brand new, safe, low maintenance apartment where support is on-hand to help them enjoy a happier, healthier lifestyle in their retirement.

A dashed rectangular box containing the text "Image removed".**Colebrooke Lodge, Reigate**

## GOVERNMENT AND POLITICAL SUPPORT

To deliver all the benefits outlined on pages 7 and 8, retirement housing needs to be at the heart of the Government's efforts to get the housing market back to full strength in the wake of the pandemic.

As an industry, we have called for the Government to set a national target of making 10 per cent of all new housing specifically for older people. With Government targets currently set at delivering 300,000 homes a year by the middle of the next decade, this would mean delivering the objective of 30,000 retirement properties per year.

## HOMES FOR LATER LIVING

To help support our message, we have teamed up with the Home Builders Federation (HBF) and other major players

in the sector to create Homes For Later Living, a group which promotes greater choice, accessibility and quality of housing specifically for older people in the UK.

Homes For Later Living has commissioned a series of new reports on the socio-economic benefits of retirement housing, with new figures (including those outlined on pages 7 and 8) to highlight the advantages of increasing supply.

## LEASEHOLD REFORM

In January 2021 the sector was advised that the longstanding policy of exempting retirement housing from a future ban on ground rents had been reversed and in future the ban would include retirement housing. As the sector had been working closely with MHCLG up until that point on the delivery of an option model whereby Customers would be given the choice between paying for the communal areas

through a modest yearly ground rent as is presently the case or a one-off higher purchase price. The decision to abandon the option model which the Government itself had proposed is disappointing and presents new challenges in delivering housing of this sort which necessarily requires extensive communal areas outside the footprint of an Owner's apartment. The removal of ground rent as a means of funding the communal areas presents a new challenge which would seem to be at odds with the Government's ambition for increased supply of specialist housing for older people throughout the country at an affordable price point.

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## PLANNING REFORM

The Government's Planning White Paper, Planning for the Future, was published in August 2020 and the current phase of consultation will run until October 2021.

The Paper proposes fundamental changes to how the planning system operates, with a shift away from localism and a focus on design, sustainability and more efficient decision-making. It also places a great deal of importance on the design and aesthetic appeal of new buildings, which should assist our conventional, typically brick-built, and visually low impact design approach.

In January 2021 the Government also published its National Model Design Code (NMDC) consultation. As part of its National Design Guide, this sets out the Government's priorities for well-designed places, providing a blueprint to help

local authorities and developers to achieve quality design and ensure new homes are built quicker and better.

Churchill continues to actively engage in the consultation process to ensure this long overdue reform of the planning system is fit for purpose and supports the critical need for more older people's housing.

**Laura Farris MP visits  
Avonbank Lodge in  
Newbury**

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## Our Business Model

### LAND

A strong pipeline of the right land in the right locations is a vital part of the Group's future growth plans.

Each of our Regions has a dedicated land buying team focused on developing the land pipeline and bringing forward new sites that meet our key criteria:

- **Regular shaped sites from 0.4 – 2.0 acres in size**
- **Brownfield land in town or city locations that will meet our Customers' needs and aspirations**
- **Within a 0.5 mile level walk of high street shops and amenities**
- **In high profile locations on main roads or busy local roads**
- **With or without planning permission**

Our approach to land buying is consistently based on these tried and tested criteria, which ensure any new site meets the needs and aspirations of our Customers while also satisfying the requirements of the business.

These key criteria are supplemented by a rigorous due diligence process, supported by demographic analysis. This process includes examination of land conditions, planning considerations, construction, sales and financial elements of the site and analysis of the local housing market to ensure all risks associated with any site purchase are managed effectively.

The rigorous due diligence carried out at the land acquisition stage is fundamental to ensuring we maintain our industry leading margins.

Image removed

- ◆ **Dedicated land buying team for each geographic region**
- ◆ **Clear set of criteria for identifying new sites**
- ◆ **Rigorous due diligence process**
- ◆ **Working closely with in-house planning team and other internal disciplines**



Image removed

**PLANNING & DESIGN**

Our dedicated in-house team of planning, design and affordable housing professionals – Planning Issues Ltd (PIL) – plays a vital role in maintaining the flow of new sites with a commercially acceptable planning approval ready for construction.

PIL works closely with our land buyers from the point at which a potential new site is first identified, carrying out planning appraisals and providing advice to inform the exchange of land contracts.

Their goal is to achieve a planning permission that meets the needs of our Customers and fulfils our business objectives, while satisfying the expectations of local policies and design standards, as well as fitting the context of the local area.

PIL seeks to engage at an early stage with local authorities, local communities and other key stakeholders to understand

any issues and reinforce the significant socio-economic benefits a new retirement living development will bring to local communities, individuals and businesses.

The team is responsible for progressing pre application discussions, conducting public consultations and political engagement, prior to preparing and submitting a planning application. PIL always aims to work in partnership with Local Planning Authorities to ensure our plans can be delivered in a way that satisfies both national and local planning policy.

In the circumstances where local level planning consent is not achievable, PIL has all the in-house expertise and experience needed to coordinate planning appeals, appearing as an expert witness at public inquiries and hearings, and in some cases instructing a planning barrister to achieve our objectives.

- ◆ **Extensive knowledge of the many socio-economic benefits of retirement housing**
- ◆ **Working closely with the land buying team from an early stage**
- ◆ **Early engagement with local Planning Authorities and key stakeholders**
- ◆ **Experts at navigating the appeal process where necessary**

Image removed

**CGI of forthcoming development in Fleet**

Image removed

In May 2021 we appointed a new Land, Design & Planning Director, Gary Day, to the PLC Board. This newly created role strengthens our integrated in-house approach towards these key disciplines, working seamlessly together to play a vital role in achieving our growth plans.

**CONSTRUCTION & COMMERCIAL**

The construction of each new development is overseen by an experienced site management team, supported by our regionally based in-house team of commercial and construction professionals. Their primary focus is to ensure that we maintain our high quality standards of build, whilst maintaining robust health and safety procedures.

The team's in-house expertise includes structural engineers, quantity surveyors, contracts managers, technical and commercial managers, and procurement specialists, all of whom provide in-depth knowledge of the unique nature of our product. Our site health and safety inspections are also undertaken in-house to ensure a rigorous and comprehensive approach that is tailored to our specific product and market.

The Group Commercial & Construction Director has ultimate oversight and responsibility for ensuring that the agreed standard specifications and design principles are adhered to throughout each build, whilst monitoring and approving the overall cost of construction.

A key element of our approach is to have a range of standardised one and two bedroom apartment designs that is consistent across all new developments. This is an effective means of controlling costs, maintaining quality, and maximising the efficiency of our build process.

Our supply chain and subcontractor network is continually developed to foster close ongoing relationships while ensuring the appropriate level of resource to support the growth of the business. Along with our strategic procurement process, this enables us to maintain a high level of operational efficiency while keeping build costs tightly under control.

**PLANT SERVICES**

The Group has a dedicated Plant Services team to supply all essential plant and equipment directly to our construction sites. Our significant investment in cranes, vehicles, site accommodation and all associated plant and equipment means that we have complete control over this aspect of our site operations.

- ◆ **Extensive in-house expertise to support our construction site teams**
- ◆ **Dedicated plant services division to serve all sites directly**
- ◆ **Continually refining our network of subcontractors and suppliers**
- ◆ **Consistent design and build processes ensure tight cost control as well as quality**

Image removed

- ◆ **Range of services and support tailored to our Customers' needs**
- ◆ **Integrated multi-channel campaigns created and delivered in-house**
- ◆ **Building a trusted brand and nurturing new leads**
- ◆ **Comprehensive training and development delivered in-house**



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## SALES & MARKETING

The Group's in-house Sales & Marketing team is focused on nurturing and supporting our Customers throughout every stage of the journey towards their new retirement lifestyle.

We provide a range of specially tailored services to support our Customers with the practical, emotional and financial aspects of downsizing to a new property. Communicating this supportive approach is extremely important, and forms a key part of our strategy to maintain our reputation for integrity and trust, whilst also positioning ourselves as the best in the industry.

### Marketing

The Group's extensive programme of national and regional cross-channel marketing campaigns and ongoing activity is essential to maintain a strong and trusted brand, and to generate a high volume of good quality Customer enquiries.

The Marketing team is supported by our in-house Graphic Design, Customer Relations and Communications experts to strategically plan and deliver a wide range

of online and offline activity that builds brand recognition, attracts new leads, and nurtures prospective Customers towards visiting our developments.

Well-presented signage across all our sites is an essential part of the marketing mix, and other key activities include multi-platform advertising, lifestyle and community events, charity initiatives alongside the Churchill Foundation, social media, SEO (search engine optimisation) and fully integrated PR campaigns to target not just our Customers but also their families, friends and influencers.

### Sales

Our on-site Sales Colleagues are directly employed by Churchill and undergo an extensive training and induction programme that ensures they develop an in-depth understanding of our product and how to sell to our unique Customer base.

Selling retirement living is not just about showing Customers the physical attributes of the apartments. Equally important is to showcase the low maintenance, hassle-free lifestyle, the increased safety and

security, the social connections and sense of community that can be enjoyed.

To overcome some of the physical and emotional barriers that our Customers often experience, it is also important to sell the range of services and practical support we can offer. This can include free downsizing advice, free removal services, financial support with Stamp Duty, and help with selling their existing home, or a combination of all the above.

Over a third of Customers use our Home Exchange service, which provides a cash buyer for their previous home and puts the Customer in complete control of the moving process. This underlines the importance of the 'helping hand' services and support we provide.

### Training Academy

To support the ongoing development of our Sales Team, we have invested in a new dedicated Training Academy facility at our McCarthy House offices in Ringwood, as well as a new remote learning system for Sales Colleagues.

“

*The Churchill team couldn't have done anything more for me, and it was great having someone to say 'Sit down and leave it all to us' - I wasn't expecting to get so much help! It meant little or no concern, I could just relax and let other people take care of the details.*

*I've moved house lots of times before, but never on my own. My wife was always the one who would take charge of things, so it was a bit daunting thinking I'd have to do it all without her. That's why it was so lovely to have it all taken care of for me, and I was kept informed throughout so I knew what was happening.*

*The removal company gave lots of helpful advice, and when it came to moving day my Senior Move Adviser Kim was there as an extra pair of hands to make the whole day run smoothly. I also got to stay in the Lodge's Guest Suite the night before I moved in, which was just what I needed after a long journey from Lancashire down to Cornwall. Just another thing that was just taken care of without me having to worry about it."*

**Barry Perkins (Perran Lodge, Newquay)**

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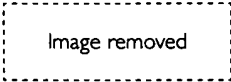


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## PROPERTY MANAGEMENT

All Churchill Retirement Living developments are managed by Millstream Management Services (MMS), a 100% owned subsidiary of the Group, demonstrating our clear commitment to the long term success of every development we build, and the long term happiness and wellbeing of our Customers.

MMS is an award winning business in its own right, and specialises exclusively in retirement housing, providing full property management services to 208 developments and over 10,000 Customers across the country.

A team of over 200 compassionate and hardworking Lodge Managers and Development Managers is fundamental to MMS' success. These are the people on the front line dealing with all elements of daily management, providing peace of mind

for Customers, and building the sense of friendship and community that is so important to the retirement living lifestyle.

Lodge Managers and Development Managers are supported by a network of Area Managers across 12 geographic regions, and a dedicated central support team at MMS' headquarters in Ringwood which provides a range of expert legal, health & safety, administrative and property management support.

Having a reliable and dedicated specialist management company is vital in the retirement living sector to ensure that ongoing service charges are always a fair reflection of what Customers get in return. This is important at any age, but particularly for retirees who need to be able to budget with confidence. MMS always aims to keep service charge costs as low as possible, and provides a

full annual budget breakdown for each development's Owners to consider.

Clear and highly responsive feedback procedures are in place across the business to ensure that any problem or complaint that may arise from a Customer can be escalated and addressed promptly.

MMS has a philosophy that puts the Customer at the heart of everything it does.

### Expanding the portfolio

As well as managing all Churchill Retirement Living's new and existing developments, MMS' expertise in the sector means it also manages a growing portfolio of retirement developments for other national developers, investors, Residents' Associations and apartment Owners who have actively chosen MMS as their preferred management company.

- ◆ **Specialists in retirement property management**
- ◆ **Over 200 compassionate and hardworking Lodge Managers and Development Managers**
- ◆ **A strong back office team of legal, administrative and property management experts**
- ◆ **Putting Customers at the heart of its service**

Churchill Retirement Living is a registered provider of retirement living services, regulated by the Care Quality Commission (CQC). For more information, please visit [www.cqc.org.uk](http://www.cqc.org.uk)



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“

*The Millstream team work very hard but still maintain their warm and caring approach as they help new apartment Owners move here and settle in. I'd like to thank them for creating such a warm, settling and happy home for me and my dog Molly."*

**Barbara Roberts**  
(Lockyer Lodge, Sidford)

“

*"We were rattling around in a four bedroom house that was far too big for us. We decided the time was right for us to downsize, and the pandemic didn't put us off from making the move. Our bowling colleague Bob recommended Churchill, and now he's our next-door neighbour!"*

*"Our new apartment is very warm and cosy, everything is nice and new, and we have a very nice outlook from our balcony across the bay to St Michael's Mount. We've seen some beautiful sunrises. We also enjoyed a 'pasty and prosecco' welcome party in the Owners' Lounge when we first moved in, which gave us a chance to meet people. Everyone was very welcoming and we're looking forward to getting to know them all."*

**Mike and Jackie Richards (Mount's Bay Lodge, Penzance)**



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### EMERGENCY CALL SERVICE - CARELINE SUPPORT

In 2020 we launched a new business - Careline Support Ltd - to provide a direct 24/7 emergency call service to apartment Owners at our developments across the country.

The introduction of this new business, a 100% owned subsidiary, underlines our commitment to the wellbeing of our Customers and the long term success of our developments.

Careline Support took its first call on Tuesday 1st September 2020, and is now operating nationwide and supporting over 6,000 Customers.

Its team of expert call handlers are based at our McCarthy House offices in Ringwood, providing direct advice, assistance and peace of mind to our Customers at the touch of a button, and enabling them to enjoy their independent lifestyle for longer.

