Wednesday 5 April 2017

McCarthy & Stone plc – half year results

On track to meet full year market expectations and deliver medium-term growth

McCarthy & Stone (the 'Group'), the UK's leading retirement housebuilder, today announces its half year results for the six months ended 28 February 2017. All comparatives are to the prior year equivalent six month period ended 29 February 2016 ('2016') unless otherwise stated.

	H1 2017	H1 2016	Change
Revenue	£238.2m	£250.2m	(5%)
Legal completions[1]	866	923	(6%)
Gross average selling price[2]	£260k	£257k	1%
Net average selling price[2]	£254k	£253k	0%
Underlying profit before tax[3]	£22.8m	£39.1m	(42%)
Profit before tax	£21.8m	£29.0m	(25%)
Underlying basic earnings per share[3,4]	3.5p	6.0p	(42%)
Underlying operating profit[3]	£24.1m	£40.2m	(40%)
Underlying operating profit margin[3]	10%	16%	(6ppt)
Operating profit	£23.1m	£30.1m	(23%)
Gearing[5]	4%	4%	0ppt
Net debt[6]	(£30.4m)	(£23.9m)	(£6.5m)
Return on capital employed[7] (ROCE)	14%	18%	(4ppt)
Interim dividend per share	1.8p	1.0p[8]	0.8p[8]

Performance highlights

- As previously announced, H1 trading was constrained by the lower forward order book brought into the year as a result of the market uncertainty following the EU Referendum, the anticipated weighting of legal completions from higher margin sites into the second half of the year and the lower number of sales releases during the period (2017: 32, 2016: 36).
- Total legal completions[1] of 866 units (2016: 923 units) at a gross average selling price of £260k (2016: £257k), with further pricing improvements expected in H2 reflecting the quality and location of developments being brought to market.
- Statutory profit before tax of £21.8m (2016: £29.0m) and underlying profit before tax[3] of £22.8m (2016: £39.1m). Higher weighting of volume and margins expected in H2 in line with previous guidance.
- Strong balance sheet and robust financial position, with net debt[6] of £30.4m (2016: £23.9m), equivalent to gearing[5] of 4% (2016: 4%).
- Underlying trading conditions remained stable with lead sales indicators (enquirers, sales leads and visitors) well ahead of the previous year.
- Sales momentum has increased over the last five weeks, with total forward order book including legal completions[9] now running only c.1% behind prior year at c.£496m at end of March 2017, week 30, (2016: £503m).
- Particularly strong period for planning with detailed planning consents achieved on 34 sites representing c.1,314 units (2016: 19 sites representing c.780 units), securing further land bank to support future growth.

- Home Builders Federation ('HBF') Five Star customer satisfaction award just received for an industry-record twelfth consecutive year – the only housebuilder of any size or type to achieve this.
- In line with the Group's progressive dividend policy, the Group is announcing an interim dividend of 1.8p per share (2016: 1.0p per share – pro-rated for period since listing), to be paid on 9 June 2017 to shareholders on the register at close of business on 28 April 2017.

Outlook

- The Group reiterates guidance that the full year outturn is expected to deliver in line with market expectations.
- All build programmes on track for sites expected to first occupy and deliver unit completions in H2 2017.
- Build activity commenced on 44 new sites as at 31 March 2017 (2016: 34), with a further c.16 new site starts expected by the end of Q3 FY17 (FY16: 9) thereby providing a high level of confidence in outturn for FY18 and beyond. These site starts will lead to a doubling of the number of sales releases in FY18.
- With all detailed planning consents in place to deliver targeted sales in FY18 and sufficient land under control to deliver targeted sales in FY19, the Group remains confident of delivering its strategic growth objective of building and selling more than 3,000 units per annum.

Commenting on today's results, John White, Group Chairman, said:

"The Group continues to address the increasing market demand for retirement housing generated by a rapidly ageing population and has made good progress in recovering its workflow momentum following the outcome of the EU Referendum last June. To meet this demand our strategic growth plan will see us almost double our build starts this year and our sales releases next year. Our strong progress on planning consent delivery ensures we are on track to achieve this."

Clive Fenton, Chief Executive Officer, added:

"We have made solid progress during this half year despite the headwinds created by the lower forward order book brought into the year and the weighting of expected completions from higher margin new sites into the second half of the year.

"Trading conditions have remained stable during the period and underlying reservation rates continue to keep pace with the prior year despite the lower number of sales releases during the period. Our forward order book remains strong and our build activity and planning successes leave us well-placed to deliver targeted FY17 and FY18 sales. We have sufficient land under control, much of which already has detailed planning consent, to deliver our strategic growth plan of building and selling more than 3,000 units per annum."

– 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.

