Press release, Tuesday 15 November 2016

McCarthy & Stone plc

Annual results announcement for the year ended 31 August 2016

Robust growth delivered in first year of trading as a public company

McCarthy & Stone (the 'Group'), the UK's leading retirement housebuilder, announces its financial results for the full year ended 31 August 2016. The Group delivered industry-leading growth in revenue and unit completions and remains on track to build and sell more than 3,000 units per annum over the medium term.

	FY16	FY15	Change
Revenue	£635.9m	£485.7m	+31%
Legal completions[1]	2,299	1,923	+20%
Net average selling price	£259k	£239k	+8%
Underlying profit before tax[2]	£105.0m	£88.4m	+19%
Profit before tax	£92.9m	£80.9m	+15%
Adjusted underlying basic earnings per share[3]	16.1p	14.8p	+9%
Underlying operating profit[2]	£107.2m	£95.3m	+12%
Operating profit	£95.1m	£87.8m	+8%
Net cash/ (debt)[4]	£52.8m	(£44.4m)	+£97.2m
Gearing[5]	-8%	8%	16ppt
Return on capital employed[6] (ROCE)	20%	20%	-
Total proposed dividend per share	4.5p	-	-

Financial highlights

- Underlying profit before tax[2] increased by 19% to £105.0m (FY15: £88.4m)
- Revenue increased by 31% to a new record of £635.9m (FY15: £485.7m)
- Legal completions increased by 20% to 2,299 units (FY15: 1,923)
- Net average selling price increased by 8% to £259k (FY15: £239k)
- Adjusted underlying earnings per share[3] increased by 9% to 16.1p (FY15: 14.8p)
- Strengthened financial position, with £52.8m of net cash[4] (FY15: £44.4m of net debt) at the year end
- The Directors are proposing a final dividend of 3.5 pence per share in accordance with previous guidance given within our half year results. This follows the (pro-rata) interim dividend of 1.0 pence per share, giving a total dividend for the year of 4.5 pence per share

Strategic and operational highlights

- Re-joined the Main Market of the London Stock Exchange in November 2015 and re-admitted to the FTSE 250 in March 2016

- 65 further high-quality development sites (FY15: 90 sites) added to the land bank. Total land bank of 10,186 plots (FY15: 10,087), equivalent to 4.4 years' supply. Terms agreed on a further c.1,700 plots (FY15: c.486 plots)

- Sufficient land with detailed planning consent to deliver all targeted sales to FY18 and sufficient land under control to deliver all targeted sales to FY19

- 64 new sales outlets opened during the period (FY15: 51), contributing to a 10% increase in net reservations above FY15

- Improved capital turn[7] of 1.2x (FY15: 1.0x) supported by key strategic initiatives to increase sales rates, reduce development time and implement build efficiencies

- Full Five Star rating for customer satisfaction from the Home Builders Federation ('HBF') for the eleventh consecutive year – the only UK housebuilder, of any size or type, to achieve this accolade

- Two awards at the annual Housebuilder Awards in November 2016, including Best Retirement Scheme for Ramsay Grange and Lyle Court, our combined Assisted Living and Ortus Homes development in Barnton, Edinburgh, and Best Customer Satisfaction Initiative

- Investment in three new regions and new operational infrastructure now delivering benefits, with all nine regions contributing towards full year profit

- Sufficient land under control and operational platform now fully in place to deliver strategic objective of building and selling more than 3,000 units per annum over the medium term

Current trading and outlook

The Group delivered strong growth in the year ended 31 August 2016 notwithstanding the impact of weakness in the secondary housing market in July and August following the EU Referendum result in June. This led to the Group carrying a forward order book[8] of c.£114m into the new financial year, which was lower than the previous financial year (FY15: £131m). However, over the first ten weeks of the new financial year, reservations have been stronger and cancellation rates have returned to more normal levels. Sales leads from new enquiries have increased and first time visitors to developments have also been ahead of the prior year. The Group has seen a 13% improvement in its weekly net reservation rate since 1 September compared to the same period last year, assisted by three additional sales releases (FY16: 13, FY15: 10). Consequently, the Group's forward order book[8] including legal completions since 1 September is now ahead of the prior year and stands at c.£250m as at 12 November 2016 (FY15: £241m).

While there will be some impact on the Group's growth in 2017, particularly in H1, primarily resulting from a lower forward order book brought into the year following the EU Referendum and a more measured approach to land negotiation, the Group has seen evidence of improved customer sentiment and a return to normal trading conditions. With the necessary operational infrastructure and quality land bank in place, the Group's confidence in achieving its medium term strategic objective of building and selling 3,000 units per annum remains unchanged.

Commenting on the results, John White, Group Chairman, said: "I am pleased to present our first set of results since re-joining the Main Market of the London Stock Exchange in November 2015. The Group delivered record revenue this year, together with robust growth in completions, reservations and profits.

We continue to capitalise on the attractive demographic opportunity and structural shortage of supply of retirement housing in the UK.

"I was greatly encouraged by our flexibility and resilience shown in response to market uncertainty surrounding the EU Referendum result in June. Our highly conditional land bank and experienced management team enabled us to navigate the uncertainty. We acted quickly to close out completion chains and adopted a more measured approach with respect to land investment, delivering a strong balance sheet at the year end and positioning us for a quick return to business as usual as soon as market conditions improved."

Clive Fenton, Chief Executive Officer, added: "We have started the new financial year with a high-quality land bank, a strengthening forward order book and a strong net cash position. We also have the necessary regional infrastructure and strength of brand to ensure that we are uniquely placed to capitalise on the significant demographic opportunity available to us. We have all the tools in place to sustain a business capable of building and selling more than 3,000 units per annum. Our medium term target remains to deliver a ROCE of 25%."

– Ends –

This announcement contains certain forward-looking statements about the future outlook for the Group. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

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[1] Includes three commercial units

[2] Underlying operating profit (including underlying operating profit margin and underlying basic earnings per share) and underlying profit before tax are calculated by adding amortisation of brand and exceptional administrative expenses to operating profit and profit before tax respectively. See note 6 to the Consolidated Financial Statements for further information

[3] Adjusted underlying basic earnings per share have been reconciled within note 12 to the Consolidated Financial Statements

[4] See note 25 to the Consolidated Financial Statements for net cash/ (debt) reconciliation

[5] Gearing is calculated by dividing net cash/ (debt) by net assets

[6] Return on capital employed (ROCE) is calculated by dividing underlying operating profit for the previous 12 months by the average tangible gross asset value at the beginning and end of the 12 month period. Tangible gross asset value is calculated as net assets excluding goodwill and intangible assets, excluding net cash/ (debt)

[7] Capital turn is calculated by dividing revenue by the average opening and closing tangible gross asset value in the year

[8] Forward order book includes legal completions between 1 September 2016 and 12 November 2016 and reservations as at 12 November 2016. Forward order book as at 31 August 2016 included revenue after cash discounts, PX top-ups and other incentives. Forward order book as at 12 November 2016 included revenue after cash discounts and PX top-ups. Other incentives amounted to £5m (FY15: £3m)

Presentation for analysts and investors:

John White, Chairman, Clive Fenton, Chief Executive Officer, Nick Maddock, Chief Financial Officer and Rowan Baker, Group Financial Controller, will host an analyst and investor meeting at 9.15am GMT today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB. Refreshments will be served from 9.00am.

Webcast for analysts and investors:

A live webcast of the presentation is available via the following link: http://www.investis-live.com/mccarthy-and-stone-plc/5800a8282945a21c00127869/3wkmyg. An on-demand version of the webcast will be made available later today on the Group's corporate website: http://www.mccarthyandstonegroup.co.uk/investors.

Conference call details:

A conference call facility is also available. To access the conference call:
UK Access: 020 3059 8125
International Number: +44 20 3059 8125
Participant Password: McCarthy & Stone

Conference call replay facility:

A replay facility will also be available. To access the replay:
UK Access: 0121 260 4861
United States: 1844 2308 058
All other locations: +44 121 260 4861
Replay Pin: 4534868#

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Chairman's statement

Robust growth delivered in our first year of trading as a public company

I am pleased to present our first set of results since re-joining the London Stock Exchange in November 2015. The Group delivered record revenue, together with robust growth in completions, reservations and profits, in its first year of trading as a public company and continues to capitalise on the attractive demographic opportunity and structural shortage of supply of retirement housing in the UK. Revenue increased by 31% to a record £635.9m (FY15: £485.7m) and legal completions are now at their highest level for nine years.

Market conditions were favourable for the first nine months of the year and during this period we achieved strong growth in our reservations. However, as previously indicated, there was evidence of some weakness in the secondary housing market immediately following the EU Referendum result. Our strong balance sheet and experienced management team enabled us to show considerable flexibility and resilience in response to these market developments - we acted quickly to close out completion chains and adopted a more measured approach with respect to land investment. This, together with the net proceeds from the IPO of £78.5m, enabled us to improve significantly our cash position year-on-year to £52.8m of net cash (FY15: £44.4m net debt) and maximise cash available for reinvestment, demonstrating that we are able to respond quickly and flexibly to preserve our financial strength when external market conditions require.

Since the year end, we have experienced a return to more normal trading conditions. Our reservation rates, visitor numbers and sales leads from new enquiries have all been running at levels in excess of last year and our forward order book[1] including legal completions is now ahead of the prior year and stands at c.£250m at 12 November 2016 (FY15: £241m) assisted by three additional sales releases (FY16: 13, FY15: 10).

The investment made in our three new regions and additional operational infrastructure to create the platform for delivering our strategic growth plan is now showing benefit, with all nine regions delivering profit this year. In addition, our continuing focus on our three strategic initiatives has allowed us to deliver further improvement in our capital turn to 1.2x (FY15: 1.0x).

We have been encouraged by a recent indication from the Government that they are beginning to look beyond the first time buyer when considering their policy options, with housing for older people identified as the only "critical" housing need in the Government's 2015 National Planning Practice Guidance. Retirement housing improves well-being, releases under-occupied and much-needed family-sized homes and is highly sustainable. The provision of apartments specifically designed to meet the needs of the retirement market is an essential part of the UK housing output and the housing needs of this age group should now become a priority for Government.

We believe that there are a number of policy options available to the Government to encourage and assist those wishing to move to more suitable retirement housing. On 21 October, we wrote to the Chancellor of the Exchequer to request that he considers a reduction in Stamp Duty for homeowners looking to downsize. We firmly believe this would be a highly effective incentive that would help people to move, provide a much-needed stimulus to the wider housing market by freeing up large family-sized homes for those lower down the housing chain, and could result in a net revenue increase for the Treasury of some £740m per year through increased Stamp Duty receipts from the additional housing chains created as a result.

[1] Forward order book includes legal completions between 1 September 2016 and 12 November 2016 and reservations as at 12 November 2016. Forward order book as at 31 August 2016 included revenue after cash discounts, PX top-ups and other incentives. Forward order book as at 12 November 2016 included revenue after cash discounts and PX top-ups. Other incentives amounted to £5m (FY15: £3m)

Dividend

The Directors are proposing a final dividend of 3.5 pence per share in accordance with previous guidance. This follows the (pro-rata) interim dividend of 1.0 pence per share, giving a total dividend for the year of 4.5 pence. This remains in line with our dividend policy as stated at the time of our IPO, which targets a pay-out of c.30% of profit after tax excluding certain exceptional items.

Board and Executive Team

We experienced some natural Board evolution this year as a result of our IPO. In November 2015, our National Operations Director, John Tonkiss was appointed to the Board. John joined McCarthy & Stone in February 2014 and has been instrumental in driving our key strategic initiatives within our core processes and continues to oversee this work at Board level. His previous experience includes a number of years as Chief Operating Officer at Unite plc, the UK's leading student housing provider.