After just 6 months of operation, Careline Support achieved accreditation from the industry body for Technology Enabled Care (TEC) under its Quality Standards Framework. This is an excellent result for the new business and underlines the quality of service we are now providing directly to Customers.

By delivering this service in-house we can ensure the highest levels of quality and responsiveness from our call handlers, along with an in-depth understanding of the specialist nature of our developments.

- ◆ **Providing 24/7 support and advice directly to Customers**
- ◆ **Dedicated in-house call handlers who understand our Customers' needs**

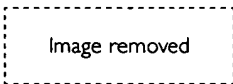


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Careline Support call centre



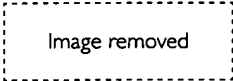


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#### RESALES SUPPORT - STRATTON & KING

When our Customers or their relatives eventually come to sell their apartment, it is important to use an estate agent that understands the specialist nature of this type of property and can help them achieve the best possible outcome.

To support this aim, our own estate agency Stratton & King is there to handle resales at our developments for anyone who chooses to use this service.

Unlike a typical high street estate agent, Stratton & King's experienced sales negotiators have an in-depth understanding of the lifestyle benefits and added value that a retirement living apartment provides. They can look beyond the bricks and mortar, valuing properties accordingly and achieving consistently higher resale prices than a typical high street estate agent.

Stratton & King operates within Millstream Management Services and works closely with its network of Lodge Managers across the country to deliver a valuable service to our Owners and their families when the time comes to complete their journey with Churchill.

- ◆ **Supporting a strong resale market that underpins apartment values**
- ◆ **Completing our end to end service for Customers and their families**

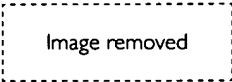


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## FINANCIAL REVIEW

### A STRONG FINANCIAL PERFORMANCE DURING A YEAR DOMINATED BY COVID RESTRICTIONS

Despite a return to profitability and strong financial results the impact of COVID has still played a part in our financial performance for this financial year.

The Group delivered 413 unit sales (2020: 280 unit sales) and as a result total revenue increased by 75.2% to £160.0 million (2020: £91.4 million) assisted by the increase in the average sales price of 4.5% to £334k (2020: £319k). The increase in average sales price is primarily as a result of the geographic mix of sales.

The increase in selling prices was complemented by continued control of our cost per unit. Although our average cost per unit sold increased by 5.7% to £184k (2020: £174k), this was, again, predominantly a result of geographic mix of units sold, rather than cost increases.

During the year we generated a return of £14.5m following the sale of our Freehold Reversionary Interests. In January 2021 the Government reversed its previous policy of exempting retirement housing

from a future ban on ground rent, a decision that will impact our ability to generate such returns in future years and mean that we are no longer able to offset the cost of creating extensive communal areas in our developments with this income.

In the previous financial year the Board took steps to significantly reduce fixed costs and conserve cash. The temporary measures taken included closing all offices, sales centres and construction sites, furloughing 80% of the workforce, reducing hours for those Colleagues retained, and a reduction of up to 40% in Directors' salaries.

These measures were gradually lifted from an early stage in the current year as Government restrictions eased. By January 2021 there were no Colleagues furloughed and all were back to working their contracted hours and on full salary.

“

Despite a return to profitability and strong financial results the impact of COVID has still played a part in our financial performance for this financial year.”

**Dean Marlow**  
Chief Financial Officer

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In September 2020 the Group completed a right sizing exercise that resulted in a small number of redundancies across the Group.

Total Group headcount reduced by 2.9% during the year to 601 (2020: 619). The reduction is a result of the right sizing combined with some natural attrition, partially offset by the expansion of our management services business.

Overheads increased by £3.5 million year on year to £29.2 million (2020: £25.7 million).

Despite increased stock holding costs because of lower than expected sales in 2020 and 2021, our operating profit increased to £43.0 million (2020: £5.8m loss), resulting in an operating profit margin of 26.9% (2020: -6.4%) and ROCE of 14.0% (2020: -2.0%).

The Group expensed net interest charges of £4.2 million during the year (2020: £5.5 million). Bank interest reduced by £570k due to a year of record low interest rates and more importantly our management of cash to keep debt at low levels. After interest charges, we achieved a profit before tax of £38.9 million (2020: £11.3 million loss). Whilst these results are significantly below those achieved prior to the pandemic, they show a significant improvement on 2020 and clearly demonstrate that the actions taken in 2020 to protect our business were the right ones.

### CASH FLOW AND FUNDING

Throughout the last year the decisive actions we took at the onset of Covid-19 ensured we maintained our strong balance sheet and high liquidity. 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 navigated our way through this period ensuring that cash management was a top priority, whilst driving the business forward to maximise our position for the future.

During the year the Group contracted with HSBC to provide an additional £10 million revolving credit facility taking our total facility to £130 million, which had a further 2 years to run at the year end. At 30th June 2021 our net bank debt stood at £49.3 million (2020: £78.4 million). With the additional flexibility of the Interest Cover Covenant being temporarily waived, the Group remained in full compliance with all the provisions of this agreement throughout the year and at the year end was compliant with all covenants including the interest cover covenant (the waiver of which ended on 30th June 2021). The Board sees this increased facility as sufficient to achieve its medium term growth goals and provide the funds required should we find further restrictions being imposed.

Our stock levels at the year end reduced to £298.9 million (2020: £309.5 million), reflecting the reduced level of investment in land and construction in the early part of the financial year.

The Group closed the year with an increase in net assets to £210.5 million (2020: £183.4 million) and maintained its tangible gross asset value at £306.2 million (2020: £308.2 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 39.

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.

During the last year we faced a risk that no-one could have foreseen. Our focus remained on ensuring that we kept 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. Whilst the economy finds itself in a state of uncertainty as we emerge from the pandemic, we recognise that these margins cannot be achieved in the short term. However, our longer 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

|                                | Units | 2021    | 2020     | Variance |
|--------------------------------|-------|---------|----------|----------|
| Sales Units                    | #     | 413     | 280      | 133      |
| Average Sales Price            | £     | 333,699 | 318,652  | 14,241   |
| Revenue                        | £'000 | 160,049 | 91,364   | 68,685   |
| Operating Profit/(Loss)        | £'000 | 43,021  | (5,815)  | 48,836   |
| Operating Profit/(Loss) %      | %     | 26.9%   | (6.4%)   | 33.3%    |
| Net Profit/(Loss) before Tax   | £'000 | 38,865  | (11,270) | 50,135   |
| Net Profit/(Loss) before Tax % | %     | 24.3%   | (12.3%)  | 36.6%    |
| Net Bank Debt (year end)       | £'000 | 49,278  | 78,398   | (29,120) |
| Total Debt                     | £'000 | 108,768 | 137,403  | (28,635) |
| Total Stock                    | £'000 | 298,861 | 309,490  | (10,629) |
| Net Assets                     | £'000 | 210,488 | 183,441  | 27,045   |
| ROCE (Average)                 | %     | 14.0%   | (2.0%)   | 16.0%    |

## OPERATIONAL OVERVIEW

### CONTROLLED REMOBILISATION AND EXPANSION TO CREATE A SOLID PLATFORM FOR FUTURE GROWTH

Our ongoing response to the Covid-19 pandemic played a dominant part in our operational performance during this financial year. However, despite the ongoing challenges we were able to achieve a clear transition in focus as the year progressed. During the first half our focus was almost entirely on protecting the welfare of our Owners, the safety of our Colleagues, and the resilience of the business. In the second half, we were able to shift the emphasis towards planning positively for future growth as we began to remobilise all areas of the business and emerge strongly from the pandemic.

Against this backdrop, we continued to provide exceptional retirement developments that enable our Customers to enjoy a happier, healthier and more

independent lifestyle in their later years. Delivering a clearly defined product that meets the needs of our Customer base is at the heart of our Company ethos, and underpins every aspect of our strategic and operational decision-making process.

Our aim is to maintain our position as the UK's market leading specialist retirement provider through a focus on excellence in the following areas (see Our Business Model p.13-22 for further details):

- Land
- Planning & Design
- Commercial & Construction
- Sales & Marketing
- Customer Service and ongoing property management

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Martin Young

Clinton J McCarthy

Gary Day

“

In the second half, we were able to shift the emphasis towards planning positively for future growth as we began to remobilise all areas of the business and emerge strongly from the pandemic.”

**Albert Lodge, Abingdon**

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We were proud to once again retain our 5 star HBF Customer satisfaction rating in 2021, with over 90% of Customers saying they would recommend us to a friend. We continued to win a number of other accolades during the year, including double success at the WhatHouse? Awards 2020, where we achieved Bronze Awards in both the 'Best Medium Housebuilder' and 'Best Retirement Development' categories. These awards represent ongoing recognition of our operational excellence and outstanding position within the industry.

**REGIONAL EXPANSION**

In March 2021 our new Northern Region became fully operational from the Group's new Regional Head Office in Warrington, with the appointment of a new Regional Managing Director for the North of England who will spearhead the Group's expansion into this key region, which represents a significant opportunity as part of our Growth Drive 25 plans. The new Warrington office team has grown and quickly established itself with the appointment of new commercial, technical, design and secretarial Colleagues.

We also successfully grew our presence in the West Country with the appointment of a new Land Director for this part of the South West Region, and the expansion of our Area Office team in Exeter to include further Land, Construction and Sales expertise.

As part of our Growth Drive 25 ambitions, we are progressing with plans to open Area Offices in further key locations, with a priority focus on Kent (South East) and Bristol (South West).

**LAND**

Despite the challenges of Covid-19, our Land team continued to acquire some excellent new sites across all regions. We achieved exchange of contracts on 13 new sites in total, equating to c.711 new units, an increase of 69% on the prior year (2020: 9 sites, c.420 units).

As at 30<sup>th</sup> June 2021, our forward land stock position stood at 3,350 plots across 108 sites, giving us sufficient stock and WIP to meet our medium term objectives, with 4.5 years of sales already under our control.

Our Land team has been significantly boosted by the appointment of a Group Land, Design & Planning Director in June 2021 who will help spearhead an ambitious land buying campaign as part of our Growth Drive 25 plans, supported by the recruitment of a number of new senior Land Colleagues in key areas of the country, and the expansion of our office network as outlined above.

**PLANNING & DESIGN**

Our in-house planning consultancy Planning Issues Limited works closely with our Land and Design teams from the initial appraisal phase on each new site, in order to realise the full potential of every opportunity.

The pandemic led to a considerable slowdown in the planning system, which contributed to a reduction in the total number of planning consents achieved for the year. However, we continued to deliver successful consents for 350 new units across 8 sites during the period (2020: 479 units, 10 sites).

As well as focusing on making our applications 'appeal proof', we increasingly appealed for non-determination in circumstances where timely decisions were not achieved. Appealing for non-determination not only helps us to take control of the process and avoid costly delays, but also invariably means a public inquiry with a more experienced Planning Inspector, increasing our chances of success.

Our appeal wins at Fleet (March 2021) and Basingstoke (June 2021) illustrate the merits of this approach, with the Planning Inspector properly assessing the planning balance and ruling in our favour. We achieved an 83% success rate via appeal (5 out of 6 during the year), which compares favourably to a national average success rate that has gone down from 35% to 25% over the same period.

Looking ahead, we will continue to appeal for non-determination where necessary. This trend is likely to continue until there is better discipline in the planning process, and better understanding and appreciation of the benefits of retirement housing, an issue we are working hard to address with both central and local government.

## COMMERCIAL & CONSTRUCTION

Exceptional construction quality is at the heart of our product. Despite the challenges of the pandemic, we continued to closely monitor the performance of our supplier and subcontractor base to ensure that they continued to meet our standards of excellence while adhering to changing guidelines around safety and site operations. Our robust budgeting and project control processes meant we continued to deliver sector leading build costs.

We began the year with 21 mothballed sites, of which all were remobilised by the end of the period, resulting in first occupations at 12 new developments, double that of the prior year (2020: 6). More encouragingly, we started construction on 3 new sites during the second half of the year, equating to 120 new units (2020: 3 sites, 148 units).

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**SALES & MARKETING**

Our Sales Offices were all reopened from the beginning of the year, implementing all necessary measures in line with the changing Government guidelines to protect our Colleagues, Customers and apartment Owners. We introduced a range of additional measures to reassure Customers and their families, including safety videos, Customer testimonials and the option of 'virtual viewings' and video meetings with our Sales Colleagues for any prospective Customers who could not attend in person.

We were proud to maintain our excellent safety record, with the Covid-19 infection rate at our developments remaining three times lower than that of the general population.

We enjoyed a strong final quarter as our Customers received the vaccine and started to put the pandemic behind them. From April onwards we were able to introduce a more proactive programme of sales and marketing events to encourage visitors back to our developments in person, which achieved a very positive response. As soon as lockdown restrictions were eased to permit groups of up to 6 socialising outdoors, we were pleased to see over 500 people attending more than 50 outdoor 'Garden Party' events at our developments during April and early May.

This increased confidence and lifting of restrictions, combined with the boost to chain sales created by the Government's Stamp Duty holiday, all had a strong positive impact on sales in the final few months of the year. Our total of 413 unit sales for the year was a significant improvement on the prior year (2020: 280), with our Midlands Region performing particularly strongly, outperforming its original budget set prior to the second and third lockdowns. The strong end to the period gives us considerable confidence for the year ahead.

**PEOPLE**

Despite a slight reduction in total headcount, we were pleased to recruit a total of 160 new Colleagues during the year, bringing the Group's total to 601 Colleagues.

Throughout the year we focused on ensuring our Colleagues were well supported and engaged during these unprecedented times, whilst also ensuring they were equipped to maintain performance and continue to contribute towards the future success of the business.

As soon as restrictions allowed, we phased the return of Colleagues to our site and office locations while ensuring that Covid-19 protocols were in place throughout. From 31st December 2020 we returned all Colleagues from furlough and

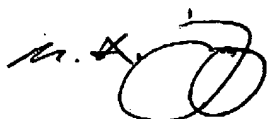
back to normal working hours.