Presentation for analysts and investors:

Clive Fenton, Chief Executive Officer, Rowan Baker, Chief Financial Officer and John Tonkiss, National Operations Director will host an analyst and investor meeting at 9.15am BST today at Deutsche Bank, Winchester House, 75 London Wall, 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.mccarthyandstonegroup.co.uk/investors/webcast

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/webcast

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 dial in details:
UK Access: 0121 260 4861
United States: 1844 2308 058
All other locations: +44 121 260 4861
Replay Pin: 6638245#

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[1] Includes two commercial units in 2017 (2016: nil)
[2] Gross average selling price is calculated as average list price less cash discounts and PX top-ups. Net average selling price is the average list price less cash discounts, PX top-ups and other incentives. These measures exclude commercial units
[3] 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 2 of condensed consolidated financial statements for further information
[4] Underlying basic earnings per share have been reconciled within note 2 of condensed consolidated financial statements
[5] Gearing is calculated by dividing net cash/(debt) by net assets
[6] See note 5 of condensed consolidated financial statements for net cash/(debt) reconciliation
[7] 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)
[8] Pro-rated from the IPO in November 2015 to February 2016. Had we applied our policy of paying a 1/3 first half and 2/3 second half dividend in the prior year, H1 FY16 dividend would have been 1.75p per share
[9] Forward order book includes legal completions between 1 September 2016 (2016: 1 September 2015) and 31 March 2017 (2016: 26 March 2016) and reservations as at 31 March 2017 (2016: 26 March 2016). Forward order book as at 31 March 2017 (2016: 26 March 2016) included revenue after cash discounts and PX top-ups

Interim Management Report

Chief Executive Officer's statement

Market demand

After a pause following the outcome of the EU referendum, trading conditions remained stable throughout the period, supported by the continuing structural imbalance between supply and demand within the housing market. There remains a significant and growing shortage of housing supply in the UK and this imbalance is particularly acute in the market for retirement housing. 3.5 million people over the age of 60 have expressed particular interest in buying a retirement property[1], and yet only c.141,000 specialist retirement properties for homeowners have ever been built[2].

McCarthy & Stone remains the only national provider of specialist retirement housing and is uniquely placed to capitalise on this demographic opportunity. During four decades as the UK's leading retirement housebuilder, we have formulated a tailored approach to sales, site acquisition, design, securing detailed planning consents and construction that mainstream housebuilders have been unable to replicate on a national scale. We also ensure that our customers receive the highest standards of ongoing support through our in-house management service 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.

Trading performance

The Group made solid progress during this half year despite the headwinds created by the lower forward order book brought into the year as a result of the outcome of the EU Referendum and delays to our workflow as the business paused in the summer and early autumn to calibrate the impact of the decision to leave Europe.

We opened 32 new sales outlets in the first half of FY17 (2016: 36). Reservation rates remained healthy but the lower level of sales releases caused a slight shortfall in the number of net reservations compared to last year at 1,084 (2016: 1,132). This, together with the lower forward order book brought into the year, led to lower legal completions during the period of 866 (2016: 923).

The lower completion volumes, offset in part by a slight improvement in pricing, resulted in a decrease in revenue of 5% to £238m (2016: £250m). Gross average selling price increased by 1% in the period to £260k (2016: £257k), with further pricing improvements expected in the second half of FY17, reflecting the quality and location of the developments McCarthy & Stone is now bringing to market. Discounts and incentives averaged 7% compared to the 5% level achieved in the first half of last year and 6% achieved in FY16. This was mainly due to the age profile of sales and a higher level of part exchange transactions in support of a weaker secondary housing market.

Consistent with previous guidance, underlying operating profit decreased by 40% to £24.1m (2016: £40.2m) at a gross profit margin of 17% (2016: 23%), an underlying operating profit margin of 10% (2016: 16%) and an operating profit of £23.1m (2016: £30.1m). The reduction in margin percentage was mainly driven by the profitability mix of units sold, an increase in incentive usage, build cost increases offset by pricing improvements, some additional land renegotiation costs incurred in order

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[1] Demos – Top of the Ladder (September 2013)

[2] Independent data provided by Elderly Accommodation Counsel (April 2016)

to enhance the future profitability of our land bank and our continued investment in regional operational infrastructure to support our growth strategy. We expect margins to recover in the second half due to an increased weighting of completions from newer higher margin sites.

Investment and growth strategy

After a slower start to land buying as the market adjusted following the EU Referendum, the first half of FY17 saw the addition of a further 30 high-quality sites with attractive embedded margins into the land bank (2016: 40), equivalent to c.1,243 additional plots (2016: c.1,700 plots). The market for land remains benign and competition for our typical brownfield sites is still highly fragmented. Further progress is expected in the second half of the year, notwithstanding that the business continues to maintain operational focus and discipline in the assessment of its land purchases to ensure that returns continue to flow to shareholders.

The land bank now stands at c.10,035 plots (2016: c.10,800 plots), equivalent to 4.4 years[3] supply, of which 2.7 years[3] have full planning consent. We have sufficient land under control to deliver all targeted sales to FY19 and we are rapidly building the land bank to support sales in FY20.

The first half of FY17 was a particularly strong period for planning, with detailed planning consents achieved on 34 sites, representing c.1,314 units (2016: 19 sites, representing c.780 units). We have sufficient detailed planning consents in place to deliver all targeted sales to FY18.

We have also continued to make good progress with our target of £2.5bn investment in land and build over four financial years to FY19 with a further c.£231m invested in land and build during the period (2016: c.£233m).

Shortening the working capital cycle

Significant management effort continues to be placed on the acceleration of the Group’s working capital cycle, through three strategic initiatives: focusing on improving sales rates, reducing time taken between securing land and starting build and implementing build programme efficiencies.

Our sales initiative continued to make good progress during the period. The main focus has been on enhancing the early part of the customer journey via website improvements and the development of early relationships with enquirers prior to site sales launches via the establishment of a new relationship management team.

In support of the sales initiative, we are also refreshing our product branding in order to capitalise on our strong McCarthy & Stone brand which will now be used in a unified way across our three products: our Assisted Living product will be rebranded Retirement Living Plus and our Ortus Homes product will be rebranded as McCarthy & Stone Lifestyle Living in order to capitalise on our existing strong brand recognition, optimise our marketing spend and create consistency across our product names.