Prior to the Group's IPO in November 2015, Nils Albert resigned from his role as a Nominee Director on the Board, representing the Group's then largest shareholder.

We will shortly see the departure of Nick Maddock, our Chief Financial Officer, whose resignation will take effect in Q1 of the 2017 calendar year. We are extremely grateful to Nick for his significant contribution to the Board over the past five years. He has played an important role in re-capitalising the Group, delivering our growth strategy and preparing us for our successful return to the Main Market of the London Stock Exchange in November 2015. The process to appoint Nick's successor is now underway and a further announcement on this will be made in due course.

In addition to this, there was a further change within our executive leadership team, which we announced on 4 July 2016. Mike Jennings, Operations Director South, left McCarthy & Stone on 31 August after 19 years with the Group. Mike's duties as an Operations Director transferred to John Tonkiss from 1 September 2016, with his other responsibilities being spread across other existing members of the executive leadership team.

McCarthy & Stone has a strong platform in place to deliver its planned growth. We have an experienced management team and the necessary operational capability, a high-quality land bank with attractive margins, a strong balance sheet and continued strength of brand to support the achievement of our medium term strategic objective of building and selling more than 3,000 units per annum.

The market for retirement housing remains highly attractive. With research by the Department for Communities and Local Government (DCLG) now recognising that around 74% of household growth in the UK to 2039 is expected to come from those aged 65 and over[2], McCarthy & Stone remains uniquely placed to capitalise on this unprecedented demographic opportunity in which demand continues to exceed supply.

The Group has made great progress towards achieving its strategic objective this year and my thanks go to all employees, the management team and my fellow Board members for the significant contribution they have made.

[2] The Department for Communities and Local Government (DCLG) projections (July 2016)

Chief Executive Officer's operational review

Our results

The Group has delivered strong growth in its first year since re-joining the Main Market of the London Stock Exchange. Revenues increased by 31% to a record £635.9m (FY15: £485.7m) driven by an increase in legal completion volumes to 2,299 (FY15: 1,923) and an increase in net average selling price. This led to a robust increase in our underlying pre-tax profits of 19% to £105.0m (FY15: £88.4m). Under our experienced management team, our legal completions have now increased by more than 50% since 2013 and we have made significant progress towards delivering our medium term objective of doubling the size of the business by building and selling more than 3,000 units per annum.

We opened 64 new sales outlets during the year (FY15: 51), which contributed to a year-on-year increase of 10% in our net reservations. This enabled us to deliver a 20% increase in legal completions to 2,299 (FY15: 1,923).

Our net average selling price increased by 8% to £259k during the year (FY15: £239k), reflecting further improvement in the quality and location of the developments we are now bringing to market, together with a small element of house price inflation. We saw modest house price inflation for the first nine months of the year, together with continuing discipline around incentives, which ensured that they remained at a similar overall level to last year despite the additional help we provided to our customers in July and August in order to close out completion chains following the EU Referendum.

In addition to our financial and operational progress, we also successfully re-joined the Main Market of the London Stock Exchange in November 2015. This took a huge amount of preparation, energy and focus from all involved and I am very proud to have led the Group through this significant milestone. With the appropriate capital structure now in place, we have the opportunity to focus on our operational performance and delivery of our planned growth over the medium and long term.

Investment and growth strategy

We continue to pursue our strategy of creating an efficient and scalable business, capable of building and selling more than 3,000 units per annum over the medium term. There is significant demand for our product and we are confident that we have put in place all the necessary elements that will enable us to achieve our planned growth. We have a respected brand with nearly 40 years of experience, a high-quality land bank, a strong balance sheet with a robust capital structure and the necessary organisational capability and platform in order to grow our business. Our experienced management team is focused on achieving this goal.

Market demand

The structural imbalance between supply and demand within the housing market continues to provide us with exceptional market opportunity. Despite the recent growth in housebuilding activity, there remains a significant and growing shortage of housing supply in the UK. This imbalance is particularly acute in the market for retirement housing, and McCarthy & Stone stands alone among the national housebuilders as the only one that focuses entirely on this market.

During almost four decades as the retirement housing market leader, the Group has formulated a tailored approach to sales, site acquisition, design, securing detailed planning consents and construction that mainstream housebuilders have been unable to replicate. We also ensure that our customers receive the highest standards of ongoing support through our management services offering. The barriers to entry in our market ensure that we maintain a unique position as the only housebuilder capable of meeting the

nationwide need for high-quality specialist housing for the growing number of older people who are looking to move to properties more suited to their needs and lifestyle.

Outlook and current trading

The Group delivered strong growth this year notwithstanding some impact from the economic and political uncertainty following the EU Referendum result in June. We experienced some weakness in the secondary housing market in July and August and, whilst we continued to take new reservations, these were at a lower level than we saw in the first nine months of the financial year and with a higher level of cancellations. This led to the Group carrying a forward order book[1] of c.£114m into the new financial year, which was lower than the previous financial year (FY15: £131m). However, over the first ten weeks of the new financial year, reservations have been stronger and cancellation rates have returned to more normal levels. Sales leads from new enquiries have increased and first time visitors to our developments have also been ahead of the prior year. We have seen a 13% improvement in our weekly net reservation rate since 1 September compared to the same period last year, assisted by three additional sales releases (FY16: 13, FY15: 10). Consequently, the Group's forward order book[1] including legal completions since 1 September is now ahead of the prior year and stands at c.£250m as at 12 November 2016 (FY15: £241m).

This provides continued evidence of improving customer sentiment and a return to normal trading conditions. We will continue to monitor market conditions and consumer confidence closely as negotiations between the UK Government and the EU progress.

While there will be some impact on our growth in 2017, particularly in H1, primarily resulting from a lower forward order book brought into the year following the EU Referendum and a more measured approach to land negotiation, we have seen evidence of improved customer sentiment and a return to normal trading conditions. With the necessary operational infrastructure and quality land bank in place, our confidence in achieving our medium term objective of building and selling 3,000 units per annum remains unchanged.

Land bank

In total, c.£500m was invested in land and build during the period. We added a further 65 high-quality sites with attractive embedded margins into the land bank (FY15: 90), equivalent to c.2,614 additional plots (FY15: c.3,520), with terms agreed on a further c.1,700 plots (FY15: c.486 plots).

At the year end, our land bank stood at 10,186 plots, equivalent to 4.4 years' supply, of which 2.5 years had detailed planning consent. As a result, the Group now has sufficient land under control to deliver all targeted sales to FY19.

We delivered 60 detailed planning consents (FY15: 56) and started build on 42 additional sites (FY15: 70). We now have sufficient detailed planning consents in place to deliver all targeted sales to FY18 and continue to make progress towards the target of £2.5bn investment in land and build over the four financial years to FY19.

The market for land remains remarkably benign and competition for our typical brownfield sites remains highly fragmented. As a result of this, we were able to increase our minimum hurdle rates for land purchases during the year in order to maintain operational focus and discipline and maximise our potential returns. All of our land investment, regardless of product or location, is assessed against the same hurdle rates and is required to be approved by our Group Investment Committee, ensuring a disciplined approach to investment. In light of the recent economic uncertainty, we have been more measured in our approach

[1] Forward order book includes legal completions between 1 September 2016 and 12 November 2016 and reservations as at 12 November 2016. Forward order book as at 31 August 2016 included revenue after cash discounts, PX top-ups and other incentives. Forward order book as at 12 November 2016 included revenue after cash discounts and PX top-ups. Other incentives amounted to £5m (FY15: £3m)

to land investment but we continue to acquire sites in good locations at attractive margins to ensure that we can support future growth.

Operational infrastructure and capability

To support this increased investment and the roll-out of our land bank, we now have a total of nine regional offices, three of which opened at the start of the financial year and one during the previous financial year. Our North London region, which was the first of our new regions to be established in FY15, took occupations at eight developments this year and had an extremely successful year for sales. This region is now selling from ten sites, and has a further 31 sites at various stages of its development pipeline.

In addition, our newer regional offices established on 1 September 2015, in the South West, East Midlands and North West, are now fully operational. They have high-calibre senior management teams in place, combining McCarthy & Stone experience with volume mainstream housebuilder operational expertise. The establishment of these new regional offices has been accelerated by the roll-out of standard processes and systems and the transfer of workflow from existing regional offices. During the year, these three regional offices acquired 21 new development sites (881 plots), with terms agreed on a further nine sites (372 plots). The establishment of these new regional offices completes the platform required to deliver our planned operational growth to build and sell more than 3,000 units per annum.

Strategic initiatives

Our continued focus on achieving operational excellence by accelerating our working capital cycle has allowed us to deliver further improvement in our capital turn, which now stands at 1.2x for the year ended 31 August 2016 (FY15: 1.0x). In achieving this, we have put significant management effort into our three key strategic initiatives: improving sales rates, reducing time taken between securing land and starting build and implementing build programme efficiencies.

Sales initiative

The sales initiative, launched in FY15, sets out consistently to deliver off-plan reservations of 50% or more by the date of first occupation, and then to sell out all remaining apartments within an average 12 month period.

In order to support the sales force and enable them to achieve these targets, new sales toolkits have been implemented within all regions. We have also developed a clearer definition of our best customer prospects to assist the focus of local marketing, introduced a partnership with a third party contact centre and launched a new online visitor booking system to provide a more consistent customer experience.

We have successfully delivered our strategic target for off-plan reservations this year, with 50% reserved off-plan from the 69 sites that first occupied in FY16. A number of sites achieved significantly more than this, for example Bourne End and Sidcup which both sold 100% off-plan. A further nine sites sold more than 80% of apartments off-plan. It is particularly pleasing that we have been able to achieve these accelerated sales rates while improving pricing.

In addition to this, we have also made good progress towards our target of selling out all developments within a 12 month period and achieved a significant reduction in the average number of months taken to sell out our developments this year. This average now stands at 18 months for all sites sold out during FY16.

Development initiative

Our development initiative, also launched in FY15, aims to reduce the time taken between securing land and build start. This has involved the implementation of a number of process improvements with

particular focus on the planning process and increased standardisation. This is enabling the business to bring forward profitable developments, accelerate its growth plans and improve its capital turn. The initiative has now been fully rolled out across all regions and is beginning to produce results.

Our target for reducing the time taken between securing land and starting build is 16 months for standard sites achieving a first-time detailed planning consent. In FY15, we took an average of c.23 months to complete this process and we have been working hard to improve this. During FY16, we improved this overall average to c.19 months[2] and, for the 15 out of our 42 build starts which were developed fully under this initiative from the outset, I am pleased to report that our average development time across these sites has beaten our strategic target of 16 months. In addition to this achievement, we have implemented a new information management system that allows us to achieve greater consistency across product specifications and standards. This enables our teams and partners to work more effectively together throughout the development's lifecycle and provides technical assurance and compliance. We are also extending the use of 3D modelling to streamline the development process further and improve the accuracy of build cost estimates.

Build initiative

The build initiative, launched in FY15, has driven improvements to the build process to accelerate build timescales, reduce build costs, enhance margins and mitigate the impact of build cost inflation. This includes the roll-out of a new framework of critical controls designed to ensure that we maintain a robust, risk-based approach to managing build programmes and budgets. The initiative is also targeting margin improvements through improved procurement, a more structured approach to supplier partnership and value engineering of individual developments.

This initiative has delivered a c.3 week time saving from build start to first occupation and has identified savings to the value of £3.3m in relation to materials used, including more than double the amount of rebates collected in the prior year. An additional c.£12m of cost reductions have also been identified, which are expected to benefit the Group over the next four years.