Our Employee Assistance Programme (EAP) has been instrumental in supporting Colleagues not only with their health and wellbeing, but also their financial wellbeing. The launch of the Health Assured App, an extension of the EAP service, provided Colleagues with access to 24/7 support directly to their mobile devices. This support was taken up by family members as well as Colleagues, underlining the breadth of support we were able to provide both at work and at home.

We are very proud of the resilience our Colleagues have shown throughout the past year and are sure we will continue to see that strength and loyalty moving forward.

**OUTLOOK**

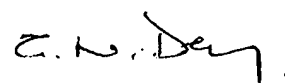
With the anticipated full lifting of Covid-19 restrictions in the year ahead, we expect to see further strength in demand from our Customers. At the same time we recognise the possibility that the market could cool as supporting factors such as the Stamp Duty holiday are phased out. Whatever lies ahead, we will maintain our disciplined approach and respond quickly to changing market conditions, whilst remaining highly focused on our Growth Drive 25 plans and the exciting long term opportunities for the Group.



**Martin Young**  
Chief Operating Officer



**Clinton J McCarthy**  
Managing Director



**Gary Day**  
Land, Design and Planning  
Director

## OUR STRATEGY

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**CUSTOMER SATISFACTION****Strategic priority:**

To deliver a market leading product and exceptional Customer service that enables our Owners to enjoy an independent, safe and secure lifestyle throughout their retirement living journey.

**Progress and KPIs:**

- Gaining 5 Star HBF Customer Satisfaction rating for a seventh year, with 95% of Customers saying they would recommend us to a friend
- Keeping our Owners safe throughout the pandemic, with infection rates less than a third of that of the wider UK population
- Continuous improvements in our specification to ensure our product meets the needs of our Customers
- Robust feedback and complaint handling procedures in place across the Group
- Launch of new Churchill Training Academy facilities and remote learning system to give Colleagues the knowledge and skills required to maintain our industry-leading approach to Customer service
- Launch of Careline Support Ltd to deliver 24/7 support and advice directly to our Customers

**COLLEAGUE SATISFACTION****Strategic priority:**

To create a dynamic working environment in which all Colleagues feel valued, proud and able to benefit from the Company's success.

**Progress and KPIs:**

- Launch of new Churchill Training Academy facilities and remote learning system to deliver best in class learning and development
- Retaining and developing skilled Colleagues to support the business both now and for future growth
- 15 Colleagues promoted during the year
- 77 Colleagues achieving 5, 10, 15 or 20 year 'Long Service Award' milestones during the year
- Keeping Colleagues safe and healthy throughout the pandemic
- Ensuring through our health screening for all and wellbeing strategy, including the launch of a new Employee Assistance Programme App, that Colleagues receive the right support when life proves challenging
- Continually developing our leadership team to ensure that they are inspirational and commercially focused
- Building on our Sunday Times Best Companies To Work For Awards success by improving our employment brand

**FINANCIAL PERFORMANCE AND GROWTH****Strategic priority:**

To deliver disciplined growth while maintaining sector leading margins.

**Progress and KPIs:**

- Improvement in operating profit margin
- Disciplined cost control
- Staying within debt limits and bank covenants
- Positioning for strong future growth from 2021/22 onwards
- For further details refer to Financial Review on pages 23-24



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**OPERATIONAL EXCELLENCE****Strategic priority:**

To expand in new areas of the country and deliver our Growth Drive '25 targets.

**Progress and KPIs:**

- Creation of a new dedicated Northern Region
- Reshaping our land buying team, procedures and practices to drive greater efficiency and effectiveness
- Increasing planning appeal success rate and maintaining a high proportion of planning applications approved at a local level
- Reviewing our supplier and subcontractor network to support future growth
- Launching our new dedicated Sales Training Academy
- For further details refer to Operational Review on pages 25-28

**COMPANY REPUTATION****Strategic priority:**

To uphold our industry leading reputation as the housebuilder of choice for an independent, secure and fulfilling retirement.

**Progress and KPIs:**

- Keeping all key stakeholders safe through the Covid-19 pandemic
- Delivering clear and compelling brand values that resonate strongly with the expectations of our target audiences
- Delivering a high quality service that meets the needs and expectations of our key stakeholders, and represents good value
- Delivering a consistent, high quality product that reinforces confidence and trust in our business
- Ensuring all Colleagues throughout the business represent our brand values in a positive way
- Giving something back to the communities where we operate, through our own charity the Churchill Foundation and wider CSR initiatives

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## Section 172 statement

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 explains how the Director's of Churchill Retirement Plc:

- Have engaged with employees, suppliers, customers and other stakeholders of the business; and
- Have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regard, including on the principal decisions taken by the Company during the year financial year.

The paragraphs below set out how the Directors fulfil their duties under the Section 172 requirements for the year ended 30th June 2021.

### DECISION MAKING OF THE BOARD

When making decisions, each Director ensures they act in a way they consider, 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.

We are fully aware that there is a strong correlation between happy Colleagues and happy Customers and this is shown in the feedback we receive and our HBF 5 Star rating. The launch of the Churchill Training Academy facility and remote learning system allows us to offer our Colleagues the best in class learning and development opportunity that supports both their career progression and the Company's' future growth.

### 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. The launch of Careline Support Ltd has extended the support we are able to offer after sale with a dedicated team available 24 hours a day.

### SUPPLIERS AND SUBCONTRACTORS

The Group seeks to build strong relationships with a network of trusted suppliers and subcontractors across all regions that are able to produce high quality outputs in line with the standard specification. This ensures high standards and efficiencies are met for both parties.

### 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.

### 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. Particular emphasis is given to low carbon technologies ensuring the long term sustainability of our developments and ultimately reducing the future running costs for our Customers.

### 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. To achieve this we are focused on continually delivering our clear and compelling brand values and ensuring every Colleague represents these values in a positive way, delivering consistent high quality product and ensuring we provide a high quality service while meeting the needs of our stakeholder groups.

### ACTING FAIRLY BETWEEN BUSINESS OWNERS

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

# Sustainable development

## ENVIRONMENTAL SUSTAINABILITY

A detailed summary of the social, economic, community and environmental benefits of retirement housing is included in the 'Benefits of Retirement Living' section of this report (pages 7-8). As a responsible developer, ensuring that we maintain a sustainable approach to our construction processes and product specification is a key consideration for the business.

Solar panel technology generates renewable energy for use throughout our developments' communal areas and individual apartments. This improves sustainability and at the same time saves our Owners money on their energy bills.

The adoption of solar technology supports our longstanding policy of installing low-carbon heating and energy systems across all our developments. It also forms a key part of our strategy to achieve a significant reduction in carbon emissions by 2025, in line with the proposed regulations set out by the new Future Homes Standard.

We have committed to introducing electric car charging points at all new developments moving forward. In addition, we are committed to ensuring the long term sustainability of our developments through the use of these and other new measures into our developments where appropriate.

Waste management plans are designed and implemented for each construction site to maximise sustainability, minimise waste, and responsibly dispose of or recycle any surplus materials.

Sourcing of materials and labour is also carefully considered for each site to minimise transportation and travel times and reduce environmental impact wherever possible.



Thermal efficient materials and effective insulation throughout

Energy efficient appliances, fixtures and fittings

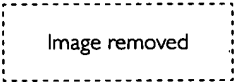
Thermostatic heating controls, mechanical ventilation technology, and heat recirculation systems

Low energy lighting and appropriate daylight and movement sensor controls

Water flow restrictors, aerated taps and dual flush WCs to reduce potable water usage

On-site communal recycling facilities

Cycle and mobility scooter store with electric charging points



### CASE STUDY: CREATING A BIO-DIVERSE HABITAT

At our Yeats Lodge development in Oxfordshire we teamed up with local sustainability group Thame Green Living to create a new bio-diverse area of land adjacent to the site. We sensitively landscaped and planted the area with a variety of native trees, shrubs and flowers to create a habitat that will benefit local wildlife, and enhance the area's appearance for local people to enjoy.

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**Thame Green Living founders  
Charles and Hazel Boundy**

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**Yeats Lodge, Thame**

**ENERGY USAGE AND CARBON EMISSIONS**

Churchill Retirement Living is committed to year-on-year improvements in its operational energy efficiency as shown by the data below. This is achieved by ensuring that developments are built to be as energy efficient as possible.

Measures that have been undertaken during the year and are ongoing include continuing to install Solar Photo Voltaic Panels on all new builds and exploring more energy efficient construction material for use on all future developments.

| <b>UK Greenhouse gas emissions and energy use data for the period<br/>1 July 2020 to 30 June 2021</b> | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Energy consumption used to calculate emissions (kWh)  | 4,526,955   | 8,558,871   |
| Energy consumption break down (kWh):  |             |             |
| • Gas & LPG   | 94,585      | 2,964,325   |
| • Grid-Supplied Electricity   | 2,130,606   | 1,817,390   |
| • Transport   | 2,301,764   | 3,777,156   |
| Scope 1 emissions in metric tonnes CO <sub>2</sub> e  |             |             |
| • Gas & LPG   | 17          | 633         |
| • Transport   | 544         | 919         |
| Total Scope 1   | 561         | 1,552       |
| Scope 2 emissions in metric tonnes CO <sub>2</sub> e  | 497         | 465         |
| Total gross emissions in metric tonnes CO <sub>2</sub> e  | 1,058       | 2,017       |
| Intensity ratio in metric tonnes CO <sub>2</sub> e per £m   | 6.6         | 21.4        |

Scope 1 and 2 consumption and CO<sub>2</sub>e 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 2020 to June 2021: Database 2020, Version 1.0.

Careline Support Limited and Flycorp Aviation LLP, 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.

**CARBON & CONSUMPTION****YOY CHANGE****OVERALL**

**Gas**  
94,585 kWh  
17.39 tCO<sub>2</sub>e

**-97.3%**

**Electricity**  
2,130,606 kWh  
496.73 tCO<sub>2</sub>e

**6.9%**

**Transport & Plant**  
2,301,764 kWh  
543.62 tCO<sub>2</sub>e

**-40.9%****6.61 tCO<sub>2</sub>e per £m****Carbon: YOY -47.5%****Consumption: YOY -47.1%**

## COMMUNITY INVOLVEMENT

Churchill Owners are positive thinking and active retirees, and exactly the type of people who want to socialise, help out, and get involved in a wide range of activities that benefit their local communities.

During the pandemic it became more important than ever to harness this sense of community spirit and engagement wherever possible, within the constraints of various lockdowns and restrictions on face to face socialising.

While the pandemic had a significant impact on our developments' usual programme of community events, it also provided an opportunity for individuals to really shine. Our Lodge Managers demonstrated a willingness to go the extra mile time and again to ensure Owners remained connected with each other and their communities.

### Connecting the generations

Across all our developments we look to forge close links with local schools to encourage older and younger people to connect across the generations. This brings mutual benefits, helping each age group to learn from and challenge one another as well as simply enjoying each other's company.

### Celebrating Easter with local schoolchildren

To help celebrate Easter across the generations, a number of our developments invited children from local schools to create Easter decorations for the Lodges' communal areas in return for a hamper of Easter eggs for the children to enjoy over the holidays.

It was a perfect opportunity to develop connection across the generations and celebrate Easter in the community where we operate. The children enjoyed making the decorations and were proud to see them on display, and our Owners very much enjoyed the experience, forging a connections with their local schools that will be maintained in the future.

### 'My Dear Friend' intergenerational initiative

As part of National Intergenerational Week and the 'My Dear Friend' campaign, children from St Oswald's C.E. Primary School in Ashbourne sent handwritten letters to our Owners at Eliot Lodge.

We were delighted to be a part of this initiative, helping to connect the generations through the power of the written word. The topic for the first round of letters was World Book Day, also very fitting since Eliot Lodge was named in memory of the author George Eliot, who was a regular visitor to Ashbourne. Our Owners very much enjoyed receiving the letters, and many have since kept up their correspondence with the children.

Headteacher Becky Woods said: "The 'My Dear Friend' campaign has been developed by the Literacy Trust and encourages children to handwrite letters, helping them to express their feelings and understand the lives and experiences of others. As Eliot Lodge is just a stone's throw away from St Oswald's School we thought it was a perfect opportunity for our pupils to connect with the older generation in our community. Many people love to receive a handwritten letter and we feel that this is becoming a lost art of communication!"

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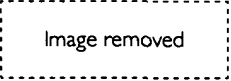
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← Schoolchildren visit  
Meadlow Lodge, Billericay  
(top) and Eliot Lodge,  
Ashbourne (bottom)

**Connecting online to combat loneliness**

During the lockdown in February and March 2021, we teamed up with our Brand Ambassador Dame Esther Rantzen DBE to help to tackle loneliness and isolation among older people in the community through a series of virtual “Catch Up Over Coffee” events. These events gave people a chance to connect online via video call over a cup of coffee, and find out more about the sense of community on offer at our developments

Churchill donated £5 to older people's helpline The Silver Line for everyone who attended. Over 20 of these virtual events took place with a mixture our apartment Owners and the wider community taking part, and it was an effective way to stay connected during what was a difficult time for many.

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## THE CHURCHILL FOUNDATION

The Churchill Foundation is a registered charity set up in 2015 to bring all the Group's fundraising efforts under one banner and help us give something back to the communities in which we work and build. The Foundation has raised over £1.6 million to date, and supported a wide range of local causes and national charities.

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:

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

### Macmillan World's Biggest Coffee Morning

In September 2020 our Lodges and office teams took part in the World's

Biggest Coffee Morning campaign in aid of Macmillan Cancer Support. Despite the various lockdown restrictions, an innovative approach to fundraising from our Lodge Managers, apartment Owners and Colleagues meant that over £30,000 was raised in total at more than 100 successful events across the country.

### Christmas giving

In December 2020 Churchill and MMS Colleagues raised over £2,000 and donated over 100 toys and gifts to send to disadvantaged local children, the homeless and those in need at Christmas.

An additional £500 contribution from the Churchill Foundation ensured that over 100 presents could be delivered to support Wave 105's Mission Christmas Cash for Kids appeal, helping provide presents for those who otherwise would not receive anything on Christmas morning.

Continuing the generosity, Ringwood-based Colleagues also donated a range of essential items to help Bournemouth

charity Hope For Food support the homeless and vulnerable families in the local area at Christmas.