Over the past two years, we have implemented a number of changes designed to accelerate the time taken from land exchange to build start, with particular focus on standardising design and achieving greater cost certainty. This is now fully embedded within our regions and is enabling the business to bring forward profitable developments faster and with more certainty and thereby accelerate the Group’s growth plans.

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[3] Based on 2,299 legal completions achieved in 2016

The build initiative continues to drive improvements to the build process, to accelerate build timescales and to reduce build costs and enhance margins. Particular focus has been placed on value engineering and supply chain management in order to maximise rebate compliance as well as driving towards longer term benefits via the increased use of modern methods of construction. The Group's framework of critical controls introduced last year is now fully embedded across all our regions and is driving improvements to build programmes and budgets.

Financial position

The Group saw its tangible gross asset value increase to £657m (2016: £602m) and its tangible net asset value[4] increase to £627m (2016: £579m) during the period. We continue to maintain a robust financial position with net debt of £30.4m (2016: £23.9m) as at 28 February 2017, resulting in gearing of 4% (2016: 4%). We expect a similarly low level of gearing at the financial year end with appropriate headroom consistently maintained throughout the year against the existing £200m revolving credit facility.

Housing White Paper

We warmly welcomed February's Housing White Paper, the country's first housing strategy for six years. As well as proposing a number of measures to support housebuilding, we were particularly pleased to see positive references to increasing the provision of specialist retirement housing.

The White Paper notes that the Government will explore ways to stimulate the market to deliver new homes for older people and is introducing a new statutory duty through the Neighbourhood Planning Bill on the Secretary of State to produce, for the first time, guidance for local planning authorities on how their local development documents should meet the housing needs of older and disabled people. Guidance produced under this duty will place clearer expectations about planning to meet the needs of older people, including supporting the development of such homes near local services, and we understand this will be published by the summer. Since the publication of the White Paper, we have met Housing & Planning Minister Gavin Barwell MP and called on Government to make this sector a policy priority over the next few months.

In addition, the White Paper notes the Government's new commitment to explore ways to help older people move at the right time, including possible future incentives. While detail was light, we will be working with Government to provide more information on how this incentive might work, including a possible Stamp Duty exemption for older people downsizing. Such policies would both help older people to move, and would also encourage further demand for our products.

Customers

I am particularly pleased that it has just been announced that we have once again achieved the full Five Star rating in the Home Builders Federation ('HBF') survey for customer satisfaction. This marks the twelfth 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 2006. The sustained recognition by our customers of the quality of product we deliver is a strong endorsement of our continued ambition to design, build, sell and manage the very best retirement developments.

[4] Tangible net asset value is calculated as net assets excluding goodwill and intangible assets

Employees

Our people are critical to the continued growth and success of our business. We are building a culture of excellence with recognition of achievements and opportunities for development and we regularly celebrate those employees who go the extra mile for a customer or colleague through our instant, quarterly and annual PRIDE awards. Our success is illustrated by our most recent employee survey, which identified that 87% of our employees are proud to work for McCarthy & Stone.

Board changes

As previously announced, Rowan Baker was appointed as the Group's Chief Financial Officer on 6 January 2017, taking over the role from Nick Maddock whose resignation was announced on 11 October 2016.

Current trading and outlook

Underlying trading conditions remain stable with enquirers, sales leads and visitors well ahead of the previous year. Our total forward order book including legal completions is now only c.1% behind the prior year at c.£496m (2016: £503m) despite the lower forward order book brought into the year and the reduced number of sales releases this year. All build programmes are on track for sites expected to first occupy and deliver unit completions in the second half of FY17 and this provides further confidence in our full year delivery. We therefore reiterate previous guidance that the full year outturn is expected to remain in line with market expectations.

In line with the Group's progressive dividend policy, the Group is announcing an interim dividend of 1.8p per share (2016: 1.0p per share – pro-rated for period since listing) to be paid on 9 June 2017 to shareholders on the register at close of business on 28 April 2017.

In addition to our focus on FY17, we continue to make strong progress to build our workflow for FY18 and FY19 delivery. Build activity has now started on 44 new sites as at 31 March 2017 (2016: 34), and a further 16 new site starts are expected by the end of Q3 FY17 (FY16: 9). These site starts will drive the increase to over 80 sales releases in FY18, almost double the expected level of sales releases in FY17.

With all detailed planning consents in place to deliver targeted sales in FY18 and sufficient land under control to deliver targeted sales in FY19, the Group remains confident of delivering its strategic growth objective of building and selling more than 3,000 units per annum.

McCarthy & Stone will release a further update on trading on 5 July 2017, including updated guidance on the prospective financial performance for the financial year to 31 August 2017.

Clive Fenton
Chief Executive Officer

4 April 2017

Principal risks and uncertainties

The principal risks and uncertainties set out at the time of the Annual Report and Accounts 2016 (issued in December 2016) remain valid at the date of this report and, based on the current outlook, will continue to remain valid for the remainder of the financial year. In summary, these include economic conditions, reputation and customer satisfaction, illiquidity of land and apartments, a decline in value of owned land, increases to build costs, recruitment and retention of employees, health and safety, and land acquisition and planning.