Our product ranges

Our two primary product ranges, Retirement Living and Assisted Living, are well established and continue to be our core focus. We are also progressing well with our third product, Ortus Homes, which we launched in late 2014. This newer product is exclusively for the over 55s and those in the earlier stages of retirement who are seeking to downsize for their leisure years. We now have a total of 36 Ortus Homes developments in the pipeline, representing approximately 8% of our land bank sites. This product is expected to generate completions over the medium term at comparable margins to those generated from our established Retirement Living and Assisted Living product ranges.

This new range presents an exciting opportunity for the future, helping us to capture a wider share of the active retiree market for whom the traditional concept of retirement housing has not been appropriate. Our first Ortus Homes development, at Scarlet Oak in Solihull, reserved out within a year of opening and won the Best Retirement Scheme at the annual Housebuilder Awards in November 2015. In addition, we were pleased that Ramsay Grange and Lyle Court, our combined Assisted Living and Ortus Homes development in Barnton, Edinburgh, was also voted Best Retirement Scheme at the same awards in November 2016.

Our Management Services business continued its rapid growth, adding 68 new developments to its portfolio, which now includes 264 managed developments. Providing our own management services allows us to establish a unique relationship with our customers, providing personal and efficient services

[2] Excluding sites put on hold for either commercial or complex planning reasons (FY15: 7 sites, FY16: 6 sites)

that not only help them, but also support the point of sale, and allow us to deliver industry-leading standards of customer satisfaction.

Our customers

I am pleased to report that we have, once again, achieved the full Five Star rating in the Home Builders Federation ('HBF') customer satisfaction survey this year. This marks the eleventh consecutive year in which more than 90% of our customers have said that they would be prepared to recommend us to a friend. We are the only housebuilder of any size or type to win this award every year since it was introduced in 2005 and we are one of only three major housebuilders to have retained the top rating this year. This sustained recognition by our customers of the quality of product we deliver is a strong endorsement of our continued desire to design, build, sell and manage the very best retirement developments. In this regard, we were pleased to win a further award at the annual Housebuilder Awards in November 2016, where we picked up Best Customer Satisfaction Initiative for our approach to ensuring that we deliver a five-star service for our homeowners.

Our employees

The growth delivered this year would not have been possible without the dedication, enthusiasm and expertise of our people. We are building a culture of excellence that provides opportunities for development and recognises achievements by regularly celebrating those employees who go the extra mile for a customer or colleague through our instant, quarterly and annual PRIDE awards. I am also delighted to report that, in our most recent employee survey, 89% of our employees confirmed that they are proud to work for McCarthy & Stone.

During FY16, ten of the Group's site managers were awarded NHBC Pride in the Job Awards. These awards are amongst the industry's most prestigious awards and are an excellent reflection of the quality of our construction staff.

Our recent Admission to the Main Market of the London Stock Exchange has provided an opportunity to enable our employees to share in our medium term success through the introduction of employee share plans. We have introduced a long-term incentive plan for Executive Directors and 61 senior managers and an all-employee save as you earn ('SAYE') scheme and share incentive plan ('SIP'). We were delighted by the initial 64% of payroll employees who took up the SAYE scheme launched in December 2015, providing a powerful confirmation of the commitment and dedication of our staff to the future success of McCarthy & Stone.

Health and safety

I am pleased to report that we have continued to make good progress with developing a culture of excellence in health and safety across the Group. Our vision is not just to achieve health and safety compliance but to lead our sector with a robust and consistent safety culture across our organisation. Our internal monitoring regime is supported by a rigorous, independent site inspection programme including regular reporting updates to the Board.

During FY16, we received five NHBC health and safety commendations, with one site going on to receive a highly commended award.

Strategic delivery

We have started the new financial year with a high-quality land bank, a strengthening forward order book, a strong net cash position and an experienced management team in place. We also have the necessary regional infrastructure and strength of brand that ensures that we are uniquely placed to capitalise on the

significant demographic opportunity available to us. We remain on track to deliver our medium term strategic objective of building and selling more than 3,000 units per annum.

Financial Review

Our performance

McCarthy & Stone has made good progress towards achieving its medium term strategic objective this year with significant focus placed on achieving growth, improving capital turn and maintaining a favourable capital structure and robust balance sheet. The Group delivered an increase in legal completions, as well as improved pricing, revenue and profit before tax.

Revenue

Revenue increased by 31% this year to £635.9m (FY15: £485.7m) driven by both volume growth and an increase in net average selling prices. Legal completions increased by 20% to 2,299 units (FY15: 1,923) benefiting from an increased number of new developments released for sale and accelerated sales rates, especially off-plan sales.

The Group's net average selling price increased by 8% to £259k (FY15: £239k) which primarily reflects further improvements in the quality and location of the developments McCarthy & Stone is now bringing to market, together with a small element of house price inflation. Management also exerted continued control over the level of discounts and incentives given to customers which, despite the impact of the EU Referendum and subsequent use of higher incentives to close completion chains, ended at 6% for the year, in line with FY15.

Profit

The Group achieved strong growth in underlying profit before tax for the year, which was up 19% to £105.0m (FY15: £88.4m), and in statutory profit before tax, which was up 15% to £92.9m (FY15: £80.9m). This was achieved at a gross profit margin of 21.4% (FY15: 25.3%) and an underlying operating margin of 16.9% (FY15: 19.6%). The reduction in these margin percentages was driven by the profitability mix of units sold, the increase in incentive usage in July and August together with some additional abortive land costs and our investment in new regions and additional operational infrastructure to support our growth.

Our regions saw a return to modest house price inflation during the first nine months of the year but the effect of this increase has been offset at a gross profit level by build cost inflation, particularly driven by an increase in labour costs. Further build cost inflation is expected during FY17 and the work currently being undertaken as part of our build cost initiative seeks to mitigate the impact of this where possible by working towards securing 70% build cost certainty prior to build start and managing 75% of build spend via centrally negotiated framework agreements.

The level of overheads in the business continued to be tightly controlled, with total administrative expenses, excluding exceptional items and amortisation of brand, remaining broadly at the same level as last year of £32.6m (FY15: £32.4m) despite a 31% increase in revenue.

Capital structure and interest

The Group closed the year with a further increase in its tangible gross asset value to £574.1m (FY15: £513.5m) and a tangible net asset value of £626.8m (FY15: £469.1m). The November IPO raised £78.5m of net proceeds and the Group continues to maintain a robust financial position with a net cash balance of £52.8m at 31 August 2016 (FY15: net debt of £44.4m) and negative gearing of 8% (FY15: positive gearing of 8%). This reflects a strong financial year, the net proceeds from the IPO, actions taken by management in response to economic uncertainty and disciplined cash management. We continued to maintain a strong

balance sheet and appropriate headroom against our £200m revolving credit facility ('RCF') throughout the year.

The Group amended its financing arrangements relating to its RCF during the year. This has resulted in improved commercial terms, including the extension of the facility's maturity from 19 December 2019 to 23 May 2021 and improved margin terms, which are expected to save c.£1.0m per annum in interest expense.

This refinancing demonstrates the strong and ongoing commitment of McCarthy & Stone's relationship banks in supporting our £2.5bn investment programme and our medium term strategic objective of building and selling more than 3,000 units per annum.

The Group incurred net finance expenses of £2.2m during the year (FY15: £6.9m), benefiting from lower interest costs under the Group's amended RCF and the annual revaluation of its shared equity debtors.

Exceptional costs

Total exceptional costs recognised within the Consolidated Statement of Comprehensive Income during the year were £10.0m, of which £8.5m related to IPO advisor fees and associated costs and £1.5m related to Management Incentive Plan charges, restructuring, redundancy and refinancing costs.

Taxation

We adopt a clear and transparent approach to taxation and do not pursue aggressive techniques to reduce our tax liability.

The total tax charge for the year is £19.4m which represents an effective tax rate of 20.9% (FY15: 20.5%) based on a profit before tax of £92.9m. The main tax reconciling item that increased the effective tax rate to 20.9% from the statutory rate of 20.0% is the c.£6.9m non-deductible portion of advisor costs incurred in connection with the listing. These costs largely related to the secondary proceeds and were incurred by the Company for the benefit of the exiting shareholders prior to the listing. We expect our effective tax rate to revert to close to the statutory rate from the current financial year onwards.

Earnings and dividend

Adjusted underlying basic earnings per share increased by 9% to 16.1 pence (FY15: 14.8 pence). Basic earnings per share for FY16 were 13.9 pence (FY15: 3.4 pence). Details of the calculation of earnings per share can be found in note 12 to the financial statements.

We are delighted to be proposing our first final dividend of 3.5 pence per share resulting in a total ordinary dividend for the year of 4.5 pence. This reflects our ordinary dividend policy as stated at the IPO which commits to paying a dividend equivalent to c.30% of underlying profit after tax and before certain exceptional items. The proposed dividend is covered 3 times by earnings. Subject to shareholder approval at the AGM, the dividend will be paid on 1 February 2017 to shareholders on the register at 6 January 2017.

The total cost of the final dividend is £18.8m, resulting in a total dividend cost relating to the year of £24.2m.

Risk management

The Group maintains a robust risk management framework, providing a clear link between strategy and the strategic, operational and financial risks faced by the business. The approach to risk is set by the Board, which maintains a close involvement in identifying and mitigating risk and monitors certain key risk

indicators at Board meetings on a regular basis. The control environment has been further enhanced during the year through the establishment of a risk manual and a further review and update of our existing finance manual.

As part of managing the financial risk in the business, the potential impact of a downturn in the housing market or the broader UK economic environment is regularly evaluated and we have a number of key risk indicators that are used at Board level in order to assess this. Our national reach and diversified portfolio of land ensures that we are not overly dependent on particular local markets or individual developments. In addition, our distinct business model helps to insulate our business from a downturn, with land acquisition normally contracted subject to planning and also often subject to commercial viability or by way of option, enabling us to review land acquisition decisions in light of planning outcomes and latest market conditions prior to committing significant capital.

Target returns

We have demonstrated sustained capital discipline this year, maintaining a 20% ROCE (FY15: 20%). This has been achieved despite the constraints of build cost inflation, additional investment in our operational infrastructure necessary to support growth, sustained investment in our growing land bank and additional incentives used in July and August to close out completion chains. However, we have seen a marked improvement in capital turn to 1.2x (FY15: 1.0x) illustrating that our key strategic initiatives to improve sales rates, reduce development time and implement build efficiencies are on track and continuing to produce results.

The Group continues to target future increases in operating margin and ROCE and remains committed to its medium term strategic objective of building and selling more than 3,000 units per annum and achieving a ROCE of 25%.