### Small Grants

The Foundation was able to make a number of small grants during the year, including the following:

- A £5,000 donation was made to the Oakhaven Hospice in Lymington in memory of Churchill Colleague Geoff Southwell, who sadly lost his battle with cancer during the year.
- Apartment Owners Seaton and Joy Small from Allingham Lodge in Eastbourne successfully nominated their local charity St Wilfrid's Hospice for a grant of £2,000 in memory of their friend Dennis Martin.
- Local swimming team Swim Bournemouth received a £2,000 grant, helping to keep the team afloat after a difficult year so it can continue to support young athletes in their quest to compete at the highest level.




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Donation to Swim Bournemouth



## HEALTH & SAFETY

The safety, health and wellbeing of our Owners, Colleagues, contractors, and suppliers remains of paramount importance.

The pandemic has produced a novel set of challenges that all parts of the business have had to adapt and work hard to overcome. Swift and decisive action has led to our Owners being affected much less than the national average. There have been no Covid-19 outbreaks in our offices, and infections of people on our construction sites have been isolated and prevented from spreading widely.

Clear procedures were put in place for the safe return to offices and sites, and the safe return to property viewings and marketing events when feasible, to facilitate ongoing operational activities as much as was possible within government guidelines.

Our in-house Health & Safety team has expanded with the appointment of a dedicated Health & Safety Advisor to assist with the growing MMS portfolio.

This will lead to improved oversight of building management compliance and improve the knowledge base of MMS employees.

Our decision to bring regular construction Health & Safety inspections in-house from the NHBC will also lead to greater consistency and knowledge sharing between sites.

Fire safety within the multi-storey building sector has been under the spotlight since Grenfell. A result of this is that Fire Authorities are now regularly visiting existing Lodges. These visits have been positive for Churchill finding a high level of compliance.

The safety culture of the business is very good with a high level of minor issues regularly being reported. This shows there is an open minded attitude where we will report and learn from mistakes. Regular feedback is also being passed on into our specification, continuously improving the Churchill product.

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## The Risk Management Process

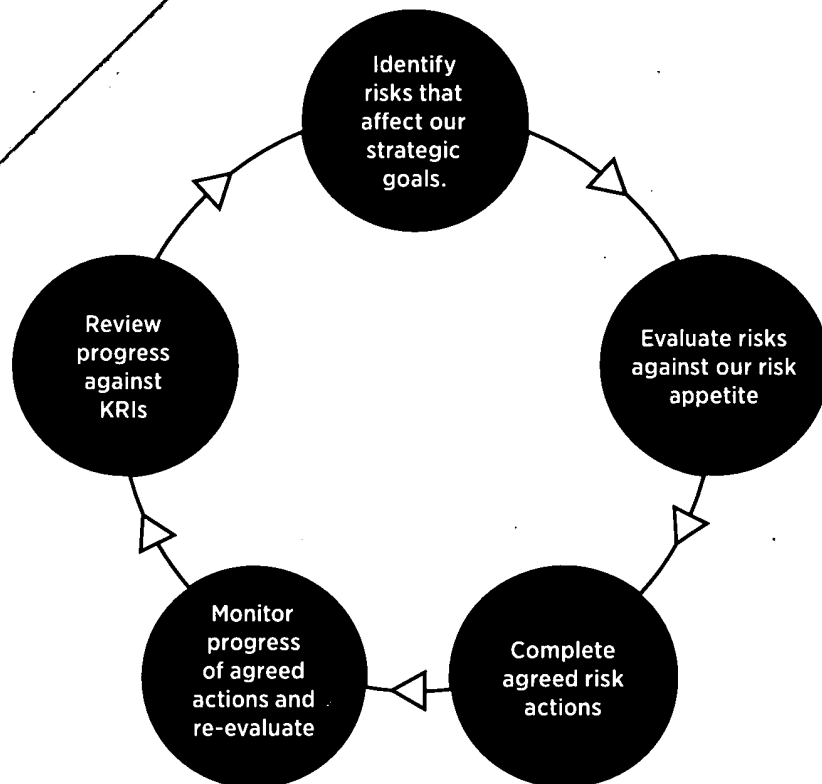
Effective risk management is more than risk management policies and processes. The Board recognises the importance of a risk aware culture and that behaviours of its Colleagues and business partners will have an impact on the overall effectiveness of the risk management framework.

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**

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.





Customer Satisfaction



Financial Performance and Growth



Colleague Satisfaction







Operational Excellence







Company Reputation

THE MOST SIGNIFICANT RISKS ARE RECORDED BELOW, TOGETHER WITH THE MOVEMENT SINCE LAST YEAR AND THE MITIGATION IN PLACE.

| RISK                           | IMPACT  | MITIGATION  | LEVEL                    |
|--------------------------------|---|---|--------------------------|
| <b>COVID-19</b><br>            | <p>COVID-19 continued to impact on all areas of our business throughout the year, including impacts on our Owners, Colleagues and suppliers.</p> <p>The virus resulted in our Customers, who are more vulnerable due to their age, being less likely to attend sales offices and viewings. Resulting in a fall in sales volumes, which impacted on our cash flow and margins.</p> <p>Since the roll out of the vaccination programme, there has been an increased confidence amongst our Customers, with interest levels showing signs of recovery.</p> | <p>The health and wellbeing of our Owners, Colleagues and Customers has remained our priority throughout the year.</p> <p>The COVID-19 working group continued to monitor government guidelines to ensure COVID-19 secure conditions were implemented throughout our developments, construction sites and offices.</p> <p>Our superb team of Lodge Managers have continued to support the needs of our Owners throughout the period. The rate of infection amongst our Owners being two thirds below the national average.</p> <p>Appointment only sales viewings and non-contact move ins were implemented to ensure the safety and comfort of new Customers.</p> <p>Scenario planning and careful cashflow management has ensured our debt facility was sufficient to mitigate the risk from a fall in sale volumes.</p> <p>The group utilised the Government's furlough scheme during 2020 and implemented shorter working weeks to reflect the fall in sales activity. All Colleagues returned from furlough and recommenced full time working hours by 2021, to support our growth plans.</p> <p>We have monitored supply chains to help mitigate against the risk of delivery delays of critical materials, which could impact on build programmes.</p> | <p>→ ←<br/>High Risk</p> |
| <b>Health &amp; Safety</b><br> | <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>• Imprisonment of Business Owners and or Colleagues</li> <li>• Financial damage relating to legal actions, fines, claims and project progression</li> </ul>   | <p>H&amp;S must be our top priority in everything we do. We have therefore:</p> <ul style="list-style-type: none"> <li>• appointed further qualified and experienced H&amp;S Colleagues to the in-house H&amp;S team;</li> <li>• strived to maintain very strict H&amp;S compliance within our construction sites, by investing in a new in house function to carry out H&amp;S inspections;</li> <li>• improved security of our construction sites, by investing in further security measures including monitored CCTV;</li> <li>• invested in a new Learning Management System to improve our range of H&amp;S training channels and controls</li> </ul> <p>Fire safety has been the focus for the year, ensuring all developments comply with the updated Fire Safety Regulations.</p> <p>Although COVID-19 meant less attendance at sites, we have maintained our H&amp;S controls, including ensuring that legionella risks were reduced.</p>  | <p>→ ←<br/>High Risk</p> |

| RISK  | IMPACT   | MITIGATION  | LEVEL                    |
|---|--|---|--------------------------|
| <b>People &amp; Culture</b><br>  | <p>The Group recognises the importance of attracting, developing, motivating and retaining talented Colleagues in the right roles.</p> <p>There is a skills shortage in the construction industry which may impact on our ability to recruit the right people at the right time to support the business and its growth plans.</p>  | <p>Ongoing promotion of the Employee Assistance Programme (EAP) to support our Colleagues' Wellbeing.</p> <p>Ongoing provision of free health screening for all Colleagues.</p> <p>Benchmarked remuneration packages to ensure we are competitive in the market.</p> <p>Launch of a new training academy and Learning Management System to support Colleagues' success.</p>   | <p>↑<br/>High Risk</p>   |
| <b>Competition, Markets and Customers</b><br>                                | <p>Over the last year there has been high demand and price increases in the core housing market, with people taking advantage of the Stamp Duty holiday, 95% mortgages and wanting to move out of big cities.</p> <p>Whilst an active housing market normally gives our Customer more confidence to move, the pandemic has impacted on their confidence to view properties.</p>  | <p>Our Owners often purchase due to need and therefore the Group continues to carefully assess competition and specifications and listen to feedback from our target market.</p> <p>Whilst competitors may have introduced a range of products and purchase options, we believe our strategy focuses on our Customers' needs and simplifies the sales process</p> <p>The Group's aims continue to ensure a robust margin on all sales.</p>  | <p>↔↔<br/>High Risk</p>  |
| <b>Government Policy, Political risks, Regulation &amp; Compliance</b><br> | <p>The Group continues to be challenged with changing laws and regulations, whilst protecting its brand, reputation and shareholder value.</p> <p>During the year the Government announced that retirement developments would also be required to reduce Ground Rents to zero, as part of the Leasehold Reform Act. This new legislation having a significant impact on our business model.</p> <p>The proposed Planning Bill remains uncertain. The Bill could bring a positive impact to our operational cycle, by shortening time to obtain planning permissions.</p> | <p>The Group employs a Communications Director responsible for public affairs who voices concerns of change which may adversely affect the business and the wider retirement sector.</p> <p>During the year the Group also appointed a new Land, Design and Planning Director. They promote the benefits of independent retirement living developments on brown field sites, which also supports local high streets, with Government.</p> <p>Due to the uncertainty over the final outcome of the Leasehold Reform Act, the business has assessed the potential impacts on our future financial performance and to ensure financial resilience in meeting our growth strategy.</p> <p>The Group only operates within England and Wales and therefore exposure to wider legislative changes is limited.</p> <p>The Group undertakes internal regulatory compliance reviews and seeks to continually improve its processes.</p> | <p>↔↔<br/>High Risk</p>  |
| <b>Brand Damage</b><br>  | <p>Dissatisfied Customers could have a significant impact on the Group's brand which may ultimately damage our reputation.</p> <p>Due to COVID-19 restrictions it was not possible to enter occupied apartments to carry out defect resolution work. The impact being that it has taken us longer than normal to resolve these complaints.</p>   | <p>We operate several internal quality handover processes plus an independently run survey with all Owners. Results show over 90% would recommend us.</p> <p>We take pride in minimising the number of defects. We are therefore trialling a new client quality process to help further reduce defects.</p> <p>All skilled resources have been prioritised to resolve any reported defect.</p> <p>All feedback, including complaints and those which are not related to build quality concerns, are analysed by our Customer Feedback Administrator and scrutinised by the Board so that relevant action can be taken.</p>  | <p>↑<br/>Medium Risk</p> |

| RISK  | IMPACT   | MITIGATION   | LEVEL                             |
|---|--|--|-----------------------------------|
| <b>Financial Control and Availability of Funding</b><br>                     | Should funding not be available it could result in the failure of the business or an entity within it, the inability to achieve the planned margins or fund our growth plans.  | <p>Our banking facility remains sufficient, with covenants closely monitored.</p> <p>Cashflow and scenario planning is in place.</p>   | <p>↔↔</p> <p><b>Low Risk</b></p>  |
| <b>IT Systems, Data &amp; Cyber Security and Business Continuity</b><br>     | As the Group relies upon IT systems the risks relating to their use increases especially with the global increases in cyber threats.   | <p>Colleagues successfully and securely worked from home during the pandemic.</p> <p>Implementation of a new card payment system has increased security and improved working efficiencies.</p> <p>Data Protection and Cyber Threat training is being delivered through the new Learning Management System.</p> <p>New business continuity lead appointed to review and test our plans.</p>   | <p>↔↔</p> <p><b>High Risk</b></p> |
| <b>Development Cycle &amp; Supply Chain Disruption</b><br>                 | <p>Impact the Group's ability to meet its growth strategy by;</p> <ul style="list-style-type: none"> <li>• not securing viable land deals in the right locations,</li> <li>• planning delays or refusals,</li> <li>• delayed or extended construction periods</li> <li>• material shortages and</li> <li>• decreased sales rates.</li> </ul> | <p>Appointment of a new Land, Design and Planning Director to led on our land, design and planning strategy to meet our growth plans.</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 were 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>↔↔</p> <p><b>High Risk</b></p> |
| <b>Corporate Social Responsibility, Environment and Sustainability</b><br> | A lack of CSR improvement may hinder the Group's ability to fulfil legal requirements, gain planning permission and may not meet the sustainability demands of Customers.  | <p>All new developments have renewable energy power for heating and hot water supplies.</p> <p>Drive to reduce waste on site.</p> <p>Introduction of electric/hybrid company vehicles.</p> <p>New video conferencing facilities &amp; software, to reduce travelling needs.</p> <p>Several health and wellbeing initiatives used for Colleagues and Customers.</p> <p>The Group and Colleagues support the Churchill Foundation which has collected over £1,600,000.</p>   | <p>↓</p> <p><b>Low Risk</b></p>   |

## EXECUTIVE

**L-R:**

**Martin Young**

**Clinton J McCarthy**

**Gary Day**

**Spencer J McCarthy**

**Dean Marlow**

Image removed

## EXECUTIVE

**SPENCER J MCCARTHY****Chairman and Chief Executive Officer - Aged 55**

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 the Company with his brother, Clinton, Spencer is responsible for the strategy and growth of the business with specific responsibility for land, planning, design, marketing and sales.

**CLINTON J MCCARTHY****Managing Director - Aged 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 the Company, has over 27 years' experience in the retirement sector. Clinton takes specific responsibility for construction, plant services and customer services.

**DEAN MARLOW FCCA****Chief Financial Officer - Aged 50**

Date of appointment to the board:  
1 October 2003

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

**MARTIN YOUNG****Chief Operating Officer - Aged 67**

Date of appointment to the board:  
31 July 2015

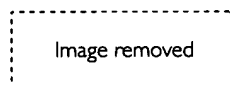
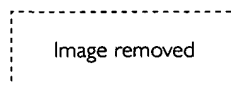
Martin has worked in the retirement sector since 1980 and ran his own retirement building business for 16 years. He joined CRL in 2013 as a Regional Managing Director, before his promotion to the Board as Chief Operating Officer, overseeing regional activity.