In addition to these risks and uncertainties the Group is subject to increased corporate regulation such as the Listing Rules and failure to comply with these rules could lead to regulatory censure and potential penalties. To address this risk, the Group employs an experienced Company Secretary (and external consultants when required) to ensure continued compliance with the Listing Rules.

McCarthy & Stone plc

Condensed Consolidated Statement of Comprehensive Income
For the half year ended 28 February 2017 (unaudited)

	Notes	**Half year ended 28 February 2017 (unaudited) £m**	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Revenue		**238.2**	250.2	635.9
Cost of sales		**(198.5)**	(193.9)	(499.5)
Gross profit		**39.7**	56.3	136.4
Other operating income		**4.1**	4.0	8.5
Administrative expenses		**(17.5)**	(27.7)	(44.7)
Other operating expenses		**(3.2)**	(2.5)	(5.1)
Operating profit		**23.1**	30.1	95.1
Amortisation of brand		**(1.0)**	(1.1)	(2.1)
Exceptional administrative expenses		**-**	(9.0)	(10.0)
Underlying operating profit	2	**24.1**	40.2	107.2
Finance income		**0.3**	1.5	2.7
Finance expense		**(1.6)**	(2.6)	(4.9)
Profit before tax		**21.8**	29.0	92.9
Income tax expense	3	**(4.2)**	(7.2)	(19.4)
Profit for the period from continuing operations and total comprehensive income	2	**17.6**	21.8	73.5
Profit attributable to:				
Owners of the Company		**17.6**	21.6	73.1
Non-controlling interest		**-**	0.2	0.4
		17.6	21.8	73.5
Earnings per share				
Basic (p per share)	9	**3.3**	4.2	13.9
Diluted (p per share)	9	**3.3**	4.2	13.9

Notes 1 to 16 form part of the Condensed Consolidated Financial Statements shown above. All trading derives from continuing operations.

	Notes	**Half year ended 28 February 2017 (unaudited) £m**	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Adjusted measures				
Underlying operating profit	2	**24.1**	40.2	107.2
Underlying profit before tax	2	**22.8**	39.1	105.0

McCarthy & Stone plc

Condensed Consolidated Statement of Financial Position

As at 28 February 2017 (unaudited)

	Notes	**Half year ended 28 February 2017 (unaudited) £m**	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Assets				
Non-current assets				
Goodwill		**41.7**	41.7	41.7
Intangible assets		**28.5**	30.5	29.6
Property, plant and equipment		**2.6**	2.9	2.9
Investments in joint ventures		**0.4**	0.4	0.4
Investment properties		**0.2**	0.5	0.2
Trade and other receivables		**31.7**	32.0	32.7
Total non-current assets		**105.1**	108.0	107.5
Current assets				
Inventories	4	**737.7**	654.8	685.8
Trade and other receivables		**9.6**	12.4	7.5
Cash and cash equivalents		**24.6**	86.4	119.0
Total current assets		**771.9**	753.6	812.3
Total assets		**877.0**	861.6	919.8
Equity and liabilities				
Capital and reserves				
Share capital		**43.0**	43.0	43.0
Share premium		**100.8**	100.8	100.8
Retained earnings		**552.5**	506.4	553.5
Equity attributable to owners of the Company		**696.3**	650.2	697.3
Non controlling interest		**0.8**	0.6	0.8
Total equity		**697.1**	650.8	698.1
Current liabilities				
Trade and other payables		**80.9**	71.1	107.1
Short term borrowings	5	**-**	11.3	11.3
Land payables		**44.7**	30.1	49.3
Total current liabilities		**125.6**	112.5	167.7
Non-current liabilities				
Long-term borrowings	5	**52.7**	97.2	52.5
Deferred tax liability		**1.6**	1.1	1.5
Total liabilities		**179.9**	210.8	221.7
Total equity and liabilities		**877.0**	861.6	919.8

Notes 1 to 16 form part of the Condensed Consolidated Financial Statements shown above.

McCarthy & Stone plc

Condensed Consolidated Statement of Changes in Equity
For the half year ended 28 February 2017 (unaudited)

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total Equity £m
Balance at 31 August 2015 (audited)		**381.1**	**56.4**	**104.3**	**541.8**	**0.7**	**542.5**
Profit for the period		-	-	21.6	21.6	0.2	21.8
Total comprehensive income for the period		**-**	**-**	**21.6**	**21.6**	**0.2**	**21.8**
Transactions with owners of the Company:							
Conversion of share capital and share premium	13	(343.0)	(56.4)	399.4	-	-	-
Issue of new shares	13	4.9	104.8	(19.4)	90.3	(0.3)	90.0
Share-based payments	14	-	-	0.5	0.5	-	0.5
Transaction related costs		-	(4.0)	-	(4.0)	-	(4.0)
Balance at 29 February 2016 (unaudited)		**43.0**	**100.8**	**506.4**	**650.2**	**0.6**	**650.8**
Profit for the period		-	-	51.5	51.5	0.2	51.7
Total comprehensive income for the period		**-**	**-**	**51.5**	**51.5**	**0.2**	**51.7**
Transactions with owners of the Company:							
Share-based payments	14	-	-	1.0	1.0	-	1.0
Dividends	10	-	-	(5.4)	(5.4)	-	(5.4)
Balance at 31 August 2016 (audited)		**43.0**	**100.8**	**553.5**	**697.3**	**0.8**	**698.1**
Profit for the period		-	-	17.6	17.6	-	17.6
Total comprehensive income for the period		**-**	**-**	**17.6**	**17.6**	**-**	**17.6**
Transactions with owners of the Company:							
Issue of new shares	13	-	-	-	-	-	-
Share-based payments	14	-	-	0.2	0.2	-	0.2
Dividends	10	-	-	(18.8)	(18.8)	-	(18.8)
Balance at 28 February 2017 (unaudited)		**43.0**	**100.8**	**552.5**	**696.3**	**0.8**	**697.1**

Notes 1 to 16 form part of the Condensed Consolidated Financial Statements shown above.