Principal risks and uncertainties

The principal risks and uncertainties have been set out below:

Risk area	Risk description	Mitigating actions	Risk change
Economic conditions	Housebuilding is cyclical and reliant on the broader economy. A deterioration in the economic outlook could have a significant impact on the Group's financial performance. The result of the EU Referendum has increased the uncertainty in the economy and specifically the secondary housebuilding market in the short term.	The Group closely monitors industry indicators and assesses the potential impact of different economic scenarios. Decisions to allocate new capital to land and build are managed centrally through the Group Investment Committee. The Group aims to maintain a national and product spread of developments to ensure that it is not reliant on one particular locality or product type.	Increased
Reputation and customer satisfaction	The Group constructs and sells a quality product to an ageing and sometimes frail customer base and provides ongoing management and personal care services. Any issues with the products or services the Group provide could impact on customer satisfaction to the detriment of the Group's business model.	The Group enforces strict procedures over the hand-over of developments for occupation and the hand-over of specific apartments to individual customers. Ongoing management and personal care services are provided within a robust framework of controls which is closely monitored. The business has dedicated customer services capability and tracks customer satisfaction through NHBC surveys and other routes.	Constant
Illiquidity of land and apartments	Land and apartments can be relatively illiquid assets affecting the Group's ability to value or liquidate part of its land bank in a timely fashion and at satisfactory prices in response to changes in economic, property market or other conditions.	Whenever possible, the Group tries to preserve the maximum amount of optionality in land payments. The Group also closely monitors its forecasted cash position to ensure it is funded in the most cost effective manner.	Increased
Owned land may decline in value	The net realisable value of land owned by the Group may decline due to changes in the property market or other conditions, or the Group being unable to secure detailed planning consent on land purchased unconditionally.	Whenever possible, contracts to purchase land are conditional on the Group obtaining detailed planning consent. The Group performs impairment reviews in line with IFRS requirements.	Increased

Risk area	Risk description	Mitigating actions	Risk change
Build programmes and build costs	The Group's financial performance is dependent on its ability to deliver build programmes on time and on budget. Build programme or cost over-runs could result in slower sales or reduced margins.	Build progress and costs are reviewed regularly by dedicated regional commercial teams, as well as being reported to regional and Group management. Independent assurance is provided through a dedicated commercial internal audit resource involving deep dives into developments under construction. Framework agreements have been established with key subcontractors and suppliers to provide greater certainty of price and supply. There is a continuing drive to realise procurement efficiencies.	Constant
Employees	The Group's employees are central to the achievement of the Group's objectives. Failure to recruit and retain sufficient staff resource of the right quality could constrain growth plans.	The Group has put in place attractive reward mechanisms and provides extensive opportunities for personal development and training, both of which are regularly reviewed against peer housebuilders and other employers in local markets. Resource requirements are assessed against annual budgets and recruitment processes are designed to ensure the availability of the right resource to deliver against the Group's plans.	Constant
Health and safety	Construction sites are inherently risky, which could expose employees/contractors to the risk of serious injury/fatality. Home owners in the developments the Group manages are ageing and sometimes frail, with the risk that they can be more susceptible to injury.	The Group strives for excellence in health and safety and considers it to be the top priority. The Health & Safety Operations Director reports directly to the executive leadership team, identifying areas of concern, near misses and accidents, and supports this with a rigorous, independent site inspection process which routinely assesses and reports on standards. Building Safety Group audits help the Group move closer to its goal of achieving a culture of excellence in health and safety.	Constant
Land acquisition and planning	Poor quality land and/ or location could result in programme and cost over-runs and difficulty in selling. Failure to obtain timely planning permissions will adversely affect workflow resulting in failure to meet targeted growth rates, future sales and/ or cash flow.	Regional land buying teams are in place across all regions providing local knowledge and expertise. These teams are targeted on land exchange as part of their bonus structure. Regional planning teams have the support and oversight of the Group Investment Committee and are overseen by the Board.	Constant

Viability statement

In addition to making a going concern statement, the Directors are also required to make a longer-term viability statement to comply with provision C.2.2 of the UK Corporate Governance Code 2014.

In response to that, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, and the potential impact of its principal risks. The Directors considered that a three-year period was appropriate for this assessment. The capital cycle from land completion to final sell-out of a development, for FY16 build starts, is approximately three years. The land pipeline also provides us with sufficient land under control to meet sales targets for the next three years. Accordingly, it is considered appropriate that the viability review period is broadly aligned with the expected longevity of the owned land supply.

The Group is subject to a number of principal risks (as outlined above) and the Directors viability statement review considered the impact that these risks might have on the Group's ability to meet its targets. This was undertaken through the performance of a single downside case sensitivity, which reflects a severe but plausible impact assuming that appropriate steps are taken to mitigate the impact of the downside.

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2016

	Notes	**2016 £m**	2015 £m
Continuing operations			
Revenue	4	**635.9**	485.7
Cost of sales		**(499.5)**	(362.6)
Gross profit		**136.4**	123.1
Other operating income	8	**8.5**	9.1
Administrative expenses		**(44.7)**	(39.9)
Other operating expenses		**(5.1)**	(4.5)
Operating profit		**95.1**	87.8
Amortisation		**(2.1)**	(2.1)
Exceptional administrative expenses	6	**(10.0)**	(5.4)
Underlying operating profit		**107.2**	95.3
Finance income	9	**2.7**	1.2
Finance expense	10	**(4.9)**	(8.1)
Profit before tax		**92.9**	80.9
Income tax expense	11	**(19.4)**	(16.6)
Profit for the year from continuing operations and total comprehensive income		**73.5**	64.3
Profit attributable to:			
Owners of the Company		**73.1**	64.1
Non-controlling interest		**0.4**	0.2
		73.5	64.3

Notes 1 to 35 form part of the financial statements shown above. All trading derives from continuing operations.

Earnings per share:			
Basic (p per share)	12	13.9	3.4
Diluted (p per share)	12	13.9	3.4
Adjusted basic (p per share)[1]	12	13.9	13.5
Adjusted diluted (p per share)[1]	12	13.9	13.5
Adjusted measures			
Underlying operating profit	6	107.2	95.3
Underlying profit before tax	6	105.0	88.4

[1] Prior year EPS has been adjusted to reflect the 4:1 share consolidation that took place in FY16. A reconciliation to the previously stated EPS has been provided in note 12.

Consolidated Statement of Financial Position

As at 31 August 2016

	Notes	**2016 £m**	2015 £m
Assets			
Non-current assets			
Goodwill	13	**41.7**	41.7
Intangible assets	14	**29.6**	31.7
Property, plant and equipment	15	**2.9**	2.6
Investments in joint ventures	17	**0.4**	0.4
Investment properties		**0.2**	0.5
Trade and other receivables	19	**32.7**	31.5
Derivative financial assets	21	**–**	0.3
Total non-current assets		**107.5**	108.7
Current assets			
Inventories	18	**685.8**	585.8
Trade and other receivables	19	**7.5**	10.9
Cash and cash equivalents	29	**119.0**	56.9
Total current assets		**812.3**	653.6
Total assets		**919.8**	762.3
Equity and liabilities			
Capital and reserves			
Share capital	26	**43.0**	381.1
Share premium	27	**100.8**	56.4
Retained earnings		**553.5**	104.3
Equity attributable to owners of the Company		**697.3**	541.8
Non-controlling interests		**0.8**	0.7
Total equity		**698.1**	542.5
Current liabilities			
Trade and other payables	22	**107.1**	83.8
Short-term borrowings	24	**11.3**	–
Land payables	23	**49.3**	36.5
Total current liabilities		**167.7**	120.3
Non-current liabilities			
Long-term borrowings	24	**52.5**	99.2
Deferred tax liability	20	**1.5**	0.3
Total liabilities		**221.7**	219.8
Total equity and liabilities		**919.8**	762.3

Notes 1 to 35 form part of the financial statements shown above.
These financial statements were approved by the Board on 14 November 2016 and signed on its behalf by:

Clive Fenton
Director

Nick Maddock
Director

Consolidated Statement of Changes in Equity

For the year ended 31 August 2016

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 September 2014		**381.1**	**56.4**	**39.3**	**476.8**	**0.4**	**477.2**
Profit for the period		–	–	64.1	64.1	0.2	64.3
Total comprehensive income for the period		**–**	**–**	**64.1**	**64.1**	**0.2**	**64.3**
Transactions with owners of the Company:							
Share-based payments	32	–	–	0.9	0.9	–	0.9
Movement in non-controlling interest		–	–	–	–	0.1	0.1
Balance at 31 August 2015		**381.1**	**56.4**	**104.3**	**541.8**	**0.7**	**542.5**
Profit for the period		–	–	73.1	73.1	0.4	73.5
Total comprehensive income for the period		**–**	**–**	**73.1**	**73.1**	**0.4**	**73.5**
Transactions with owners of the Company:							
Issue of ordinary shares	26	4.9	104.8	(19.4)	90.3	(0.3)	90.0
Capital reduction of share capital and share premium	26	(343.0)	(56.4)	399.4	–	–	–
Share-based payments	32	–	–	1.5	1.5	–	1.5
Share issue related costs		–	(4.0)	–	(4.0)	–	(4.0)
Dividends	26	–	–	(5.4)	(5.4)	–	(5.4)
Balance at 31 August 2016		**43.0**	**100.8**	**553.5**	**697.3**	**0.8**	**698.1**

Notes 1 to 35 form part of the financial statements shown above.

Consolidated Cash Flow Statement

For the year ended 31 August 2016

	Notes	**2016 £m**	2015 £m
Net cash inflow from operating activities	29	**18.3**	19.7
Investing activities			
Purchases of property, plant and equipment		**(1.5)**	(2.0)
Purchases of intangible assets		**(0.4)**	(1.0)
Proceeds from sale of property, plant and equipment		**0.1**	1.5
Net cash used in investing activities		**(1.8)**	(1.5)
Financing activities			
Proceeds from issue of share capital		**86.0**	–
Proceeds from long-term borrowings		**–**	87.9
Repayment of long-term borrowings		**(35.0)**	(160.0)
Purchase of interest rate cap		**–**	(0.3)
Dividend paid		**(5.4)**	–
Net cash from/(used in) financing activities		**45.6**	(72.4)
Net increase/(decrease) in cash and cash equivalents		**62.1**	(54.2)
Cash and cash equivalents at beginning of year		**56.9**	111.1
Cash and cash equivalents at end of year		**119.0**	56.9

Notes 1 to 35 form part of the financial statements shown above.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

The above results and the accompanying notes do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The Auditors have reported on the Group's statutory accounts for the year ended 31 August 2016 under s495 of the Companies Act 2006, which do not contain a statement under s498 (2) or s498 (3) of the Companies Act 2006 and are unqualified. The statutory accounts for the year ended 31 August 2015 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 August 2016 will be filed with the Registrar in due course.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies as set out in the McCarthy & Stone plc Annual Report and Financial Statements for the year ended 31 August 2015 have been applied consistently to all the periods presented.

The preparation of the financial statements in conformity with the Group's accounting policies requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reported period. Whilst these estimates and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from those estimates.

Going concern

The Group meets its day-to-day working capital requirements through cash in hand and its bank facilities. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Group's borrowings is given in note 24.

2. Outlook for adoption of future standards (new and amended)

There have not been any new standards and amendments adopted for the first time for the financial year ending 31 August 2016.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The critical judgements made by the Group all involve estimation uncertainty.

Accounting and tax treatment of the IPO costs
Within the year the Group incurred exceptional costs in relation to transaction fees and other costs of listing. These costs have been reviewed by management under the accounting treatment guidance of IAS 32 to ensure the correct allocation of costs between share premium in the Consolidated Statement of Financial Position and expenses within the Consolidated Statement of Comprehensive Income. External advice has been sought regarding the tax treatment of these costs.

Fair value of shared equity receivables
Shared equity receivables are initially recognised within revenue at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the Directors' view of future house price movements and expected timing of receipts. The assessment of anticipated future cash flows from the assets is carried out at each reporting date.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Cost capitalisation of overheads
Inventory includes a proportion of design, construction, commercial and planning costs. During the year procurement costs have also been included within the cost calculations based on a change in the procurement focus and approach across the Group. Costs associated with these functions are reviewed by management to attribute those costs relating directly to the cost of the developments to inventory and those that relate to general business overheads to expenses. The assumptions used are reviewed annually by the function heads before being proposed to the Risk and Audit Committee.

Share-based payments
Assumptions are made in determining the fair value of employee services received in exchange for the grant of options under share-based payment awards at the date of grant. Assumptions are around lapse rates, share performance and the expected outcome of performance conditions. An element of one of the equity-settled share-based payment plans is subject to market-based conditions, judgements have been made in order to determine the fair values of this market-based element. Further detail of the share-based payment schemes has been provided in note 32.

4. Revenue

	Continuing operations Year ended 31 August	
	2016 **£m**	2015 £m
Unit sales	**608.2**	468.8
FRI revenue	**27.7**	16.9
	635.9	485.7

All unit sales revenue arose from the sale of properties and is attributable to continuing operations. All revenue was generated within the UK. No individual customer is significant to the Group's revenue in any period.