**GARY DAY****Land, Design and Planning Director - Aged 62**

Date of appointment to the board:  
4 May 2021

Gary has a wealth of experience and expertise in the retirement housing sector. Prior to joining the Company in May 2021, he spent over 32 years working at McCarthy Stone, the last 20 of which as Group Land and Planning Director.

## NON-EXECUTIVE



1

2

**1. JOHN S MCCARTHY FCIOB, MBE**  
**Non-Executive (Investor) Director - Aged 81**

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 the Company. Over his 54 year career in the building industry, John has received many business accolades, including an MBE for his contribution to the elderly.

**2. BILL OLIVER**  
**Non-Executive Deputy Chairman - Aged 65**

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.

**3. HARRY HARRISON**  
**Non-Executive Director - Aged 73**

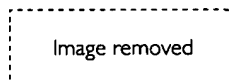
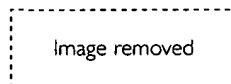
Date of appointment to the board:  
1 January 2004

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.

**4. SIMON BOADLE**  
**Non-Executive Director - Aged 63**

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.



3

4

## CHURCHILL RETIREMENT PLC

### Report and consolidated financial statements for the year ended 30 June 2021

|  |   |  |
|--|---|--|
| Country of incorporation of parent company | England and Wales   |  |
| Legal form                                 | Public limited company  |  |
| Directors                                  | <p>S J McCarthy (Chairman and Chief Executive Officer)<br/> C J McCarthy (Managing Director)<br/> D Marlow (Chief Financial Officer)<br/> M A Young (Chief Operations Officer)<br/> G N Day (Land Design and Planning Director)<br/> J S McCarthy (Non Executive Director)<br/> R M Harrison (Non Executive Director)<br/> W A Oliver (Non Executive Director)<br/> S H Boadle (Non Executive Director)</p> |  |
| Secretary and registered office            | <p>R S Small<br/> Churchill House<br/> Parkside<br/> Ringwood<br/> Hampshire<br/> England<br/> BH24 3SG</p>   |  |
| Company number                             | 07428858  |  |
| Auditor                                    | <p>KPMG LLP<br/> Gateway House<br/> Tollgate<br/> Chandlers Ford<br/> SO53 3TG</p>  |  |
| Banker                                     | <p>HSBC Bank plc<br/> Pall Mall<br/> London<br/> SW1Y 5EZ</p>   |  |
| Solicitors                                 | <p>Moore Barlow LLP<br/> Gateway House<br/> Tollgate<br/> Chandlers Ford<br/> SO53 3TG</p>  | <p>Linklaters LLP<br/> One Silk Street<br/> London<br/> EC2Y 8HQ</p> |



**CHURCHILL RETIREMENT PLC****Directors' report for the year ended 30 June 2021**

The Directors present their report and audited consolidated financial statements of Churchill Retirement Plc 'the Group' for the year ended 30 June 2021.

**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 profit from operations of £43.0 million for the year to 30 June 2021 (2020 - £5.8 million loss). Profit from operations includes the disposal of freehold reversionary interests that generated profit before taxation of £14.5million (2020 - £Nil).

**GOING CONCERN**

The Group meets its day to day working capital requirements through cash in hand and a £130 million revolving credit facility (detailed in note 18). The Group operates a range of forecasts covering the next 2 financial years to include both an expanding and contracting market. Our assumptions for a contracting market forecast are based on previous recessions and our experiences of the last 18 months as we have navigated our way through the COVID-19 restrictions.

Our contracting market forecast uses a sales rate similar to that seen in 2021, 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 increasing incentives to the levels we have seen in 2020 and 2021 which were heavily impacted by COVID-19. To demonstrate the worst case position, we have not included any mitigating action to preserve cash, that we would almost certainly take if sales were to reduced to these levels.

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 £127 million with our Revolving Credit Facility in place throughout the forecast period. Additionally, throughout the forecast period the covenants in 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 £8.00 per share was declared (2020 - £3.11).

**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 2021 (continued)****DIRECTORS**

The following Directors have held office since 1 July 2020 and up to the date of signing the financial statements:

**S J McCarthy**  
**C J McCarthy**  
**D Marlow**  
**M A Young**  
**G N Day** (appointed 4 May 2021)  
**J S McCarthy**  
**R M Harrison**  
**W A Oliver**  
**S H Boadle**

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

The following Company Secretaries have held office since 1 July 2020 and up to the date of signing the financial statements:

**R S Small**

**POLITICAL AND CHARITABLE DONATIONS**

During the financial year the Group made political donations of £Nil (2020 - £150,000).

**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

13 October 2021

## 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 2021 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

### FRAUD AND BREACHES OF LAWS AND REGULATIONS - ABILITY TO DETECT

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit that could give rise to a material misstatement at group.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as Valuation of inventory.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash entries made to unexpected accounts.
- Assessing significant accounting estimates for bias.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and

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

we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, GDPR compliance, numerous design requirements and building regulations and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### STRATEGIC REPORT AND DIRECTORS' REPORT

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

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

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

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 48, 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

25 October 2021

**CHURCHILL RETIREMENT PLC****Consolidated statement of profit or loss and other comprehensive income for the year ended  
30 June 2021**

|   | Notes | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------|-------------------------------------|-------------------------------------|
| Revenue   | 4     | 160,049                             | 91,364                              |
| Cost of sales   |       | (88,414)                            | (71,848)                            |
| <b>Gross profit</b>   |       | <b>71,635</b>                       | <b>19,516</b>                       |
| Other operating income  | 5     | 625                                 | 417                                 |
| Administrative expenses   |       | (29,239)                            | (25,748)                            |
| <b>Profit/(Loss) from operations</b>                                  | 6     | <b>43,021</b>                       | <b>(5,815)</b>                      |
| Finance expense   | 8     | (4,160)                             | (5,456)                             |
| Finance income  | 8     | 4                                   | 1                                   |
| <b>Profit/(Loss) before taxation</b>                                  |       | <b>38,865</b>                       | <b>(11,270)</b>                     |
| Tax on profit   | 9     | (8,118)                             | 872                                 |
| <b>PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION</b>                      |       | <b>30,747</b>                       | <b>(10,398)</b>                     |
| <b>Profit/(Loss) for the year after<br/>taxation attributable to:</b> |       |                                     |                                     |
| Owners of the parent  |       | 30,756                              | (10,314)                            |
| Non-controlling interest  |       | (9)                                 | (84)                                |
|   |       | <b>30,747</b>                       | <b>(10,398)</b>                     |

The notes on pages 55 to 82 form part of these financial statements.

# CHURCHILL RETIREMENT PLC

## Consolidated statement of financial position as at 30 June 2021

|   | Notes | 30 June 2021<br>£,000 | 30 June 2020<br>£,000 |
|---|-------|-----------------------|-----------------------|
| <b>ASSETS</b>   |       |                       |                       |
| <b>Non-current assets</b>   |       |                       |                       |
| Property, plant and equipment   | 11    | 18,241                | 18,834                |
| Investment property and freehold reversionary interests                 | 12    | 7,508                 | 7,753                 |
| Trade and other receivables   | 16    | 6,934                 | 5,376                 |
| <b>Total non-current assets</b>   |       | <b>32,683</b>         | <b>31,963</b>         |
| <b>Current assets</b>   |       |                       |                       |
| Inventories   | 14    | 298,861               | 309,490               |
| Held-for-sale investment property                                       | 15    | 390                   | 390                   |
| Trade and other receivables   | 16    | 13,357                | 9,918                 |
| Cash and cash equivalents   | 27    | 24,721                | 8,102                 |
| <b>Total current assets</b>   |       | <b>337,329</b>        | <b>327,900</b>        |
| <b>TOTAL ASSETS</b>   |       | <b>370,012</b>        | <b>359,863</b>        |
| <b>LIABILITIES</b>  |       |                       |                       |
| <b>Current liabilities</b>  |       |                       |                       |
| Trade and other payables  | 17    | 22,731                | 26,714                |
| Loans and borrowings  | 18    | 967                   | 905                   |
| Income tax payable  |       | 1,636                 | -                     |
| <b>Total current liabilities</b>  |       | <b>25,334</b>         | <b>27,619</b>         |
| <b>Non-current liabilities</b>  |       |                       |                       |
| Loans and borrowings  | 18    | 132,522               | 144,600               |
| Provisions  | 19    | 790                   | 3,132                 |
| Deferred tax liability  | 20    | 878                   | 1,071                 |
| <b>Total non-current liabilities</b>                                    |       | <b>134,190</b>        | <b>148,803</b>        |
| <b>TOTAL LIABILITIES</b>  |       | <b>159,524</b>        | <b>176,422</b>        |
| <b>NET ASSETS</b>   |       | <b>210,488</b>        | <b>183,441</b>        |
| <b>Issued capital and reserves attributable to owners of the parent</b> |       |                       |                       |
| Share capital   | 21    | 522                   | 522                   |
| Share based payment reserve   | 22    | 1,500                 | 1,200                 |
| Retained earnings   |       | 207,791               | 181,035               |
|   |       | <b>209,813</b>        | <b>182,757</b>        |
| <b>Non-controlling interest</b>   |       | <b>675</b>            | <b>684</b>            |
| <b>TOTAL EQUITY</b>   |       | <b>210,488</b>        | <b>183,441</b>        |

The financial statements on pages 51 to 82 were approved and authorised for issue by the Board of Directors on 13 October 2021 and were signed on its behalf by:



**Dean Marlow**  
Chief Financial Officer

Registered number: 07428858

The notes on pages 55 to 82 form part of these financial statements.

**CHURCHILL RETIREMENT PLC****Consolidated statement of cash flows for the year ended 30 June 2021**

|   | Notes | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------|-------------------------------------|-------------------------------------|
| <b>CASH FLOWS FROM<br/>OPERATING ACTIVITIES</b>                 |       |                                     |                                     |
| Profit/(Loss) for the year                                      |       | 30,747                              | (10,398)                            |
| <i>Adjustments for:</i>   |       |                                     |                                     |
| Depreciation of property, plant and equipment                   | 11    | 2,092                               | 2,112                               |
| Share based payment charge                                      | 22    | 300                                 | 110                                 |
| Finance income  | 8     | (4)                                 | (1)                                 |
| Finance expense   | 8     | 4,160                               | 5,456                               |
| (Gain)/loss on sale of property, plant and equipment            |       | (112)                               | 54                                  |
| Income tax expense/(income)                                     | 9     | 8,118                               | (872)                               |
| (Increase)/decrease in trade and other receivables              |       | (6,653)                             | 10,839                              |
| Decrease/(increase) in inventories                              |       | 6,499                               | (4,670)                             |
| Increase/(decrease) in trade and other payables                 |       | 4,108                               | (8,654)                             |
| (Decrease)/increase in provisions                               |       | (2,342)                             | 1,970                               |
| <b>Cash generated/(used in) from operations</b>                 |       | <b>46,913</b>                       | <b>(4,054)</b>                      |
| Income taxes paid   |       | (5,019)                             | (6,113)                             |
| Interest received   |       | 4                                   | 1                                   |
| Interest paid   |       | (2,264)                             | (3,034)                             |
| <b>Net cash flows from operating activities carried forward</b> |       | <b>39,634</b>                       | <b>(13,200)</b>                     |
| <b>INVESTING ACTIVITIES</b>                                     |       |                                     |                                     |
| Purchases of property, plant and equipment                      |       | (879)                               | (1,326)                             |
| Sale of property, plant and equipment                           |       | 361                                 | 746                                 |
| <b>Net cash flows from investing activities</b>                 |       | <b>(518)</b>                        | <b>(580)</b>                        |
| <b>FINANCIAL ACTIVITIES</b>                                     |       |                                     |                                     |
| (Repayment)/proceeds from bank borrowings                       |       | (12,285)                            | 18,250                              |
| Capital repayments of lease liabilities                         |       | (1,031)                             | (892)                               |
| Repayment of tracker shares                                     |       | -                                   | -                                   |
| Dividends paid to the shareholders<br>of the Parent Company     |       | (9,181)                             | (9,477)                             |
| <b>Net cash (used)/generated from<br/>financing activities</b>  |       | <b>(22,497)</b>                     | <b>7,881</b>                        |
| <b>NET INCREASE/(DECREASE) IN CASH<br/>AND CASH EQUIVALENTS</b> |       | <b>16,619</b>                       | <b>(5,899)</b>                      |
| Cash and cash equivalents at beginning of year                  |       | 8,102                               | 14,001                              |
| <b>CASH AND CASH EQUIVALENTS AT<br/>END OF YEAR</b>             | 27    | <b>24,721</b>                       | <b>8,102</b>                        |
| <b>CASH AND CASH EQUIVALENTS COMPRISE</b>                       |       |                                     |                                     |
| Cash at bank and in hand  |       | 24,721                              | 8,102                               |
| <b>CASH AND CASH EQUIVALENTS<br/>AT END OF YEAR</b>             |       | <b>24,721</b>                       | <b>8,102</b>                        |

The notes on pages 55 to 82 form part of these financial statements.