McCarthy & Stone plc

Condensed Consolidated Cash Flow Statement

For the half year ended 28 February 2017 (unaudited)

	Notes	**Half year ended 28 February 2017 (unaudited) £m**	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Net cash (outflow)/inflow from operating activities	6	**(64.0)**	(64.8)	18.3
Investing activities				
Purchases of property, plant and equipment		**(0.2)**	(0.8)	(1.5)
Purchases of intangible assets		**(0.1)**	-	(0.4)
Proceeds from sale of property, plant and equipment		**-**	0.1	0.1
Net cash (used in) investing activities		**(0.3)**	(0.7)	(1.8)
Financing activities				
Proceeds from issue of share capital		-	86.0	86.0
Proceeds from long-term borrowings		-	9.0	-
Repayment of short-term borrowings		**(11.3)**	-	-
Repayment of long-term borrowings		-	-	(35.0)
Dividends paid		**(18.8)**	-	(5.4)
Net cash from financing activities		**(30.1)**	95.0	45.6
Net (decrease)/increase in cash and cash equivalents		**(94.4)**	29.5	62.1
Cash and cash equivalents at beginning of the period		**119.0**	56.9	56.9
Cash and cash equivalents at end of the period		**24.6**	86.4	119.0

Notes 1 to 16 form part of the Condensed Consolidated Financial Statements shown above.

1. Accounting policies

Basis of preparation
McCarthy & Stone plc is a Company incorporated in England and Wales.

These Condensed Consolidated Half Yearly Financial Statements are unaudited and were authorised for issue by the Board on 4 April 2017.

These Condensed Consolidated Half Yearly Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The information for the year ended 31 August 2016 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Half Yearly Financial Statements should be read in conjunction with the Annual Report and Accounts, for the year ended 31 August 2016, which were prepared in accordance with European Union endorsed International Financial Reporting Standards ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Annual Report and Accounts for the year ended 31 August 2016 were approved by the Board of Directors on 14 November 2016 and delivered to the Registrar of Companies. The auditor's report on those Financial Statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

Going concern
The Directors consider that the Group is well placed to manage business and financial risks in the current economic environment and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these Condensed Consolidated Half Yearly Financial Statements.

Accounting policies
The unaudited Condensed Consolidated Half Yearly Financial Statements have been prepared using accounting policies consistent with those applied in the preparation of the Group's Annual Report and Accounts for the year ended 31 August 2016.

New standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 September 2015 and later periods are disclosed on page 95 of the Annual Report and Accounts for the year ended 31 August 2016. None of the amendments and interpretations adopted in the period have had any impact on the Profit and Loss Account and net assets or required any additional disclosure in these Condensed Consolidated Half Yearly Financial Statements.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described with the Annual Report and Accounts for the year ended 31 August 2016, 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.

1. Accounting policies (continued)

The critical judgements identified at the year end, as included in the Annual Report and Accounts for the year ended 31 August 2016, remain the same. The Annual Report and Accounts 2016 can be obtained from the Group's registered office or www.mccarrthyandstonegroup.co.uk.

Within the period the Group has refined its estimate of unit cost when units are sold and the cost is released to the Income Statement. Cost of sales is recognised on a unit-by-unit basis, by reference to the forecast future margin across the development. The impact of the change in estimate on gross profit and inventory for the six months to 28 February 2017 is an increase of £2.2m (1% of cost of sales).

2. Profit for the year

Reconciliation to underlying operating profit and profit before tax

The following tables present a reconciliation between the statutory profit measures disclosed on the Condensed 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 that 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.

Half year ended 28 February 2017

	Notes	**Statutory** £m	Amortisation of brand £m	**Underlying** £m
Operating profit		**23.1**	**1.0**	**24.1**
Finance income		0.3	-	0.3
Finance expense		(1.6)	-	(1.6)
Profit before tax		**21.8**	**1.0**	**22.8**
Income tax expense		(4.2)	(0.2)	(4.4)
Profit for the year from continuing operations and total comprehensive income		**17.6**	**0.8**	**18.4**
Earnings per share				
Basic (p per share)	9	3.3	0.2	3.5
Diluted (p per share)	9	3.3	0.2	3.5

2. Profit for the year (continued)

Half year ended 29 February 2016

	Notes	**Statutory £m**	Restructuring and transaction related costs £m	Amortisation of brand £m	**Underlying £m**
Operating profit		**30.1**	**9.0**	**1.1**	**40.2**
Finance income		1.5	-	-	1.5
Finance expense		(2.6)	-	-	(2.6)
Profit before tax		**29.0**	**9.0**	**1.1**	**39.1**
Income tax expense		(7.2)	(0.4)	(0.2)	(7.8)
Profit for the year from continuing operations and total comprehensive income		**21.8**	**8.6**	**0.9**	**31.3**
Earnings per share					
Basic (p per share)	9	4.2	1.6	0.2	6.0
Diluted (p per share)	9	4.2	1.6	0.2	6.0

The exceptional costs in the half year ended 29 February 2016 primarily relate to the fees and other costs of listing.