5. Segmental analysis
IFRS 8 *Operating Segments*, establishes standards for reporting information about operating segments and related disclosures, products and services, geographic areas and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Group conducts its activities through a single operating segment. Consequently, no detailed segment information has been presented.

None of the Group's customers represented more than 10% of the Group's revenue generated from the building of retirement apartments for any reporting period presented herein.

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Notes	Continuing operations Year ended 31 August 2016 £m	2015 £m
Depreciation of property, plant and equipment	15	**1.1**	1.0
Amortisation of intangibles	14	**2.5**	2.5
Operating lease rental expense	28		
Land and buildings		**0.9**	1.0
Plant and machinery		**2.3**	2.0
Cost of inventories recognised as an expense		**436.0**	314.6
Staff costs	7	**69.3**	59.2
Change in fair value of derivatives	21	**0.3**	0.1
Share-based payments charge to profit and loss	32	**1.5**	1.5
Movement in inventory provision		**(0.3)**	(2.5)

Reconciliation to underlying operating profit and profit before tax

The following tables present a reconciliation between the statutory profit measures disclosed on the Consolidated Statement of Comprehensive Income and the underlying measures used by the Board to appraise performance.

Exceptional items are items which, due to their one-off, non-trading and non-recurring nature, have been separately classified by the Directors in order to draw them to the attention of the reader. Amortisation of brand has been adjusted in order to reconcile to underlying operating profit and underlying profit before tax given the Directors do not believe this cost reflects the underlying trading of the business. In the judgement of the Directors this presentation shows the underlying performance of the Group.

Exceptionals

Year ended 31 August 2016	Notes	**Statutory £m**	**Exceptional administrative costs £m**	**Adjusted cost amortisation of brand £m**	**Underlying £m**
Operating profit		**95.1**	**10.0**	**2.1**	**107.2**
Finance income	9	**2.7**	**–**	**–**	**2.7**
Finance expense	10	**(4.9)**	**–**	**–**	**(4.9)**
Profit before tax		**92.9**	**10.0**	**2.1**	**105.0**
Income tax expense		**(19.4)**	**(0.7)**	**(0.4)**	**(20.5)**
Profit for the year from continuing operations and total comprehensive income		**73.5**	**9.3**	**1.7**	**84.5**
Earnings per share					
Basic (p per share)		**13.9**	**1.8**	**0.4**	**16.1**
Diluted (p per share)		**13.9**	**1.8**	**0.4**	**16.1**

The exceptional administrative costs in FY16 primarily relate to the transaction fees and other costs of listing (£8.5m). Other costs recognised within exceptionals relate to redundancy and restructuring costs (£0.9m), Management Incentive Plan payments (£0.4m) and refinancing and other costs (£0.2m).

6. Profit for the year (continued)

Year ended 31 August 2015	Notes	Statutory £m	Exceptional Costs: Restructuring related costs £m	Exceptional Costs: Refinancing costs £m	Adjusted cost amortisation of brand £m	Underlying £m
Operating profit		87.8	5.0	0.4	2.1	95.3
Finance income	9	1.2	–	–	–	1.2
Finance expense	10	(8.1)	–	–	–	(8.1)
Profit before tax		80.9	5.0	0.4	2.1	88.4
Income tax expense		(16.6)	(0.9)	(0.1)	(0.4)	(18.0)
Profit for the year from continuing operations and total comprehensive income		64.3	4.1	0.3	1.7	70.4
Earnings per share						
Adjusted Basic (p per share)[1]		13.5	0.9	0.1	0.3	14.8
Adjusted Diluted (p per share)[1]		13.5	0.9	0.1	0.3	14.8

[1] Prior year EPS has been adjusted to reflect the 4:1 share consolidation that took place in FY16. A reconciliation to the previously stated EPS has been provided in note 12.

The operating exceptional costs in FY15 relate to advisory costs in relation to a potential transaction, redundancy, office relocation and restructuring costs following an operational review of the business, and advisory costs in relation to the refinancing of the Group's debt.

Auditor's remuneration

	Continuing operations Year ended 31 August 2016 £m	2015 £m
Fees payable to the Group's auditor:		
Annual audit	**0.2**	0.2
Transaction related audit and advisory services	**0.7**	0.5
	0.9	0.7

There were no other non-audit fees payable to Group auditor in the year.

Audit fees in relation to joint ventures audited by the Group's auditor were £3,000 (2015: £2,000).

7. Staff costs

Staff costs for the year include Directors' emoluments, which are detailed below

	Continuing operations Year ended 31 August 2016 £m	2015 £m
Wages and salaries	**58.4**	50.3
Social security costs	**6.5**	5.7
Other pension costs	**2.0**	1.7
Share-based payments	**1.5**	1.5
Termination payments	**0.9**	–
	69.3	59.2

7. Staff costs (continued)

The average number of persons, including Executive Directors, employed by the Group during the year was as follows:

	Continuing operations Year ended 31 August	
	2016 Number	2015 Number
Office management	**1,048**	824
Construction	**241**	220
	1,289	1,044

At 31 August 2016 the Group employed 1,344 people (2015: 1,158).

Amounts recognised in respect of Directors' emoluments:

Directors' emoluments

	Continuing operations Year ended 31 August	
	2016 £m	2015 £m
Wages and salaries	**1.5**	1.4
Social security costs	**0.2**	0.4
Share-based payments	**0.6**	0.8
Other pension costs	**0.2**	–
	2.5	2.6

The emoluments of the highest paid director was £0.9m (2015: £0.7m), including pension contributions of nil (2015: nil). The number of Directors in the Company pension plan was two (2015: one).

8. Other income and expenses

	Continuing operations Year ended 31 August	
	2016 £m	2015 £m
Net rental income	**0.6**	0.3
Other income	**5.9**	4.6
Non-core business revenue	**2.1**	3.9
Land sales (loss)/profit	**(0.1)**	0.3
	8.5	9.1

Other income arises on the services provided by plc Group subsidiaries to manage certain developments. Non-core business revenue relates to other income such as rebates and customer extras.

9. Finance income

	Continuing operations Year ended 31 August	
	2016	2015
	£m	£m
Change in fair value of shared equity receivables	**2.5**	0.9
Interest income received	**0.2**	0.3
	2.7	1.2

10. Finance expense

	Continuing operations Year ended 31 August	
	2016	2015
	£m	£m
Loans and overdraft fees	**3.6**	7.7
Promissory note interest and fees	**0.5**	–
Refinancing issue costs	**0.5**	0.3
Fair value movement on interest rate cap	**0.3**	0.1
	4.9	8.1

11. Tax

	Notes	**2016 £m**	2015 £m
Corporation tax charges:			
Current year		**18.6**	16.0
Adjustments in respect of prior years		**(0.4)**	(0.3)
Deferred tax charges:			
Current year	20	**1.2**	0.7
Adjustments in respect of prior years		**–**	0.2
		19.4	16.6

The tax charge for each year can be reconciled to the profit per the income statement as follows:

	2016 £m	2015 £m
Profit before tax on continuing operations	**92.9**	80.9
Tax charge at the UK corporation tax rate of 20.00% (2015: 20.58%)	**18.6**	16.6
Tax effect of:		
Expenses that are not deductible in determining taxable profit	**1.5**	0.3
Income not taxable in determining taxable profit	**(0.1)**	(0.3)
Adjustments in respect of previous periods	**(0.4)**	–
Other reconciling items	**(0.2)**	–
Tax charge for the year	**19.4**	16.6

Reductions in the rate of corporation tax to 19% and 18% from 1 April 2017 and 1 April 2020 were substantively enacted on 18 November 2015. The UK deferred tax assets and liabilities at 31 August 2016 have been calculated based on the appropriate rate at which the asset/liability will unwind.

12. Earnings per share

Basic earnings per share is calculated as the profit for the financial period attributable to shareholders of the Company divided by the weighted average number of shares in issue during the period. The actual weighted average number of ordinary shares during the full year ended 31 August 2016 was 525.6m for the basic and 525.9m for the diluted calculations, giving a statutory earnings per share for the year ended 31 August 2016 of 13.9p (both basic and diluted).

	2016	2015
Profit attributable to shareholders (£m)	**73.1**	64.1
Weighted average no. of shares (m)	**525.6**	1,905.6
Basic earnings per share (p)	**13.9**	3.4

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume the conversion of all potentially dilutive ordinary shares. At 31 August 2016, the Company had two categories of potentially dilutive ordinary shares: 1.9m nil cost share options under the 2015 LTIP and 4.1m 167.4p share options under the 2015 Sharesave plan.

A calculation is done to determine the number of shares that could have been acquired at fair value based on the aggregate of the exercise price of each share option and the fair value of future services to be supplied to the Group, which is the unamortised share-based payments charge. The difference between the number of shares that could have been acquired at fair value and the total number of options is used in the diluted earnings per share calculation.

	2016	2015
Profit used to determine diluted EPS (£m)	**73.1**	64.1
Weighted average no. of shares (m)	**525.6**	1,905.6
Adjustments for:		
Share options – 2015 LTIP (m)	**0.3**	–
Share options – 2015 Sharesave plan (m)	**–**	–
Shares used to determine diluted EPS (m)	**525.9**	1,905.6
Diluted earnings per share (p)	**13.9**	3.4

The year ended 31 August 2015 earnings per share calculations shown below have been calculated using a re-based weighted average number of ordinary shares of 476,387,438 (for both the basic and diluted calculations) to allow meaningful comparison with the year ended 31 August 2016 earnings per share data. This was pursuant to the consolidation of the Group's share capital at a ratio of 4:1 which occurred on 11 November 2015.

Earnings per share for the year ending 31 August 2015, reconciliation to prior year reported figures:

	Basic	Diluted
Profit attributable to shareholders (£m)	64.1	64.1
Weighted average no. of shares (m)	1,905.6	1,905.6
Earnings per share (p)	3.4	3.4
Reduction in shares following share consolidation	(1,429.2)	(1,429.2)
Weighted average no. of shares (m) – restated	476.4	476.4
Adjusted earnings per share (p)	13.5	13.5

13. Goodwill

	£m
Cost	
At 1 September 2014 and 31 August 2015 and 2016	**41.7**
Carrying amount	
At 1 September 2014 and 31 August 2015 and 2016	**41.7**

No impairment losses have been recognised in any of the reporting periods presented herein.
Goodwill arose as a result of an acquisition in 2009 of the assets and liabilities of Monarch Realisations 1 plc (in liquidation). As the goodwill relates to the business as a whole, it has not been allocated to a specific CGU. For key assumptions in determining recoverable amounts in goodwill impairment testing, refer to note 16.

14. Intangible assets

	Brand £m	Software £m	Total £m
Cost			
At 1 September 2014	41.4	2.9	44.3
Additions	–	1.0	1.0
At 31 August 2015	41.4	3.9	45.3
Additions	–	0.4	0.4
At 31 August 2016	**41.4**	**4.3**	**45.7**
Amortisation			
At 1 September 2014	(11.1)	–	(11.1)
Charge for the year	(2.1)	(0.4)	(2.5)
At 31 August 2015	(13.2)	(0.4)	(13.6)
Charge for the year	(2.1)	(0.4)	(2.5)
At 31 August 2016	**(15.3)**	**(0.8)**	**(16.1)**
Carrying amount			
At 31 August 2015	28.2	3.5	31.7
At 31 August 2016	**26.1**	**3.5**	**29.6**

Brand assets represent McCarthy & Stone plc brand name purchased as part of the business combination in 2009. Brand assets have 12 years and 7 months of useful life remaining.

All amortisation charged is recognised in administrative expenses in the Consolidated Statement of Comprehensive Income.