## CHURCHILL RETIREMENT PLC

## Consolidated statement of changes in equity for the year ended 30 June 2021

|   | Notes | Share capital<br>£,000 | Share based<br>payment<br>reserve<br>£,000 | Retained<br>earnings<br>£,000 | Total<br>attributable to<br>equity holders<br>of parent<br>£,000 | Non-<br>controlling<br>interest<br>£,000 | Total<br>equity<br>£,000 |
|---|-------|------------------------|--|-------------------------------|--|--|--------------------------|
| <b>1 July 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>Comprehensive Income<br/>for the year</b>                      |       |                        |  |                               |  |  |                          |
| Profit for the year   |       | -                      | -  | 30,756                        | 30,756   | (9)                                      | 30,747                   |
| <b>Total comprehensive<br/>Income for the year</b>                |       | <b>-</b>               | <b>-</b>                                   | <b>30,756</b>                 | <b>30,756</b>  | <b>(9)</b>                               | <b>30,747</b>            |
| <b>Contributions by and<br/>distributions to owners</b>           |       |                        |  |                               |  |  |                          |
| Dividends   | 10    | -                      | -  | (4,000)                       | (4,000)  | -  | (4,000)                  |
| Share based<br>payment charge                                     | 22    | -                      | 300  | -                             | 300  | -  | 300                      |
| <b>Total contributions by<br/>and distributions to<br/>owners</b> |       | <b>-</b>               | <b>300</b>                                 | <b>(4,000)</b>                | <b>(3,700)</b>   | <b>-</b>                                 | <b>(3,700)</b>           |
| <b>30 JUNE 2021</b>   |       | <b>522</b>             | <b>1,500</b>                               | <b>207,791</b>                | <b>209,813</b>   | <b>675</b>                               | <b>210,488</b>           |
| <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<br/>Income for the year</b>                      |       |                        |  |                               |  |  |                          |
| Loss for the year   |       | -                      | -  | (10,314)                      | (10,314)   | (84)                                     | (10,398)                 |
| <b>Total comprehensive<br/>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<br/>distributions to owners</b>           |       |                        |  |                               |  |  |                          |
| Dividends   | 10    | -                      | -  | (1,556)                       | (1,556)  | -  | (1,556)                  |
| Share based<br>payment charge                                     | 22    | -                      | 110  | -                             | 110  | -  | 110                      |
| <b>Total contributions by<br/>and distributions to<br/>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>           |

The notes on pages 55 to 82 form part of these financial statements.



**CHURCHILL RETIREMENT PLC**

Notes forming part of the financial statements for the year ended 30 June 2021

**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).

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.

**GOING CONCERN**

The Group meets its day to day working capital requirements through cash in hand and a £130 million revolving credit facility (detailed in note 18). The Group operates a range of forecasts covering the next 2 financial years to include both an expanding and contracting market. Our assumptions for a contracting market forecast are based on previous recessions and our experiences of the last 18 months as we have navigated our way through the COVID-19 restrictions.

Our contracting market forecast uses a sales rate similar to that seen in 2021, 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 increasing incentives to the levels we have seen in 2020 and 2021 which were heavily impacted by COVID-19. To demonstrate the worst case position, we have not included any mitigating action to preserve cash, that we would almost certainly take if sales were to reduced to these levels.

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 £127 million with our Revolving Credit Facility in place throughout the forecast period. Additionally, throughout the forecast period the covenants in 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.

**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

**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 91.

**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.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**1 ACCOUNTING POLICIES (CONTINUED)****BASIS OF CONSOLIDATION**

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

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

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and by other parties;
- other contractual arrangements; 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.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**1 ACCOUNTING POLICIES (CONTINUED)****FINANCIAL LIABILITIES**

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

Other financial liabilities include the following items:

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

**SHARE CAPITAL**

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

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

**SHARE-BASED PAYMENTS**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based payments are set out in note 22.

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

**DEFINED CONTRIBUTION SCHEMES**

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

**LEASED ASSETS**

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 right of use 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 right of use 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.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**1 ACCOUNTING POLICIES (CONTINUED)****DIVIDENDS**

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

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

**INVESTMENT PROPERTY**

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

The critical assumptions made relating to valuations have been disclosed in note 12 and note 3 to the financial statements. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed of when these are transferred to the buyer. This generally occurs on unconditional exchange or on completion, particularly if this is expected to occur significantly after exchange or the Group has significant outstanding obligations between exchange and completion. Additions to investment properties consist of costs of a capital nature and certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase.

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

**TAXATION**

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

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

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

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

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

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

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

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

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**1 ACCOUNTING POLICIES (CONTINUED)****PROPERTY, PLANT AND EQUIPMENT**

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

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

|                        |   |                                |
|------------------------|---|--------------------------------|
| Freehold buildings     | - | 2% per annum straight line     |
| 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.

**NON-CURRENT ASSETS HELD FOR SALE**

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

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

Non-current assets are measured at the lower of:

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

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

**PROVISIONS**

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

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

***Estimates and judgements***

- Fair value measurement

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

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

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

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

- Land held for development and work in progress

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

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*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**

|  |              | <b>Loans and receivables</b>                   |                |
|--|--------------|--|----------------|
|  | <i>Notes</i> | 2021<br>£,000                                  | 2020<br>£,000  |
| <b>FINANCIAL ASSETS</b>                              |              |  |                |
| Cash and cash equivalents                            | 27           | 24,721   | 8,102          |
| Trade and other receivables<br>excluding prepayments | 16           | 18,680   | 11,076         |
| <b>TOTAL FINANCIAL ASSETS</b>                        |              | <b>43,401</b>                                  | <b>19,178</b>  |
|  |              |  |                |
|  |              | <b>Financial liabilities at amortised cost</b> |                |
|  | <i>Notes</i> | 2021<br>£,000                                  | 2020<br>£,000  |
| <b>FINANCIAL LIABILITIES</b>                         |              |  |                |
| Trade and other payables                             | 17           | 22,731   | 26,714         |
| Loans and borrowings                                 | 18           | 133,489  | 145,505        |
| <b>TOTAL FINANCIAL LIABILITIES</b>                   |              | <b>156,220</b>                                 | <b>172,219</b> |

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*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 2021 was £306.1 million (2020: £308.2 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 2021, 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 2021.



**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*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:

| <b>FINANCIAL LIABILITIES</b>      | <b>Carrying<br/>amount<br/>£,000</b> | <b>Contractual<br/>cash flows<br/>£,000</b> | <b>Due within<br/>1 year<br/>£,000</b> | <b>Due between<br/>1 to 2 years<br/>£,000</b> | <b>Due over<br/>2 years<br/>£,000</b> |
|-----------------------------------|--------------------------------------|---|--|---|---------------------------------------|
| Trade and other payables          | 22,731                               | 22,731                                      | 22,731                                 | -   | -                                     |
| Secured revolving credit facility | 73,715                               | 76,874                                      | 1,580                                  | 75,295  | -                                     |
| Lease liabilities                 | 2,125                                | 2,218                                       | 1,020                                  | 654   | 544                                   |
| Tracker shares                    | 55,649                               | 58,697                                      | 1,043                                  | 57,653  | -                                     |
| Preference shares                 | 2,000                                | 2,200                                       | 100                                    | 2,100   | -                                     |
| <b>AT 30 JUNE 2021</b>            | <b>156,220</b>                       | <b>162,720</b>                              | <b>26,474</b>                          | <b>135,702</b>                                | <b>544</b>                            |

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2021 (*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<br>£,000 | Level 2<br>£,000 | Level 3<br>£,000 | Total<br>£,000 |
|--|------------------|------------------|------------------|----------------|
| <b>INVESTMENT PROPERTIES AND FREEHOLD<br/>REVERSIONARY INTERESTS</b> |                  |                  |                  |                |
| 2020   | -                | -                | 7,753            | 7,753          |
| 2021   | -                | -                | 7,508            | 7,508          |

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 2021 and 2020.

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| <b>INVESTMENT PROPERTIES AND FREEHOLD<br/>REVERSIONARY INTERESTS</b> |               |               |
| Opening balance  | 7,753         | 13,187        |
| Additions  | -             | 128           |
| Transfer to held-for-sale investment property                        | -             | (223)         |
| Transfer (to)/from inventory   | -             | (4,579)       |
| Disposals  | (245)         | (760)         |
| <b>CLOSING BALANCE</b>   | <b>7,508</b>  | <b>7,753</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 2021 (*continued*)**4 REVENUE**

All revenue is derived from activities within the United Kingdom.

|   | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------------------------------------|-------------------------------------|
| Sale of retirement apartments           | 138,060                             | 86,591                              |
| Sale of land                            | 1,661                               | 1,024                               |
| Sale of freehold reversionary interests | 15,983                              | -                                   |
| Estate management                       | 3,143                               | 2,898                               |
| Rental income                           | 438                                 | 524                                 |
| Other                                   | 764                                 | 327                                 |
|   | <b>160,049</b>                      | <b>91,364</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<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|-------|-------------------------------------|-------------------------------------|
| Other | 625                                 | 417                                 |
|       | <b>625</b>                          | <b>417</b>                          |

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

|  | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|--|-------------------------------------|-------------------------------------|
| <b>Profit/(Loss) from operations is stated after charging/(crediting):</b>                           |                                     |                                     |
| Depreciation and other amounts written off tangible fixed assets:                                    |                                     |                                     |
| Owned  | 1,124                               | 1,135                               |
| Leased   | 968                                 | 977                                 |
| Profit on sale of fixed assets   | 112                                 | 61                                  |
| Hire of other assets – operating leases  | 294                                 | 262                                 |
| Cost of inventories recognised as an expense   | 76,636                              | 58,008                              |
| <b>Auditor's remuneration:</b>   |                                     |                                     |
| Fees payable to the Company's current auditor for the audit of the Parent Company                    | 15                                  | 13                                  |
| Fees payable to the Company's current auditor for the audit of the consolidated financial statements | 95                                  | 92                                  |
|  | <b>110</b>                          | <b>105</b>                          |

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**7 EMPLOYEE NUMBERS AND BENEFIT EXPENSES**

|                                   | Year ended<br>30 June 2021<br>Number | Year ended<br>30 June 2020<br>Number |
|-----------------------------------|--------------------------------------|--------------------------------------|
| <b>Numbers by activity:</b>       |                                      |                                      |
| Land, planning and design         | 48                                   | 52                                   |
| Commercial and construction       | 73                                   | 88                                   |
| Sales and customer services       | 138                                  | 152                                  |
| Estate management                 | 275                                  | 249                                  |
| Office and administration support | 67                                   | 78                                   |
|                                   | <b>601</b>                           | <b>619</b>                           |

Included in the estate management figures above are 222 (2020:216) 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<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|--|-------------------------------------|-------------------------------------|
| <b>Employee benefit expenses (including Directors) comprise:</b> |                                     |                                     |
| Wages and salaries   | 20,428                              | 18,319                              |
| Defined contribution pension cost                                | 687                                 | 729                                 |
| Social security contributions and similar taxes                  | 2,772                               | 2,379                               |
| Share based payment charge                                       | 300                                 | 110                                 |
|  | <b>24,187</b>                       | <b>21,537</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<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------------------------------------|-------------------------------------|
| Salary including benefits in kind         | 7,151                               | 4,334                               |
| Defined contribution pension scheme costs | 97                                  | 355                                 |
| Share based payment charge                | 284                                 | 104                                 |
|   | <b>7,532</b>                        | <b>4,793</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<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------------------------------------|-------------------------------------|
| Salary including benefits in kind         | 4,388                               | 2,412                               |
| Defined contribution pension scheme costs | -                                   | 263                                 |
| Share based payment charge                | 284                                 | 104                                 |
|   | <b>4,672</b>                        | <b>2,779</b>                        |

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**7 EMPLOYEE NUMBERS AND BENEFIT EXPENSES (CONTINUED)****HIGHEST PAID DIRECTOR**

|   | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------------------------------------|-------------------------------------|
| Salary including benefits in kind         | 1,470                               | 870                                 |
| Defined contribution pension scheme costs | -                                   | 156                                 |
|   | <b>1,470</b>                        | <b>1,026</b>                        |

**8 FINANCE INCOME AND EXPENSE**

|  | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|--|-------------------------------------|-------------------------------------|
| <b>Finance Income</b>                          |                                     |                                     |
| <b>OTHER INTEREST RECEIVED</b>                 | <b>4</b>                            | <b>1</b>                            |
| <b>Finance expense</b>                         |                                     |                                     |
| Bank loans                                     | 1,972                               | 2,542                               |
| Preference shares including redemption premium | 1,919                               | 2,480                               |
| Lease interest                                 | 53                                  | 62                                  |
| Other interest                                 | 216                                 | 372                                 |
| <b>TOTAL FINANCE EXPENSE</b>                   | <b>4,160</b>                        | <b>5,456</b>                        |

**9 TAX EXPENSE/(INCOME)**

|  | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|--|-------------------------------------|-------------------------------------|
| <b>Current tax expense/(income)</b>                        |                                     |                                     |
| Current tax expense/(income) on profit/(loss) for the year | 7,935                               | (621)                               |
| Adjustment for over provision in prior periods             | 376                                 | 180                                 |
| <b>Total current tax</b>                                   | <b>8,311</b>                        | <b>(441)</b>                        |
| <b>Deferred tax expense</b>                                |                                     |                                     |
| Origination and reversal of temporary differences          | 40                                  | 50                                  |
| Adjustment in respect of previous periods                  | (133)                               | 29                                  |
| Fair value adjustments                                     | (100)                               | (510)                               |
| <b>Total deferred tax (note 20)</b>                        | <b>(193)</b>                        | <b>(431)</b>                        |
| <b>TOTAL TAX</b>   | <b>8,118</b>                        | <b>(872)</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 2021 (*continued*)**9 TAX EXPENSE/(INCOME) (CONTINUED)**

|   | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------------------------------------|-------------------------------------|
| Profit/(Loss) on ordinary activities before taxation          | 38,865                              | (11,270)                            |
| Tax charge at the UK corporation tax rate of 19% (2020 - 19%) | 7,384                               | (2,141)                             |
| Expenses not deductible for tax purposes                      | 100                                 | 596                                 |
| Share based payment charge                                    | 57                                  | 21                                  |
| Adjustments in respect of preference share interest           | 365                                 | 471                                 |
| Adjustments in respect of contaminated land relief            | (31)                                | (28)                                |
| Adjustment for under provision in previous periods            | 243                                 | 209                                 |
| <b>TOTAL TAX EXPENSE/(INCOME)</b>                             | <b>8,118</b>                        | <b>(872)</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. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021 which will increase the Company's future current tax charge accordingly. Deferred tax has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

**10 DIVIDENDS**

|   | Year ended<br>30 June 2021<br>£,000 | Year ended<br>30 June 2020<br>£,000 |
|---|-------------------------------------|-------------------------------------|
| <b>DIVIDEND OF £8.00 (2020 - £3.11) PER ORDINARY SHARE DECLARED DURING THE YEAR</b> | <b>4,000</b>                        | <b>1,556</b>                        |