Full year ended 31 August 2016

	Notes	**Statutory £m**	Administrative expenses £m	Amortisation of brand £m	**Underlying £m**
Operating profit		**95.1**	**10.0**	**2.1**	**107.2**
Finance income		2.7	-	-	2.7
Finance expense		(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)	9	13.9	1.8	0.4	16.1
Diluted (p per share)	9	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).

3. Income tax expense

	Half year ended 28 February 2017 (unaudited) £m	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Corporation tax charges:			
Current year	**4.0**	6.3	18.6
Adjustments in respect of prior years	-	-	(0.4)
Deferred tax charges:			
Current year deferred tax charges	**0.2**	0.9	1.2
Adjustments in respect of prior years	-	-	-
	4.2	7.2	19.4

The tax charge for each period can be reconciled to the profit per the Condensed Consolidated Statement of Comprehensive Income as follows:

	Half year ended 28 February 2017 (unaudited) £m	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Profit before tax	**21.8**	29.0	92.9
Tax charge at the UK corporation tax rate of 19.58% (2016: 20.00%)	**4.3**	5.8	18.6
Tax effect of:			
Expenses that are not deductible in determining taxable profit	-	1.4	1.5
Income not taxable in determining taxable profit	**(0.1)**	-	(0.1)
Adjustments in respect of previous years	-	-	(0.4)
Other reconciling items	-	-	(0.2)
Tax charge for the period	**4.2**	7.2	19.4

Reductions in the rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted on 18 November 2015 and 6 September 2016 respectively. The UK deferred tax assets and liabilities at 28 February 2017 have been calculated based on the appropriate rate at which the asset/liability will unwind.

4. Inventories

	28 February 2017 (unaudited) £m	29 February 2016 (unaudited) £m	31 August 2016 (audited) £m
Land held for development	**186.2**	158.9	236.5
Sites in the course of construction	**304.3**	303.9	201.0
Finished stock	**247.2**	192.0	248.3
	737.7	654.8	685.8

4. Inventories (continued)

Days in inventory amounted to 815 days in the half year ended 28 February 2017 (H1 2016: 713 days and FY 2016: 574 days).

5. Borrowings

Short-term borrowings

	28 February 2017 (unaudited) £m	29 February 2016 (unaudited) £m	31 August 2016 (audited) £m
Land-related promissory notes	-	11.3	11.3
	-	11.3	11.3

Long-term borrowings

	28 February 2017 (unaudited) £m	29 February 2016 (unaudited) £m	31 August 2016 (audited) £m
Loans	**55.0**	99.0	55.0
Unamortised issue costs	**(2.3)**	(1.8)	(2.5)
	52.7	97.2	52.5

	Maturity	**Outstanding at 28 February 2017 £m**	Outstanding at 29 February 2016 £m	Outstanding at 31 August 2016 £m
Revolving Credit Facility	May 2021	55.0	99.0	55.0

In May 2016 an amendment was made to the revolving credit facility ('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, which remains at £200.0m. The nominal interest rate of this facility was amended to a 1, 3 or 6 month LIBOR + 1.6% depending on the length of the drawdown. As at 28 February 2017, £55.0m (H1 2016: £99.0m, FY 2016: £55.0m) 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.

Land-related promissory notes with terms of 3-6 months were used for two land acquisitions in FY15. The total finance cost of the land-related promissory notes was 4.0%. The land-related promissory notes in issue were structured as ancillary facilities of the RCF and were therefore linked to the security arrangements discussed above. All land-related promissory notes have matured within the period ending 28 February 2017.

5. Borrowings (continued)

Net debt

	28 February 2017 (unaudited) £m	29 February 2016 (unaudited) £m	31 August 2016 (audited) £m
Long-term and short-term borrowings	**52.7**	108.5	63.7
Add back unamortised debt issue costs	**2.3**	1.8	2.5
Cash and cash equivalents	**(24.6)**	(86.4)	(119.0)
Net debt including land-related promissory notes	**30.4**	23.9	(52.8)
Less land-related promissory notes	**-**	(11.3)	(11.3)
Net debt excluding land-related promissory notes	**30.4**	12.6	(64.1)

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).

6. Notes to the Condensed Consolidated Cash Flow Statement

	Half year ended 28 February 2017 (unaudited) £m	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Profit for the period	**17.6**	21.8	73.5
Adjustments for:			
Income tax expense	**4.2**	7.2	19.4
Amortisation of intangibles	**1.3**	1.2	2.5
Share-based payment charge	**0.2**	0.6	1.5
Depreciation of property, plant and equipment	**0.5**	0.5	1.1
Finance expense	**1.6**	2.6	4.9
Finance income	**(0.3)**	(1.5)	(2.7)
Other	**-**	(0.1)	-
Operating cash flows before movements in working capital	**25.1**	32.3	100.2
(Increase)/decrease in trade and other receivables	**(1.1)**	(0.4)	2.2
(Increase) in inventories	**(51.9)**	(75.5)	(99.5)
(Decrease)/increase in trade and other payables	**(26.4)**	(10.8)	37.5
Operating cash flows before interest and tax paid	**(54.3)**	(54.4)	40.4
Interest received	**0.1**	-	0.2
Interest paid	**(1.2)**	(2.1)	(4.1)
Income taxes paid	**(8.6)**	(8.3)	(18.2)
Cash (used by)/generated by operations	**(64.0)**	(64.8)	18.3
Net cash (outflow)/inflow from operating activities	**(64.0)**	(64.8)	18.3

6. Notes to the Condensed Consolidated Cash Flow Statement (continued)

	Half year ended 28 February 2017 (unaudited)	Half year ended 29 February 2016 (unaudited)	Year ended 31 August 2016 (audited)
	£m	£m	£m
Cash and cash equivalents	**24.6**	86.4	119.0

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 of movements in inventories and investment property (transferred to inventory). Within FY15 this was 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. During H1 FY17 the promissory notes relating to deferred land payments have matured.