15. Property, plant and equipment

	Fixtures, fittings and equipment £m	Total £m
Cost		
At 1 September 2014	6.9	6.9
Additions	2.0	2.0
Disposals	(2.9)	(2.9)
At 31 August 2015	6.0	6.0
Additions	1.5	1.5
Disposals	(0.3)	(0.3)
At 31 August 2016	**7.2**	**7.2**
Accumulated depreciation and impairment		
At 1 September 2014	(4.0)	(4.0)
Charge for the year	(1.0)	(1.0)
Eliminated on disposals	1.6	1.6
At 31 August 2015	(3.4)	(3.4)
Charge for the year	(1.1)	(1.1)
Eliminated on disposals	0.2	0.2
At 31 August 2016	**(4.3)**	**(4.3)**
Carrying amount		
At 31 August 2015	2.6	2.6
At 31 August 2016	**2.9**	**2.9**

16. Impairment testing

During the periods reported in the financial statements, no impairments have been recognised against the Group's assets. For each reported period, management have performed an impairment review of goodwill, being an indefinitely lived asset. The Group only has one CGU, being the McCarthy & Stone (Developments) Limited's business, which was acquired in 2009.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to earnings before interest, tax, depreciation and amortisation (EBITDA) used as a proxy of free cash flows beyond the budgeted years) as well as the level of capital expenditure required to maintain the existing business into the future. These assumptions are reviewed and revised annually in light of current economic conditions and the future outlook for the business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business; rates used for 2016 are 8.4% (2015: 8.4%).

The forecast period employed in the impairment assessment was five years followed by an assessment of cash flows and growth into perpetuity. The growth rates used are based on management's assessment of the cash flow forecasts over the medium term. Due to the headroom within the calculation no further growth has been assumed within the perpetuity calculation. These are based on conservative estimates of the Group's ability to participate in the growth expected in the industry. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value of goodwill recognised in the financial statements has been compared to the derived value in use with no impairment charges arising. The Group has conducted a sensitivity analysis on the key assumptions which are material to the impairment assessment including the discount rate, the cash flow projections and the terminal growth rate and concluded no material sensitivity exists in these calculations.

No impairment charges were recorded on items of property, plant and equipment throughout the period covered by these financial statements.

17. Investment in joint ventures

The Group has a 50% ownership interest of ordinary shares in each of Kindle Housing (Worthing) Limited, Kindle Housing (Christchurch) Limited and Kindle Housing (Exeter) Limited, which rent affordable housing to local key worker employees. The Group also has a 50% ownership interest in Kindle Housing Limited, which manages affordable housing. These companies are all registered in England and Wales.

The Group accounts for its interests in these companies using the equity method of accounting.

The share of the assets, liabilities, income and expenses of the jointly controlled entities is not material.

18. Inventories

	2016	2015
	£m	£m
Land held for development	**236.5**	130.9
Sites in the course of construction	**201.0**	258.8
Finished stock	**248.3**	196.1
	685.8	585.8

Days in inventory amounted to 574 days in 2016 (2015: 685 days).

Inventory days are calculated by taking cost of inventories recognised as an expense in the year divided by year end inventory.

19. Trade and other receivables

	2016	2015
	£m	£m
Trade and other receivables due in less than one year		
Trade receivables	**1.5**	1.0
Other debtors and prepayments	**6.0**	9.9
	7.5	10.9

19. Trade and other receivables (continued)

Trade and other receivables due in greater than one year

	2016 £m	2015 £m
Secured mortgages	**3.4**	3.5
Shared equity receivables	**29.3**	28.0
	32.7	31.5

Trade receivables and secured mortgages disclosed above are classified as loans and receivables and are measured at amortised cost.

The Directors consider that the carrying amounts of trade and other receivables and non-current receivables approximates their fair value.

20. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group:

	Accelerated tax depreciation £m	Other temporary differences £m	Unrelieved tax losses £m	Total £m
At 1 September 2014	**0.2**	**0.4**	**–**	**0.6**
Income statement charge	(0.2)	(0.7)	–	(0.9)
At 31 August 2015	**–**	**(0.3)**	**–**	**(0.3)**
Income statement charge	–	(1.2)	–	(1.2)
At 31 August 2016	**–**	**(1.5)**	**–**	**(1.5)**

Deferred tax assets are represented by positive values and deferred tax liabilities are represented by negative values in the table above.

Deferred tax assets of £0.1m in relation to capital losses carried forward were not recognised as there is uncertainty as to whether these losses could be utilised by the Group prior to expiry (2015: £0.3m). These losses have no expiry date.

21. Derivative financial assets

	2016 £m	2015 £m
Interest rate cap	**–**	0.3

22. Trade and other payables

	2016 £m	2015 £m
Trade payables	**26.8**	23.0
UK Corporation tax	**8.4**	8.5
Other taxes and social security costs	**1.9**	1.8
Accrued expenses	**51.4**	36.9
Other creditors	**18.6**	13.6
	107.1	83.8

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 21 days during 2016 (2015: 20 days). No material interest costs have been incurred in relation to such payables. The Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. Other creditors include sales taxes, property taxes, social security and employment taxes due to local tax authorities. The Directors consider that the carrying amount of trade payables approximates their fair value.

No trade payables are purchased on extended payment terms.

23. Land payables

	2016 £m	2015 £m
Land payables	**49.3**	36.5

Land payables relate to payment due in respect of land which has been purchased under an unconditional contract.

24. Borrowings

Short-term borrowings

	2016 £m	2015 £m
Promissory notes	**11.3**	–

Long-term borrowings

	2016 £m	2015 £m
Loans	**55.0**	90.0
Unamortised issue costs	**(2.5)**	(2.1)
Promissory notes	**–**	11.3
	52.5	99.2

		Outstanding at 31 August	
	Maturity	2016 £m	2015 £m
Revolving Credit Facility	May 2021	**55.0**	90.0

During December 2014, the £160.0m term debt facility was replaced by a new £200.0m revolving credit facility ('RCF'), with a 5-year term, maturing December 2019. The nominal interest rate of this facility has been amended within the year to a 1, 3 or 6 month LIBOR + 1.6% (2015: 1, 3 or 6 month LIBOR + 2.5%) depending on the length of the drawdown. As at 31 August 2016, £55.0m (2015: £90.0m) was drawn. The RCF is secured by a floating charge over the assets of McCarthy & Stone plc, McCarthy & Stone Retirement Lifestyles Limited, McCarthy & Stone (Developments) Limited, McCarthy & Stone Extra Care Living Limited and McCarthy & Stone Total Care Management Limited.

In May 2016 an amendment was made to the RCF agreement to improve commercial terms and extend the facility's maturity date from 19 December 2019 to 23 May 2021. As part of the amendment the margins have been reduced. There have been no changes to the size of the facility.

Land-related promissory notes with terms of 3-6 months were used for two land acquisitions in the prior year. The total finance cost of the land-related promissory notes is 4%. The land-related promissory notes in issue are structured as ancillary facilities of the RCF and are therefore linked to the security arrangements discussed above.

25. Net (cash)/ debt

	2016 £m	2015 £m
Loans	**63.7**	99.2
Add back unamortised issue costs	**2.5**	2.1
Cash and cash equivalents	**(119.0)**	(56.9)
Net (cash)/ debt	**(52.8)**	44.4
Add back land-related promissory notes	**(11.3)**	(11.3)
Net (cash)/ debt excluding land-related promissory notes	**(64.1)**	33.1

Net debt is a non-GAAP measure and is calculated as cash and cash equivalents less long-term and short-term borrowings (excluding unamortised debt issue costs). As at 31 August 2015, net debt was reported as cash and cash equivalents less long-term borrowings (excluding land-related promissory notes and unamortised debt issue costs).

26. Share capital

The Company has one class of ordinary shares which carry no right to fixed income. There is no limit to authorised share capital.

	2016 Number '000	2015 Number '000
Issued and fully paid:		
Ordinary shares of 8p (2015: 20p) each	**537,314**	1,905,550

	2016 £'000	2015 £'000
Issued and fully paid:		
Ordinary shares of 8p (2015: 20p) each	**42,985**	381,110

Issuance of equity securities

Capital reduction of share capital and share premium

In order to create additional distributable reserves for the Company, the Company resolved, by a special resolution passed as a written resolution on 26 October 2015, that the nominal value of the Company's shares be reduced from 20p to 2p, reducing the amount standing to the credit of share capital account of the Company by £342,998,955.18 from £381,109,950.20 to £38,110,995.02 and that the Company's share premium of £56,400,000 be cancelled.

Issuance of new shares in relation to the Management Incentive Plan

On 26 October 2015, the Company resolved, by a special resolution passed as a written resolution, to issue 43,706,526 ordinary shares at a nominal value of 2p to the 16 participants in the Management Incentive Plan in exchange for the transfer by these participants of the shares held by them in M&S MipCo S.à.r.l.

Consolidation of share capital

On 26 October 2015, the Company resolved by special resolution passed as written resolution, to consolidate the issued and fully paid ordinary share capital of the Company at a ratio of 4:1.

Issuance of new shares in relation to primary proceeds from the IPO

On 26 October 2015, the Company resolved, by a special resolution passed as a written resolution, to issue 50,000,000 new ordinary shares of the Company at a nominal value of 8p pursuant to the raising of primary proceeds from the IPO. These shares were issued on 11 November 2015.

Dividends on equity shares

The interim dividend was approved by the Board on 18 April 2016 and paid on 31 May 2016 to all ordinary shareholders on the register of members at the close of business on Friday 29 April 2016, The ex-dividend date was 28 April 2016. The final dividend proposed by the Board is 3.5p per share resulting in a total ordinary dividend for the year of 4.5p. It will be paid on 1 February 2017 to those shareholders who are on the register at 6 January 2017 subject to approval at the Company's Annual General Meeting. The ex-dividend date is 5 January 2017. These financial statements do not reflect the final dividend payment.

27. Share premium reserve

	2016 £m	2015 £m
Share premium	**100.8**	56.4

The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital.

Movements in share capital are explained within note 26, and presented within the Consolidated Statement of Changes in Equity.

28. Operating lease arrangements

	2016 £m	2015 £m
Minimum lease payments under operating leases recognised as an expense during the year	**3.2**	3.0

28. Operating lease arrangements (continued)

At year end the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £m	2015 £m
Within one year	**3.9**	3.2
In the second to fifth years inclusive	**8.7**	7.8
After five years	**2.8**	2.8
Outstanding commitments for future minimum lease payments	**15.4**	13.8

Operating lease payments typically represent rentals payable by the Group for its office properties and cars. Rent reviews and break clauses apply to leased property agreements.

29. Notes to the cash flow statement

	Notes	**2016 £m**	2015 £m
Profit for the financial year		**73.5**	64.3
Adjustments for:			
Income tax expense	11	**19.4**	16.6
Amortisation of intangibles	14	**2.5**	2.5
Share option charge	32	**1.5**	1.5
Depreciation of property, plant and equipment	15	**1.1**	1.0
Interest expense	10	**4.9**	8.1
Interest income	9	**(2.7)**	(1.2)
Operating cash flows before movements in working capital		**100.2**	92.8
Decrease/(increase) in trade and other receivables		**2.2**	(5.5)
(Increase) in inventories		**(99.5)**	(78.9)
Increase in trade and other payables		**37.5**	32.2
Operating cash flows before interest and tax paid		**40.4**	40.6
Interest received		**0.2**	0.3
Interest paid		**(4.1)**	(8.0)
Income taxes paid		**(18.2)**	(13.2)
Cash generated by operations		**18.3**	19.7
Net cash inflow from operating activities		**18.3**	19.7

	2016 £m	2015 £m
Cash and cash equivalents		
Cash and bank balances	**119.0**	56.9

Cash and cash equivalents comprise cash and bank balances and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of cash and cash equivalents approximates fair value.