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**11 PROPERTY, PLANT AND EQUIPMENT**

|   | Land and<br>buildings<br>£,000 | Plant machinery and<br>motor vehicles<br>£,000 | Fixtures and<br>fittings<br>£,000 | Leasehold<br>improvements<br>£,000 | Total<br>£,000 |
|---|--------------------------------|--|-----------------------------------|------------------------------------|----------------|
| <b>Cost or valuation</b>  |                                |  |                                   |                                    |                |
| <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<br>asset on initial application<br>of IFRS 16 | 373                            | 544  | -                                 | -                                  | 917            |
| Additions   | 575                            | 1,891  | 103                               | 17                                 | 2,586          |
| Disposals   | -                              | (173)  | -                                 | -                                  | (173)          |
| <b>At 1 July 2020</b>   | <b>13,063</b>                  | <b>13,613</b>                                  | <b>4,322</b>                      | <b>665</b>                         | <b>31,663</b>  |
| Additions   | 30                             | 1,134  | 296                               | 43                                 | 1,503          |
| Disposals   | -                              | (10)   | (1)                               | -                                  | (11)           |
| <b>AT 30 JUNE 2021</b>  | <b>13,093</b>                  | <b>14,737</b>                                  | <b>4,617</b>                      | <b>708</b>                         | <b>33,155</b>  |
| <b>Accumulated depreciation</b>   |                                |  |                                   |                                    |                |
| <b>At 1 July 2019</b>   | <b>1,732</b>                   | <b>5,817</b>                                   | <b>3,264</b>                      | <b>36</b>                          | <b>10,849</b>  |
| 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>  |
| Balance at 1 July 2019:   |                                |  |                                   |                                    |                |
| Depreciation  | 387                            | 1,353  | 338                               | 14                                 | 2,092          |
| Disposals   | -                              | (6)  | (1)                               | -                                  | (7)            |
| <b>AT 30 JUNE 2021</b>  | <b>2,528</b>                   | <b>8,341</b>                                   | <b>3,982</b>                      | <b>63</b>                          | <b>14,914</b>  |
| <b>Net book value</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>  |
| <b>AT 30 JUNE 2021</b>  | <b>10,565</b>                  | <b>6,396</b>                                   | <b>635</b>                        | <b>645</b>                         | <b>18,241</b>  |

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

|                                     | 2021<br>£,000 | 2020<br>£,000 |
|-------------------------------------|---------------|---------------|
| Plant, machinery and motor vehicles | 2,253         | 2,505         |
| Land and buildings                  | 110           | 227           |
|                                     | <b>2,363</b>  | <b>2,732</b>  |

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**12 INVESTMENT PROPERTY AND FREEHOLD REVERSIONARY INTERESTS**

|   | Freehold reversionary<br>interests receivable<br>£,000 | Lodge manager<br>apartments<br>£,000 | Commercial<br>property<br>£,000 | Total<br>£,000 |
|---|--|--------------------------------------|---------------------------------|----------------|
| <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 1 July 2020</b>                         | <b>351</b>   | <b>7,055</b>                         | <b>347</b>                      | <b>7,753</b>   |
| Disposals                                     | -  | (245)                                | -                               | (245)          |
| <b>AT 30 JUNE 2021</b>                        | <b>351</b>   | <b>6,810</b>                         | <b>347</b>                      | <b>7,508</b>   |

**(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 £437,573 (2020 - £524,301) 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 2021 and 30 June 2020 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 2021 and 30 June 2020 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 2021 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 2021 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 2021 (*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>                   |                   |                    |              |
| Churchill Retirement (Group) Limited     | *                 | Ordinary £1        | 100          |
| <b>Indirect Holdings</b>                 |                   |                    |              |
| Churchill Retirement Living Limited**    | *                 | Ordinary £1        | 100          |
| Millstream Management Services Limited** | *                 | Ordinary £1        | 100          |
| Planning Issues Limited**                | *                 | Ordinary £1        | 100          |
| McCarthy Investments Limited**           | *                 | Ordinary £1        | 100          |
| Careline Support 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          |
| Churchill Retirement Management Limited  | *                 | Ordinary £1        | 100          |
| Churchill Retirement Rentals Limited     | *                 | Ordinary £1        | 100          |
| Emlor Homes 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.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          |
| McCarthy Retirement Limited              | *                 | Ordinary £1        | 100          |
| McCarthy Retirement Living Limited       | *                 | Ordinary £1        | 100          |
| McCarthy & McCarthy 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.
- Careline Support Limited; Which provides 24 Hour emergency support to retirement housing residents.

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 2021 (*continued*)**14 INVENTORIES**

|                                     | 2021<br>£,000  | 2020<br>£,000  |
|-------------------------------------|----------------|----------------|
| Land for development                | 45,861         | 17,828         |
| Sites in the course of construction | 32,439         | 87,474         |
| Finished stock                      | 220,561        | 204,188        |
|                                     | <b>298,861</b> | <b>309,490</b> |

In a prior period, land and planning costs were assessed and subsequently impaired to an NRV below the original costs incurred. Following an operational review, during the year ended 30 June 2021, it was concluded that the NRV of the qualifying sites had increased to a value above the original cost.

As a result, included in the inventory total above is the reversal of a prior year impairment totalling £3,732,706.

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

|                                   | 2021<br>£,000 | 2020<br>£,000 |
|-----------------------------------|---------------|---------------|
| <b>At 1 July</b>                  | <b>390</b>    | <b>167</b>    |
| Transfer from investment property | -             | 223           |
| <b>AT 30 JUNE</b>                 | <b>390</b>    | <b>390</b>    |

**16 TRADE AND OTHER RECEIVABLES**

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| Trade receivables - net  | 15,923        | 7,320         |
| Other receivables  | 2,757         | 2,100         |
| Income tax receivable  | -             | 1,656         |
| <b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b> | <b>18,680</b> | <b>11,076</b> |
| Prepayments and accrued income   | 1,611         | 4,218         |
| <b>Total trade and other receivables</b>   | <b>20,291</b> | <b>15,294</b> |
| Less: amount due after one year  | (6,934)       | (5,376)       |
| <b>AMOUNT DUE WITHIN ONE YEAR</b>  | <b>13,357</b> | <b>9,918</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**

|   | 2021<br>£,000 | 2020<br>£,000 |
|---|---------------|---------------|
| Trade payables                                    | 4,741         | 6,624         |
| Other payables                                    | 6,223         | 12,097        |
| Land accruals                                     | 1,807         | -             |
| Other accruals and deferred income                | 9,052         | 5,466         |
| Other payables - tax and social security payments | 908           | 2,527         |
| <b>TOTAL TRADE AND OTHER PAYABLES</b>             | <b>22,731</b> | <b>26,714</b> |

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 2021 (*continued*)**18 LOANS AND BORROWINGS**

The book value of loans and borrowings are as follows:

|                                      | 2021<br>£,000  | 2020<br>£,000  |
|--------------------------------------|----------------|----------------|
| <b>Non-Current</b>                   |                |                |
| Bank loans - secured                 | 73,715         | 86,000         |
| Preference shares                    | 57,649         | 56,971         |
| Lease liabilities ( <i>note 24</i> ) | 1,158          | 1,629          |
|                                      | <b>132,522</b> | <b>144,600</b> |
| <b>Current</b>                       |                |                |
| Lease liabilities ( <i>note 24</i> ) | 967            | 905            |
|                                      | <b>967</b>     | <b>905</b>     |
| <b>TOTAL LOANS AND BORROWINGS</b>    | <b>133,489</b> | <b>145,505</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 £284,533 (2020: £500,000) are offset against the bank loan balance and are amortised over the life of the loan.

**BANK BORROWINGS**

At 30 June 2021 the Group had in place a £130m 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 and McCarthy Investments Limited.

Terms of the facility include financial covenants, which with the additional flexibility of the Interest Cover Covenant being temporarily waived, the Group remained in full compliance with throughout the year. At the year end the Group was compliant with all covenants including the Interest Cover Covenant (the waiver of which ended on 30 June 2021).

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 (2020 – 2.1 above LIBOR).

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

|                             | <b>Floating rate<br/>£,000</b> |
|-----------------------------|--------------------------------|
| <b>2021</b>                 |                                |
| Expiry within 1 year        | -                              |
| Expiry within 1 and 2 years | 73,715                         |
| Expiry in more than 2 years | -                              |
| <b>TOTAL</b>                | <b>73,715</b>                  |
| <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>                  |

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**18 LOANS AND BORROWINGS (CONTINUED)****PREFERENCE SHARES**

|  | 2021<br>No.<br>Thousands | 2020<br>No.<br>Thousands | 2021<br>£,000 | 2020<br>£,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> |
|  |                          |                          |               |               |
|  |                          |                          | 2021<br>£,000 | 2020<br>£,000 |
| Nominal value at 30 June                   |                          |                          | 46,400        | 46,400        |
| Interest accrued                           |                          |                          | 11,249        | 10,571        |
| <b>BOOK VALUE AT 30 JUNE</b>               |                          |                          | <b>57,649</b> | <b>56,971</b> |

**19 PROVISIONS**

|                           | <b>Warranty provision</b> |               |
|---------------------------|---------------------------|---------------|
|                           | 2021<br>£,000             | 2020<br>£,000 |
| <b>At 1 July</b>          | <b>3,132</b>              | <b>1,162</b>  |
| Charged to profit or loss | 519                       | 2,823         |
| Utilised in year/period   | (2,086)                   | (746)         |
| Released in year/period   | (775)                     | (107)         |
| <b>AT 30 JUNE</b>         | <b>790</b>                | <b>3,132</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, in addition to the maintenance provision, is £152,705 (2020 - £1.5million) for future costs relating to a change in fire regulations and £60,000 (2020 - £0.8million) 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 2021 (*continued*)**20 DEFERRED TAX**

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021 which will increase the Company's future current tax charge accordingly. Deferred tax has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

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

|                               | 2021<br>£,000 | 2020<br>£,000 |
|-------------------------------|---------------|---------------|
| <b>At 1 July</b>              | 1,071         | 1,502         |
| Recognised in profit and loss |               |               |
| Tax (credit)/expense          | (193)         | (431)         |
| <b>AT 30 JUNE</b>             | <b>878</b>    | <b>1,071</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<br>2021<br>£,000 | Liability<br>2021<br>£,000 | Net<br>2021<br>£,000 | (Charged)/credited<br>to profit or loss<br>2021<br>£,000 |
|------------------------------------|-------------------------|----------------------------|----------------------|--|
| Accelerated capital allowances     | 188                     | (172)                      | 16                   | 93   |
| Revaluations                       | -                       | (894)                      | (894)                | 100  |
| <b>NET TAX ASSET/(LIABILITIES)</b> | <b>188</b>              | <b>(1,066)</b>             | <b>(878)</b>         | <b>193</b>   |

|                                    | Assets<br>2020<br>£,000 | Liability<br>2020<br>£,000 | Net<br>2020<br>£,000 | Charged to<br>profit or loss<br>2020<br>£,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>                                    |

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**21 SHARE CAPITAL**

|                            |                             |               |                             | Authorised    |
|----------------------------|-----------------------------|---------------|-----------------------------|---------------|
|                            | 2021<br>Number<br>Thousands | 2021<br>£,000 | 2020<br>Number<br>Thousands | 2020<br>£,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 |
|----------------------------|-----------------------------|---------------|-----------------------------|-----------------------|
|                            | 2021<br>Number<br>Thousands | 2021<br>£,000 | 2020<br>Number<br>Thousands | 2020<br>£,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 \* 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.

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**21 SHARE CAPITAL (CONTINUED)****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;
- (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. 14 June 2023;
- (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 2021 (*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 2021 (*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 2021. 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-Scholes 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 and there are no changes in any of the other assumptions.

The Group recognised an expense of £300,000 (2020: £110,226) related to equity-settled share based payments. The cumulative value of the expense recognised at the year end is £1,500,000 (2020: £1,200,000).

## CHURCHILL RETIREMENT PLC

Notes forming part of the financial statements for the year ended 30 June 2021 (*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****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):

| <b>Right of Use Assets</b>            | <b>Land and Buildings</b><br>£,000 | <b>Plant, machinery and motor vehicles</b><br>£,000 | <b>Total</b><br>£,000 |
|---------------------------------------|------------------------------------|---|-----------------------|
| Valuation at 1 July 2020              | 227                                | 2,505   | 2,732                 |
| Additions                             | -                                  | 599   | 599                   |
| Depreciation                          | (117)                              | (851)   | (968)                 |
| Derecognition of ROU assets           | -                                  | -   | -                     |
| <b>Net book value at 30 June 2021</b> | <b>110</b>                         | <b>2,253</b>  | <b>2,363</b>          |

| <b>Lease liabilities</b>               | <b>Land and Buildings</b><br>£,000 | <b>Plant, machinery and motor vehicles</b><br>£,000 | <b>Total</b><br>£,000 |
|--|------------------------------------|---|-----------------------|
| Valuation at 1 July 2020               | 232                                | 2,302   | 2,534                 |
| Additions                              | -                                  | 599   | 599                   |
| Payments                               | (124)                              | (937)   | (1,061)               |
| Interest                               | 5                                  | 48  | 53                    |
| <b>Lease liability at 30 June 2021</b> | <b>113</b>                         | <b>2,012</b>  | <b>2,125</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:

|                                       | 2021<br>£,000 | 2020<br>£,000 |
|---------------------------------------|---------------|---------------|
| Short-term leases                     | 294           | 143           |
| Interest expense on lease liabilities | 53            | 22            |
| Depreciation of right-of-use assets   | 968           | 444           |
|                                       | <b>1,315</b>  | <b>609</b>    |

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**24 LEASES (CONTINUED)**

Future lease payments are due as follows:

|                      | Lease payments<br>£,000 | Interest<br>£,000 | Present value<br>£,000 |
|----------------------|-------------------------|-------------------|------------------------|
| <b>2021</b>          |                         |                   |                        |
| Less than one year   | 1,020                   | (53)              | 967                    |
| One to two years     | 654                     | (27)              | 627                    |
| Two to three years   | 384                     | (11)              | 373                    |
| Three to four years  | 160                     | (2)               | 158                    |
| Four to five years   | -                       | -                 | -                      |
| More than five years | -                       | -                 | -                      |
|                      | <b>2,218</b>            | <b>(93)</b>       | <b>2,125</b>           |
| <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>           |

**As a lessor**

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

|                 | 2021<br>£,000 | 2020<br>£,000 |
|-----------------|---------------|---------------|
| Operating lease |               |               |
| Lease income    | 1,907         | 2,004         |
|                 | <b>1,907</b>  | <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:

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| <b>Operating lease</b>                   |               |               |
| Less than one year                       | 95            | 131           |
| One to two years                         | 44            | 120           |
| Two to three years                       | 26            | 43            |
| Three to four years                      | 18            | 25            |
| Four to five years                       | 17            | 17            |
| More than five years                     | 1,707         | 1,668         |
| <b>Total undiscounted lease payments</b> | <b>1,907</b>  | <b>2,004</b>  |

**CHURCHILL RETIREMENT PLC**Notes forming part of the financial statements for the year ended 30 June 2021 (*continued*)**25 RELATED PARTY TRANSACTIONS**

During the financial year the Group paid £1,000,000 (2020 - £1,000,000) 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 Emlor S Polo LLP and recharges these accordingly. At the year end the Group was owed £Nil (2020 - £Nil) by Emlor S Polo LLP.