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

7. Segmental analysis

The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are based in its country of domicile, the UK, and receives financial information for the UK as a whole. As a consequence the Group has one reportable segment which is UK housebuilding.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numerical disclosures are necessary.

8. Seasonality

In common with the rest of the UK housebuilding industry, activity occurs throughout the year, but is subject to the main house selling seasons of Spring and Summer. As this seasons falls in the second half of the Group's financial year, the Group's results are weighted to the second half of the financial year.

9. Earnings per share

Basic earnings per share are calculated as the profit for the financial period attributable to shareholders of the Group divided by the weighted average number of shares in issue during the period.

	28 February 2017 (unaudited)	29 February 2016 (unaudited)	31 August 2016 (audited)
Profit attributable to shareholders (£m)	**17.6**	21.6	73.1
Weighted average no. of shares (m)	**537.3**	513.8	525.6
Basic earnings per share (p)	**3.3**	4.2	13.9

9. Earnings per share (continued)

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 28 February 2017, the Company had three categories of potentially dilutive ordinary shares: 1.9m nil cost share options under the 2015 LTIP, 4.1m 167.4p share options under the 2015 Sharesave plan and 1.7m nil cost share options under the 2016 LTIP.

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.

	28 February 2017 (unaudited)	29 February 2016 (unaudited)	31 August 2016 (audited)
Profit used to determine diluted EPS (£m)	**17.6**	21.6	73.1
Weighted average no. of shares (m)	**537.3**	513.8	525.6
Adjustments for:			
Share options - 2015 LTIP (m)	**-**	0.3	0.3
Share options - 2015 Sharesave plan (m)	**-**	0.2	-
Share options - 2016 LTIP (m)	**-**		
Shares used to determine diluted EPS (m)	**537.3**	514.3	525.9
Diluted earnings per share (p)	**3.3**	4.2	13.9

10. Dividends on equity shares

	28 February 2017 (unaudited) £m	**29 February 2016 (unaudited) £m**	**31 August 2016 (audited) £m**
Amounts recognised as distributions to equity holders in the period			
Interim dividend for the year ended 31 August 2016	**-**	-	5.4
Final dividend for the year ended 31 August 2016	**18.8**	-	-
Total distributions to equity holders in the period	**18.8**	-	5.4
Interim dividend for the year ended 31 August 2017 (p)	**1.8p**		

In accordance with IAS 10 'Events after the Reporting Period' the interim dividend of 1.8p (H1 2016: 1.0p) has not been included as a liability in these Condensed Consolidated Half Yearly Financial Statements.

The interim dividend will be paid on 9 June 2017 to all ordinary shareholders on the register of members at the close of business on Friday 28 April 2017. The ex-dividend date is 27 April 2017.

11. Financial instruments' fair value disclosure

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

	Half year ended 28 February 2017 (unaudited) £m	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Financial assets			
Financial assets at fair value through profit or loss:			
Shared equity receiveables	**28.4**	28.6	29.3
Loans and receivables:			
Cash and cash equivalents	**24.6**	86.4	119.0
Trade and other receivables	**3.3**	4.7	2.2
	56.3	119.7	150.5
Financial liabilities			
Amortised cost:			
Trade and other payables	**65.8**	62.0	92.0
Land payables	**44.7**	30.1	49.3
Loans	**52.7**	97.2	52.5
Land-related promissory notes	**-**	11.3	11.3
	163.2	200.6	205.1

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 (including 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.

Fair value measurements recognised in the 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:

11. Financial instruments' fair value disclosure (continued)

- 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.

	Half year ended 28 February 2017 (unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at FVTPL				
Shared equity receivables	-	-	28.4	28.4
Total financial assets designated at FVTPL	-	-	28.4	28.4

	Half year ended 29 February 2016 (unaudited)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at FVTPL				
Shared equity receivables	-	-	28.6	28.6
Total financial assets designated at FVTPL	-	-	28.6	28.6

	Year ended 31 August 2016 (audited)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at FVTPL				
Shared equity receivables	-	-	29.3	29.3
Total financial assets designated at FVTPL	-	-	29.3	29.3

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

11. Financial instruments' fair value disclosure (continued)

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.

Assumptions	**Half year ended 28 February 2017 (unaudited) £m**	Half year ended 29 February 2016 (unaudited) £m	Year ended 31 August 2016 (audited) £m
Discount rate	4.0 to 4.7%	3.5 to 5.1%	4.7 to 5.2%
New build premium	5.0%	5.0%	5.0%
House price inflation	0 to 5.5%	0 to 3.2%	0 to 4.0%
Timing of receipt	6 to 11 years	6 to 11 years	5 to 12 years

Sensitivity-effect on value of other financial assets (less)/more	**Half year ended 28 February 2017 Increase in assumptions by 1%/1 year (unaudited) £m**	**Half year ended 28 February 2017 Decrease in assumptions by 1%/1 year (unaudited) £m**
Discount rate	(2.3)	2.5
House price inflation	2.3	(2.1)
Timing of receipt	(1.2)	1.2

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.