The increase in inventories comprises movements in inventories and investment property (transferred to inventory), offset by the issuance of promissory notes in respect of two land acquisitions. The transfer of investment property to inventory and the issuance of promissory notes represent non-cash movements recognised against the associated inventory.

The increase in trade and other payables includes the movement in land payables.

30. Retirement benefit schemes
The Group operates a stakeholder defined contribution retirement benefit scheme which is open to all employees.

Other than amounts that are deducted from employees' remuneration and accrued pending payment to the benefit scheme, no further obligations fall on the Group as the assets of these arrangements are held and managed by third parties entirely separate from the Group.

The benefit scheme charge for the period represents contributions payable to the benefit scheme and amounted to £2.0m for the year ended 31 August 2016 (2015: £1.7m). Unpaid contributions amounted to £0.2m as at 31 August 2016 (2015: £0.2m).

31. Financial risk management
The Group's financial instruments comprise cash, bank loans and overdrafts, trade receivables, other financial assets and trade and other payables.

Categories of financial instruments

	Notes	**2016 £m**	2015 £m
Financial assets			
Financial assets at fair value through profit or loss:			
Shared equity receivables	19	**29.3**	28.0
Interest rate cap	21	**–**	0.3
Loans and receivables:			
Cash and cash equivalents	29	**119.0**	56.9
Trade and other receivables	19	**2.2**	5.1
		150.5	90.3
Financial liabilities			
Amortised cost:			
Trade and other payables	22	**92.0**	77.3
Land payables	23	**49.3**	36.5
Loans	24	**52.5**	87.9
Land-related promissory notes	24	**11.3**	11.3
		205.1	213.0

Capital risk management
The Group manages its capital (being debt, cash and cash equivalents and equity) to ensure entities within the Group have a strong capital base in order to continue as going concerns, to maintain investor and creditor confidence and to provide a basis for the future development of the business while maximising the return to stakeholders.

The Group is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of the Group that are managed as capital.

The Group does not routinely make additional issues of capital, other than for the purpose of raising finance for the management of the cost of capital of the Group or to fund significant developments designed to grow value in future.

Share-based payment schemes have been introduced to allow senior employees of the Group to participate in the ownership of one of the Group entities in order to ensure the senior employees are focused on growing the value of the Group to achieve the aims of all shareholders.

Financial risk management
The Group's finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets and monitors and manages the financial risks relating to the operations of the Group through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Board is responsible for managing these risks and the policies adopted are as set out below.

31. Financial risk management (continued)

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
- Decisions to allocate new capital to land and build are managed centrally through the Group Investment Committee, membership of which includes the Group Chief Executive Officer, the Group Chief Financial Officer, the National Operations Director and the Land and Planning Director
- The Group aims to maintain a national and product spread of developments to ensure that it is not reliant on one particular location, development or product
- The Group undertakes a weekly review of sales, reservations and incentives at regional and Group level

The value of the Group's house price linked financial assets is sensitive to UK house prices since the amount repayable is dependent upon the market price of the property to which the asset is linked. At 31 August 2016 if UK house prices were 5% lower for a one year period and all other variables were held constant, the Group's house price linked financial assets would decrease in value, excluding the effects of tax, by £1.1m with a corresponding reduction in both the result for the year and equity.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a low exposure to credit risk due to the nature and legal framework of the UK housing industry. 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. A reduction in property values leads to an increase in the credit risk of the Group in respect of such sales.

The credit risk relating to shared equity receivables is deemed immaterial as the value is recovered though subsequent disposal of the related asset. As a result, management consider the credit quality of these receivables to be good in respect of the amounts outstanding, resulting in low credit risk. Exposure to house price sensitivity is built into the fair value calculation.

Trade receivables consist of a large number of customers, spread across different regions. 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. No guarantees have been given in respect to third parties. In addition for contracted rental agreements deposits or advances may be held to mitigate risk. The Group also holds legal recourse and can exercise its right to recover rental equipment from non-performing customers.

Liquidity risk management
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's strategy in relation to managing liquidity risk is to ensure that the Group has sufficient cash flow liquid funds to meet all its potential liabilities as they fall due. The Group produces cash flow forecasts to monitor the expected requirements of the Group against the available facilities. The principal risks with these cash flows relate to achieving the level of sales volumes and prices in line with current forecast.

31. Financial risk management (continued)
Liquidity risk management (continued)

The maturity of the financial liabilities of the Group at 31 August 2016 is as follows:

	2015				
	Carrying value £m	Contractual cash flows £m	Within 1 year £m	2–5 years £m	5+ years £m
Loans	90.0	102.8	3.9	98.9	–
Other financial liabilities carrying interest	11.3	11.7	0.3	11.4	–
Financial liabilities carrying no interest	113.8	113.8	113.8	–	–
Total	215.1	228.3	118.0	110.3	–

	2016				
	Carrying value £m	**Contractual cash flows £m**	**Within 1 year £m**	**2–5 years £m**	**5+ years £m**
Loans	**55.0**	**64.7**	**2.0**	**62.7**	**–**
Other financial liabilities carrying interest	**11.3**	**11.4**	**11.4**	**–**	**–**
Financial liabilities carrying no interest	**141.3**	**141.3**	**141.3**	**–**	**–**
Total	**207.6**	**217.4**	**154.7**	**62.7**	**–**

Other financial liabilities carrying interest are promissory notes, which attract availability and discount fees. Financial liabilities carrying no interest are trade and other payables and land payables. The timing and amount of future cash flows given in the table above is based on the year end position.

Interest rate risk management
Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's RCF is subject to floating interest rates based on LIBOR. From 2015 the interest rate risk has been partially mitigated by the purchase of an interest rate cap. See note 21 for further details.

In the year ended 31 August 2016, if UK interest rates had been 0.5% higher or lower, as this is a reasonably possible change, and all other variances were held constant, the Group's pre-tax profit would decrease/increase by £0.5m (2015: £0.7m). Calculations have been based on borrowing values at each month end.

Fair value of financial instruments
Valuation techniques and assumptions applied for the purposes of measuring fair value
Fair value of financial instruments carried at amortised cost
The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Bank and other loans
Fair value is calculated based on discounted expected future principal and interest flows.

Interest rate swaps
At each period end, the Directors appoint a valuer to perform an external valuation of the fair value of each interest rate swap or cap outstanding. Fair values are based on broker quotes, which are reviewed by the Directors and reflect the actual transactions in similar instruments.

31. Financial risk management (continued)
Fair value of financial instruments (continued)
Valuation of level 1, 2 and 3 financial assets and liabilities

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes)
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

Fair value measurements recognised in the Consolidated Statement of Financial Position
The following table provides an analysis of financial instruments 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The financial instruments held by the Group that are measured at fair value all relate to financial assets measured at fair value through profit and loss (FVTPL) using methods associated with Level 3. The sensitivities are not material on assets held at fair value.

	2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Shared equity receivables	–	–	28.0	28.0
Interest rate cap	–	–	0.3	0.3
Total financial assets designated at FVTPL	–	–	28.3	28.3

	2016			
	Level 1 **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
Financial assets at FVTPL				
Shared equity receivables	**–**	**–**	**29.3**	**29.3**
Interest rate cap	**–**	**–**	**–**	**–**
Total financial assets designated at FVTPL	**–**	**–**	**29.3**	**29.3**

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

Financial assets comprise shared equity loans secured by way of a second charge on the property, investment properties and an interest rate cap.

Financial assets are recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values.

For shared equity receivables the fair value of future anticipated cash receipts takes into account the Directors' views of an appropriate discount rate, a new build premium, future house price movements and the expected timing of receipts. These assumptions cover a variety of different schemes and the range of assumptions used are stated below. The assumptions are reviewed at each period end.

31. Financial risk management (continued)

Assumptions	2016	2015
Discount rate	**4.7 to 5.1%**	4.7 to 5.2%
New build premium	**5%**	5%
House price inflation	**0 to 4.0%**	0 to 3.2%
Timing of receipt	**5 to 12 yrs**	6 to 12 yrs

Sensitivity-effect on value of other financial assets (less)/more	2016 Increase assumptions by 1% /1 year £m	2016 Decrease assumptions by 1% /1 year £m
Discount rate	**(2.4)**	**2.7**
House price inflation	**2.3**	**(2.1)**
Timing of receipt	**(1.3)**	**1.3**

The Directors review the anticipated future cash receipts from the assets at each reporting date and the difference between the anticipated future receipt and the initial fair value is credited to finance income.

At initial recognition, the fair values of the assets are calculated using a discount rate appropriate to the class of assets that reflects market conditions at the date of entering into the transaction. The Directors consider at the end of each reporting period whether the initial market discount rate still reflects up to date market conditions. If a revision is required, the fair values of the assets are re-measured at the present value of the revised future cash flows using this revised discount rate. The difference between these values and the carrying values of the assets is recorded against the carrying value of the assets and recognised directly in the Consolidated Statement of Comprehensive Income.

The following tables present the changes in Level 3 instruments for the years ended 31 August 2015 and 2016:

	2015		
	Shared equity receivables £m	Interest rate cap £m	Total £m
Opening balance	24.3	–	24.3
Additions	4.8	0.4	5.2
Disposals	(2.0)	–	(2.0)
Revaluation gains or (losses) recognised in the income statement	0.9	(0.1)	0.8
Closing balance	28.0	0.3	28.3

	2016		
	Shared equity receivables £m	**Interest rate cap £m**	**Total £m**
Opening balance	**28.0**	**0.3**	**28.3**
Additions	**0.5**	**–**	**0.5**
Disposals	**(1.7)**	**–**	**(1.7)**
Revaluation gains or (losses) recognised in the income statement	**2.5**	**(0.3)**	**2.2**
Closing balance	**29.3**	**–**	**29.3**

32. Share-based payments

Cash-settled and equity-settled share-based payment scheme

Within the year the existing Management Incentive Plan that had been granted to certain employees crystallised. This Plan was a partly equity-settled and partly cash-settled share-based payment arrangement whereby the employees were entitled to a cash bonus and shares if certain future conditions were met.

The split of equity and cash was based on a hurdle mechanism which accrued from a predetermined starting equity value compounded at a set rate of interest per annum. The cash payment was a percentage of the final valuation above the starting equity but below the hurdle. The shares entitled the participants to a percentage of the total value created above the hurdle delivered in McCarthy & Stone plc shares. The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was 6 (2015: 5).

Equity-settled share-based payment

The cost of the equity-settled transactions with the participants is measured by reference to their fair value at the date at which they are granted and is recognised as an expense over the expected vesting period. In 2014, 19,150 shares were issued to the participants and the fair value of the shares at the grant date was measured at £1.3m based on management's most recent valuation. Therefore the Group recognised a cost of £0.1m in the year ended 31 August 2016 (2015: £0.9m) in the Consolidated Statement of Comprehensive Income in relation to the equity-settled share-based payment.

Upon crystallisation a total of 43,706,526 shares were issued to participants of the Management Incentive Plan (post consolidated figure of 10,926,632 shares). Further information on movements to share capital within the year is included in note 26.

Cash-settled share-based payment

The total cash payment made under this scheme was £0.8m. The fair value in relation to the cash payment of the scheme as at 31 August 2016 was £nil following full settlement (2015: £0.9m). Due to the crystallisation within the year there is no fair value in relation to the cash payment of the scheme as at 31 August 2016 (2015: £0.9m). The Group recognised a total cost of £0.3m (2015: £0.6m) in relation to the cash-settled share-based payment during the year ended 31 August 2016.

Equity-settled share-based payment plans

Following the IPO of the Group in November 2015, the Group entered into new share incentive plans: the McCarthy & Stone plc Long Term Incentive Plan (the 'LTIP'), and the McCarthy & Stone plc Annual and Deferred Bonus Plan (the 'ABP'). In addition, the Group has also established two all-employee share incentive plans: the McCarthy & Stone plc Share Incentive Plan (the 'SIP') and the McCarthy & Stone plc Sharesave Plan (the 'SAYE').