During the financial year the Group paid £60,000 (2020 - £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 Emlor C Polo LLP and recharges these accordingly. At the year end the Group was owed £Nil (2020 - £Nil) by Emlor C Polo LLP.

**26 TRANSACTIONS WITH DIRECTORS**

Included within other creditors is £4,151,258 (2020 - £9,306,910) 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 £2,486,149 (2020 - £Nil). Included in the balance is interest of £157,978 (2020: £371,438) 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 £120,978 (2020 - £138,248).

During the previous 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 £4,748,947 (2020 - £283,855).

During the financial year, Churchill Retirement Living Limited completed a personal building project on behalf of C J McCarthy. The total value of the contract was £1,631,551 and the company made a loss of £237,039.

During the financial year, C J McCarthy entered into a new 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 £288,882 (2020 - £Nil).

**27 NOTES SUPPORTING STATEMENT OF CASH FLOWS**

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

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| Cash at bank and in hand available on demand | 24,721        | 8,102         |
|  | <b>24,721</b> | <b>8,102</b>  |

Significant non-cash transactions are as follows:

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| Financing activities                         |               |               |
| <b>Assets acquired under lease agreement</b> | <b>624</b>    | <b>1,130</b>  |

**CHURCHILL RETIREMENT PLC**

## Parent Company statement of financial position as at 30 June 2021

|                                      |              | 30 June<br>2021<br>£,000 | 30 June<br>2020<br>£,000 |
|--------------------------------------|--------------|--------------------------|--------------------------|
| <b>ASSETS</b>                        | <i>Notes</i> |                          |                          |
| <b>Non-current assets</b>            |              |                          |                          |
| Property, plant and equipment        | 2            | 2,467                    | 2,689                    |
| Investments in subsidiaries          | 3            | 69,410                   | 69,410                   |
| Current tax                          |              | -                        | 78                       |
| Deferred tax asset                   | 7            | 61                       | 92                       |
| <b>Total non-current assets</b>      |              | <b>71,938</b>            | <b>72,269</b>            |
| <b>Current assets</b>                |              |                          |                          |
| Trade and other receivables          | 4            | 223,046                  | 192,354                  |
| Cash and cash equivalents            |              | 3,731                    | 127                      |
| <b>Total current assets</b>          |              | <b>226,777</b>           | <b>192,481</b>           |
| <b>TOTAL ASSETS</b>                  |              | <b>298,715</b>           | <b>264,750</b>           |
| <b>Current liabilities</b>           |              |                          |                          |
| Trade and other payables             | 5            | 42,424                   | 11,915                   |
| Loans and borrowings                 | 6            | 156                      | 213                      |
| <b>Total current liabilities</b>     |              | <b>42,580</b>            | <b>12,128</b>            |
| <b>Non-current liabilities</b>       |              |                          |                          |
| Loans and borrowings                 | 6            | 133,104                  | 144,812                  |
| <b>Total non-current liabilities</b> |              | <b>133,104</b>           | <b>144,812</b>           |
| <b>TOTAL LIABILITIES</b>             |              | <b>175,684</b>           | <b>156,940</b>           |
| <b>NET ASSETS</b>                    |              | <b>123,031</b>           | <b>107,810</b>           |
| <b>Capital and reserves</b>          |              |                          |                          |
| Share capital                        |              | 522                      | 522                      |
| Share based payment reserve          |              | 1,500                    | 1,200                    |
| Retained earnings                    |              | 121,009                  | 106,088                  |
| <b>TOTAL EQUITY</b>                  |              | <b>123,031</b>           | <b>107,810</b>           |

The notes on pages 85 to 90 form part of the financial statement shown above. These financial statements of Churchill Retirement plc (07428858) were approved by the Board on 13 October 2021 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 2021

|   | Share capital<br>£,000 | Share based<br>payment reserve<br>£,000 | Retained<br>earnings<br>£,000 | Total<br>£,000 |
|---|------------------------|---|-------------------------------|----------------|
| <b>1 July 2020</b>  | <b>522</b>             | <b>1,200</b>                            | <b>106,088</b>                | <b>107,810</b> |
| <b>Comprehensive Income for the year</b>                  |                        |   |                               |                |
| Profit for the year                                       | -                      | -                                       | 18,921                        | 18,921         |
| <b>Total comprehensive income for the year</b>            | <b>-</b>               | <b>-</b>                                | <b>18,921</b>                 | <b>18,921</b>  |
| <b>Contributions by and distributions to owners</b>       |                        |   |                               |                |
| Dividends   | -                      | -                                       | (4,000)                       | (4,000)        |
| Share based payment charge                                | -                      | 300                                     | -                             | 300            |
| <b>Total contributions by and distributions to owners</b> | <b>-</b>               | <b>300</b>                              | <b>(4,000)</b>                | <b>(3,700)</b> |
| <b>30 JUNE 2021</b>                                       | <b>522</b>             | <b>1,500</b>                            | <b>121,009</b>                | <b>123,031</b> |
| <b>1 July 2019</b>  | <b>522</b>             | <b>1,090</b>                            | <b>110,243</b>                | <b>111,855</b> |
| <b>Comprehensive Income for the year</b>                  |                        |   |                               |                |
| Loss for the year   | -                      | -                                       | (2,599)                       | (2,599)        |
| <b>Total comprehensive income for the year</b>            | <b>-</b>               | <b>-</b>                                | <b>(2,599)</b>                | <b>(2,599)</b> |
| <b>Contributions by and distributions to owners</b>       |                        |   |                               |                |
| 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>30 JUNE 2020</b>                                       | <b>522</b>             | <b>1,200</b>                            | <b>106,088</b>                | <b>107,810</b> |

**CHURCHILL RETIREMENT PLC****Notes to the Parent Company financial statements for the year ended 30 June 2021****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 55 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 profit for the period of £18,920,607 (2020 – £2,599,373 loss).

**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**

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.

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

**CHURCHILL RETIREMENT PLC****Notes to the Parent Company financial statements for the year ended 30 June 2021 (*continued*)****1 ACCOUNTING POLICIES (*CONTINUED*)****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 2021 (*continued*)**2 PROPERTY, PLANT AND EQUIPMENT**

|  | Land and Buildings<br>£,000 | Office equipment<br>£,000 | Motor vehicles<br>£,000 | Total<br>£,000 |
|--|-----------------------------|---------------------------|-------------------------|----------------|
| <b>Cost</b>  |                             |                           |                         |                |
| 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>   |
| Additions  | -                           | 194                       | -                       | 194            |
| <b>At 30 June 2021</b>   | <b>2,066</b>                | <b>2,735</b>              | <b>202</b>              | <b>5,003</b>   |
| <b>Depreciation</b>  |                             |                           |                         |                |
| 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>   |
| Charge for the year  | 102                         | 276                       | 38                      | 416            |
| <b>At 30 June 2021</b>   | <b>275</b>                  | <b>2,172</b>              | <b>89</b>               | <b>2,536</b>   |
| <b>Net book value</b>  |                             |                           |                         |                |
| <b>At 30 June 2021</b>   | <b>1,791</b>                | <b>563</b>                | <b>113</b>              | <b>2,467</b>   |
| <b>At 30 June 2020</b>   | <b>1,893</b>                | <b>645</b>                | <b>151</b>              | <b>2,689</b>   |

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

|                    | 2021<br>£,000 | 2020<br>£,000 |
|--------------------|---------------|---------------|
| Office equipment   | 59            | 100           |
| Land and buildings | 1,791         | 1,893         |
|                    | <b>1,850</b>  | <b>1,993</b>  |

**3 INVESTMENTS IN SUBSIDIARIES**

Shares held by the Company in unlisted subsidiary undertakings

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| <b>COST AND NET BOOK VALUE AT 30 JUNE<br/>(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 2021 (*continued*)**4 TRADE AND OTHER RECEIVABLES**

|  | 2021<br>£,000  | 2020<br>£,000  |
|--|----------------|----------------|
| Trade receivables                        | 8              | 5              |
| Amounts owed by Group undertakings       | 220,464        | 191,110        |
| Other debtors                            | 1,902          | 732            |
| Prepayments and accrued income           | 672            | 507            |
| <b>TOTAL TRADE AND OTHER RECEIVABLES</b> | <b>223,046</b> | <b>192,354</b> |

**5 TRADE AND OTHER PAYABLES**

|   | 2021<br>£,000 | 2020<br>£,000 |
|---|---------------|---------------|
| Trade payables  | 382           | 163           |
| Amounts owed to Group undertakings                        | 34,440        | 278           |
| Other payables  | 4,953         | 9,902         |
| Accruals  | 2,423         | 1,066         |
| Other payables – tax and social security payments         | 226           | 506           |
| <b>TOTAL TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR</b> | <b>42,424</b> | <b>11,915</b> |

FINANCIAL STATEMENTS

**6 LOANS AND BORROWINGS**

|                                     | 2021<br>£,000  | 2020<br>£,000  |
|-------------------------------------|----------------|----------------|
| <b>Non-current</b>                  |                |                |
| Bank loans – secured                | 73,715         | 86,000         |
| Preference shares                   | 57,649         | 56,971         |
| Lease liabilities ( <i>Note 8</i> ) | 1,740          | 1,841          |
|                                     | <b>133,104</b> | <b>144,812</b> |
| <b>Current</b>                      |                |                |
| Lease liabilities ( <i>Note 8</i> ) | 156            | 213            |
|                                     | <b>156</b>     | <b>213</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 £284,533 (2020: £500,000) are offset against the bank loan balance and are amortised over the life of the loan.

**7 DEFERRED TAX**

|  | 2021<br>£,000 | 2020<br>£,000 |
|--|---------------|---------------|
| <b>Details of the deferred tax asset are as follows:</b> |               |               |
| <b>DECELERATED CAPITAL ALLOWANCES</b>                    | <b>61</b>     | <b>92</b>     |

## CHURCHILL RETIREMENT PLC

Notes to the Parent Company financial statements for the year ended 30 June 2021 (*continued*)**8 LEASES****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):

| <b>Right of Use Assets</b> | Land and Buildings<br>£,000 | Office equipment<br>£,000 | Total<br>£,000 |
|----------------------------|-----------------------------|---------------------------|----------------|
| Valuation at 1 July 2020   | 1,893                       | 100                       | 1,993          |
| Additions                  | -                           | -                         | -              |
| Depreciation               | (102)                       | (41)                      | (143)          |
| <b>Net book value Cfwd</b> | <b>1,791</b>                | <b>59</b>                 | <b>1,850</b>   |

| <b>Lease liabilities</b>    | Land and Buildings<br>£,000 | Office equipment<br>£,000 | Total<br>£,000 |
|-----------------------------|-----------------------------|---------------------------|----------------|
| Valuation at 1 July 2020    | 1,954                       | 100                       | 2,054          |
| Additions                   | -                           | -                         | -              |
| Payments                    | (170)                       | (43)                      | (213)          |
| Interest                    | 53                          | 2                         | 55             |
| <b>Lease liability Cfwd</b> | <b>1,837</b>                | <b>59</b>                 | <b>1,896</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:

|                                       | 2021<br>£,000 | 2020<br>£,000 |
|---------------------------------------|---------------|---------------|
| Short-term leases                     | -             | 5             |
| Interest expense on lease liabilities | 55            | 60            |
| Depreciation of right-of-use assets   | 143           | 208           |
|                                       | <b>198</b>    | <b>273</b>    |

Future lease payments are due as follows:

| <b>2021</b>          | Lease payments<br>£,000 | Interest<br>£,000 | Present value<br>£,000 |
|----------------------|-------------------------|-------------------|------------------------|
| Less than one year   | 207                     | (51)              | 156                    |
| One to two years     | 184                     | (47)              | 137                    |
| Two to three years   | 179                     | (44)              | 135                    |
| Three to four years  | 170                     | (40)              | 130                    |
| Four to five years   | 170                     | (36)              | 134                    |
| More than five years | 1,344                   | (140)             | 1,204                  |
|                      | <b>2,254</b>            | <b>(358)</b>      | <b>1,896</b>           |

|                      |              |              |              |
|----------------------|--------------|--------------|--------------|
| <b>2020</b>          |              |              |              |
| 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> |

## CHURCHILL RETIREMENT PLC

Notes to the Parent Company financial statements for the year ended 30 June 2021 (*continued*)

### 9 RELATED PARTIES

In the current year the Company was charged £217,000 (2020: £213,665) 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 (2020 - £496,891).

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 Group 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' (Capital employed) | - Tangible gross asset value – calculated as follows:  |

|                            | Notes | 2021<br>£,000  | 2020<br>£,000  |
|----------------------------|-------|----------------|----------------|
| Net assets                 |       | 210,488        | 183,441        |
| Cash                       | 27    | (24,721)       | (8,102)        |
| Bank loans                 | 18    | 73,715         | 86,000         |
| Debt issue costs           | 18    | 284            | 500            |
| Preference shares allotted | 18    | 46,400         | 46,400         |
|                            |       | <b>306,166</b> | <b>308,239</b> |

|       |                    |
|-------|--------------------|
| 'WIP' | - Work in progress |
|-------|--------------------|