Long Term Incentive Plan

During the period the Group introduced a LTIP for key management at the discretion of the Board. Awards under the scheme are granted in the form of nil-priced share options. LTIP awards will normally vest, and LTIP Options become exercisable, on the third anniversary of the date of the grant of the LTIP award to the extent that any applicable performance conditions have been satisfied. LTIP Options will remain exercisable for 10 years after the date of the grant. Awards are to be settled by the issue of new shares or acquisition of shares in the market. The performance conditions for the first grant under the LTIP are earnings per share ('EPS'), comparative shareholder return ('TSR') and return on capital employed ('ROCE'). The TSR performance condition is a market-based condition. In order to value the TSR performance conditions against the FTSE 250, a Monte Carlo simulation model is required which can simulate correlation between companies.

LTIP	**2016**
Date of grant	25 November 2015
Options granted	1,930,524
Fair value at measurement date* (£)	2.12
Share price on date of grant (£)	2.32
Exercise price (£)	0
Vesting period	3 years
Expected dividend yield	n/a
Expected volatility	26.07%
Risk free interest rate	0.8% p. a.
Valuation model	Black-Scholes and Monte Carlo
Movements in the year:	
Options at beginning of the year	0
Granted during the year	1,930,524
Exercised during the year	0
Lapsed during the year	113,888
Expired in the year	0
Options at the end of the year	1,816,636
Exercisable at end of the year	0

* This is the average fair value of the fair values for the three tranches of the LTIP scheme

The weighted average of the average price for the LTIP award is nil.

32. Share-based payments (continued)
Expected volatility was determined by calculating the average historical volatility over a period commensurate with the expected life of the award for the LTIP based on the FTSE 250, which McCarthy & Stone are a constituent of post-IPO.

Sharesave Plan
The SAYE Plan is an all-employee savings related share option plan. Employees are invited to make regular monthly contributions to a SAYE scheme operated by Capita Asset Services. On completion of the contract period (3 or 5 years) employees are able to purchase ordinary shares in the Company based on the average closing middle market price over the three days prior to the award, less 20% discount. There are no performance conditions.

SAYE	**2016**	**2016**	**Total**	**Weighted average exercise price 2016**
Date of grant	10 December 2016	10 December 2016		
Options granted	2,912,247	1,197,514		
Fair value at measurement date (£)	0.68	0.75		
Share price on date of grant (£)	2.34	2.34		
Exercise price (£)	1.674	1.674		
Vesting period	3 years	5 years		
Expected dividend yield	26.20%	28.16%		
Expected volatility	26.07%	26.07%		
Risk free interest rate	0.8% p.a.	1.2% p.a.		
Valuation model	Black-Scholes	Black-Scholes		
Movements in the year:				
Options at beginning of the year	–	–	–	–
Granted during the year	2,912,247	1,197,514	4,109,761	1.674
Exercised during the year	–	–	–	–
Lapsed during the year	(259,219)	(35,839)	(295,058)	1.674
Expired in the year	–	–	–	–
Options at the end of the year	2,653,028	1,161,675	3,814,703	1.674
Exercisable at end of the year	–	–	–	–

Expected volatility was determined by calculating the average historical volatility over a period commensurate with the expected life of the savings term for the SAYE options, based on the FTSE 250, which McCarthy & Stone are a constituent of post-IPO.

Share Incentive Plan
In May 2016, the Group established a Share Incentive Plan available to all employees. This allows employees to purchase partnership shares each month from pre-tax pay, which are then held in trust. These shares can be sold or taken from the SIP or be left within the trust for as long as the plan remains open. All plan shares and any other assets held by the trustees will be held upon trust for the participants; there is therefore no impact to the Group's financial statements in respect of this plan.

Annual and Deferred Bonus Plan
The ABP incorporates the Company's executive bonus scheme as well as a mechanism for the deferral of bonus into awards over ordinary shares. All employees (including the Executive Directors) of the Group are eligible to participate in the ABP at the discretion of the Board. At 31 August 2016 three Executive Directors were participating in the scheme. As maximum bonus targets have not been achieved, a cash portion of the bonus has been awarded.

Total share incentive plan

Analysis of the income charge:	**2016 £m**	2015 £m
Equity-settled and cash-settled share-based payments:		
Management Incentive Plan	**0.4**	1.5
Equity-settled share-based payments:		
SAYE	**0.4**	–
LTIP	**0.7**	–
	1.1	–
	1.5	1.5

33. Subsidiaries

Name	Principal activity	Company number	Class of shares	**2016** %	2015 %
McCarthy & Stone (Developments) Limited	Holding Company	06622183	Ordinary	**100**	90
McCarthy & Stone Retirement Lifestyles Limited	Developer	06622231	Ordinary	**100**	100
McCarthy & Stone (Equity Interests) Limited	Property Investment	05663330	Ordinary	**100**	100
McCarthy & Stone (Home Equity Interests) Limited	Property Investment	05984851	Ordinary	**100**	100
McCarthy & Stone Investment Properties No. 23 Limited*	Property Investment	06496130	Ordinary	**100**	100
McCarthy & Stone (Total Care Living) Limited*	Property Investment	06069509	Ordinary	**100**	100
McCarthy & Stone (Alnwick) Limited*	Property Investment	07517819	Ordinary	**100**	100
McCarthy & Stone (Extra Care Living) Limited	Property Investment	06897363	Ordinary	**100**	100
McCarthy & Stone Total Care Management Limited	Property Investment	06897301	Ordinary	**100**	100
McCarthy & Stone Rental Interests No. 1 Limited*	Property Investment	06897272	Ordinary	**100**	100
McCarthy & Stone Management Services Limited	Development management	07166051	Ordinary	**100**	100
McCarthy & Stone Lifestyle Services Limited*	Holding Company	07165986	Ordinary	**100**	100
McCarthy & Stone Financial Services Limited*	Financial Services	07798214	Ordinary	**100**	100
Keyworker Properties Limited	Property Investment	04213618	Ordinary	**100**	100
McCarthy & Stone Estates Limited*	Property Resale	07165952	Ordinary	**100**	100
YourLife Management Services Limited	Development Management	07153519	Ordinary	**50**	50
McCarthy & Stone Independent Living Limited	Dormant	06897315	Ordinary	**100**	100
McCarthy & Stone Properties Limited*	Dormant	01925738	Ordinary	**100**	100
The Planning Bureau Limited*	Dormant	02207050	Ordinary	**100**	100
Ortus Homes Limited	Dormant	08658235	Ordinary	**100**	100

* These UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 August 2016.

Each of the above shareholdings gives the immediate Parent Company 100% voting rights, with the exception of YourLife Management Services Limited where the parent has 50% voting rights, but the power to appoint the majority of the Directors. Accordingly this gives the Group power over the relevant activities of this entity.

The registered address of all of the above subsidiaries is 4th Floor, 100 Holdenhurst Road, Bournemouth, Dorset, BH8 8AQ.

34. Related party transactions

Balances and transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

The key management personnel are the executive leadership team. The remuneration that they have received during the year is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2016 £m	2015 £m
Short-term employee benefits	**2.5**	3.2
Share-based payments	**0.9**	1.1
Pension contributions	**0.2**	0.2
Termination payment	**0.4**	-
	4.0	4.5
Aggregate emoluments of the highest paid director	**0.9**	0.7

As part of the Management Incentive Plan shares totalling 33,098,147 were issued to key management personnel, prior to share consolidation. Note 26 details movements in share capital within the year.

35. Events after the balance sheet date

There were no events after the reporting period that required adjustment or disclosure in the financial statements.

Cautionary statement regarding forward-looking statements

Some of the information in this document may contain projections or other forward-looking statements regarding future events or the future financial performance of McCarthy & Stone plc and its subsidiaries (the Group). You can identify forward-looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might", the negative of such terms or other similar expressions. McCarthy & Stone plc (the Company) wishes to caution you that these statements are only predictions and that actual events or results may differ materially. The Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Group, including among others, general economic conditions, the competitive environment as well as many other risks specifically related to the Group and its operations. Past performance of the Group cannot be relied on as a guide to future performance.

Notes to Editors
About McCarthy & Stone

McCarthy & Stone is the UK's leading retirement housebuilder with a c.70% share of the owner-occupied market[1]. The Group has sold over 51,000 properties across more than 1,100 retirement developments since 1977 and is renowned for its focus on the needs of those in later life. It re-joined the Main Market of the London Stock Exchange in November 2015 and re-entered the FTSE 250 following its quarterly review on 21 March 2016.

There is a growing demand for specialist retirement housing, with the number of people aged 85 and over in the UK expected to more than double between 2015 and 2035 from 1.5 million to 3.2 million, and the number of people aged 65 and over expected to increase by more than 50% from 11.6 million to 17.2 million[2]. According to research by Demos, 1 in 4 over 60s are interested in retirement living[3], yet only c.141, 000 units of specialist retirement housing for homeowners have been built[4].

Older people are also the one group where rates of homeownership have risen in recent years. Homeownership among those aged 65 to 74 increased from 50% in 1981 to 78% in 2012 and among the over 75s it rose from 47% to 73%. However, for those aged 25 to 34, it has fallen from 62% in 1981 to 43% in 2012 and for 35 to 44 year olds it fell from 69% to 63%[5]. The Department for Communities and Local Government (DCLG) is forecasting that older householders (aged 65+) will grow by 155,000 per year to 2039 and will account for about three quarters (74%) of total household growth over that period[6].

We believe that there are a number of policy options available to the Government to encourage and assist those wishing to move to more suitable retirement housing. In October 2016 we wrote to the Chancellor of the Exchequer to propose that he considers a reduction in Stamp Duty for people looking to downsize. We firmly believe this would be a highly effective incentive that would help people to move, provide a much-needed stimulus to the wider housing market by freeing up large family homes for those lower down the housing chain, and could result in a net revenue increase for the Treasury of some £740 million through increased Stamp Duty receipts from the additional housing chains created as a result.

The Group has two established product ranges – Retirement Living and Assisted Living – which provide one and two bedroom apartments across the country with varying levels of support and care for older homeowners. In late 2014, McCarthy & Stone launched its Ortus Homes product, which is exclusively for the over 55s and those in the earlier stages of retirement who are seeking to downsize for their leisure years. McCarthy & Stone is currently selling its first apartments in this new product range across seven locations, helping the Group to capture a wider share of the active retiree market.

The first Ortus Homes development at Scarlet Oak in Solihull won the Best Retirement Scheme at the annual Housebuilder Awards in November 2015. At the same awards in November 2016, we were pleased to again receive Best Retirement Scheme for Ramsay Grange and Lyle Court, our combined Assisted Living and Ortus Homes development in Barnton, Edinburgh, as well as Best Customer Satisfaction Initiative for our approach to ensuring that we deliver a five-star service for our homeowners.

McCarthy & Stone's commitment to quality and customer service continues to be recognised by homeowners. In March 2016, the Group received the full Five Star rating for customer satisfaction from the HBF for the eleventh consecutive year – making it the only UK housebuilder, of any size or type, to achieve this accolade. www.mccarthyandstonegroup.co.uk

[1] Based on 3,453 registrations of cross-tenure properties specifically designed for the elderly with the NHBC during calendar year 2015, of which 2,672 were registered by McCarthy & Stone
[2] Population projections by the Office for National Statistics (2014 based)
[3] Demos – Top of the Ladder (September 2013)
[4] Independent data provided by Elderly Accommodation Counsel (April 2016)
[5] Office for National Statistics – Housing and home ownership in the UK (2015)
[6] The Departure for Communities and Local Government (DCLG) projections (July 2016)