11. Financial instruments' fair value disclosure (continued)

The following tables present the changes in Level 3 instruments for the half years ended 28 February 2017 and 29 February 2016 and the full year ended 31 August 2016:

	Half year ended 28 February 2017	
	Shared equity receivables	Total
	£m	£m
Opening balance	29.3	29.3
Additions	0.5	0.5
Disposals	(1.8)	(1.8)
Revaluation gains recognised in profit or loss	0.4	0.4
Closing balance	28.4	28.4

	Half year ended 29 February 2016		
	Shared equity receivables	Interest rate cap	Total
	£m	£m	£m
Opening balance	28.0	0.3	28.3
Additions	0.1	-	0.1
Disposals	(0.9)	-	(0.9)
Revaluation gains/(losses) recognised in profit or loss	1.4	(0.3)	1.1
Closing balance	28.6	-	28.6

	Year ended 31 August 2016		
	Shared equity receivables	Interest rate cap	Total
	£m	£m	£m
Opening balance	28.0	0.3	28.3
Additions	0.5	-	0.5
Disposals	(1.7)	-	(1.7)
Revaluation gains/(losses) recognised in profit or loss	2.5	(0.3)	2.2
Closing balance	29.3	-	29.3

12. 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.

Transactions involving Directors and key management personnel
No advances, credits or guarantees have been entered into with any of the Directors of the Company during the current or preceding period.

13. 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.

Issuance of new shares due to early exercise of options under the Company's Sharesave plan
On the 27 February 2017 5,972 ordinary shares of 8p each were allotted and issued as fully paid up under the blocklisting facility date 1 February 2017. These shares were issued to satisfy the early exercise under the Sharesave plan. The number of shares in issue following this allotment is 537,320,041.

14. Share plans

During the financial year ending 31 August 2016, the Group launched three employee incentive schemes: an all-employee Sharesave plan and two discretionary plans - the Long Term Incentive Plan ('Long Term Incentive Plan') and the Annual and Deferred Bonus Plan (ABP).

On 15 December 2015 options were granted under the Group's Sharesave plan to those employees who had elected to participate.

On 25 November 2015 the Group granted nil-cost options under the Group's ('LTIP') to Executive Directors and 60 senior managers. The LTIP is subject to three performance conditions and vests over three years.

14. Share plans (continued)

Vesting Schedule for 2015 LTIP Awards:

Measure	Weighting (of total award)	Threshold (25% vesting of that measure)	Target (65% vesting of that measure)	Maximum (100% vesting of that measure)
Total Shareholder Return	40%	Equal to Comparator Group Index	Comparator Group Index + 3.75% per annum	Comparator Group Index + 7.5% per annum
Cumulative Earnings Per Share (pre-exceptional) to year ended 31 August 2018	30%	61.4p	66.1p	69.8p
Return on Capital Employed (pre-exceptional) for the year ended 31 August 2018	30%	22.0%	23.5%	25.0%

Further details of these plans can be found in the Group's Annual Report and Accounts dated 14 November 2016.

On 21 December 2016 the Group granted nil-cost options under an additional Group LTIP, the 2016 LTIP, to account for changes to Executive Directors and senior managers. This LTIP is subject to three performance conditions and vests over three years.

Vesting Schedule for 2016 LTIP Awards:

Measure	Weighting (of total award)	Threshold (25% vesting of that measure)	Target (65% vesting of that measure)	Maximum (100% vesting of that measure)
Total Shareholder Return	33.3%	Equal to Comparator Group Index	Comparator Group Index + 3.75% per annum	Comparator Group Index + 7.5% per annum
Cumulative Earnings Per Share (pre-exceptional) to year ended 31 August 2019	33.3%	21.8p	24.8p	27.8p
Return on Capital Employed (pre-exceptional) for the year ended 31 August 2019	33.3%	22.0%	23.5%	25.0%

15. Events after the balance sheet date

The 2017 interim dividend has been approved by the Board of Directors on 4 April 2017 as described in note 10.

16. Half year announcement

The Condensed Consolidated Half Yearly Financial Statements were approved by the Board on 4 April 2017. Copies of this announcement, along with further information on McCarthy & Stone plc and the analyst presentation document which will be presented at the Group's results meeting on 5 April 2017, are available on our website at www.mccarthyandstonegroup.co.uk.

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.

Statement of Director's responsibility in respect of the Half Year Results Announcement

The Directors confirm that to the best of their knowledge these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as required by DTR 4.2.4R. They also confirm that to the best of their knowledge the half year results announcement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8R (disclosure of related party transactions and changes thereto).

The Directors of McCarthy & Stone plc during the half year were:
John White (Independent Non-Executive Chairman)
Clive Fenton (Chief Executive Officer)
Nick Maddock (Chief Financial Officer) (resigned 6 January 2017)
Rowan Baker (Chief Financial Officer) (appointed 6 January 2017)
John Tonkiss (National Operations Director)
Frank Nelson (Senior Independent Non-Executive Director)
Mike Parsons (Independent Non-Executive Director)
Geeta Nanda (Independent Non-Executive Director)

C Fenton
Chief Executive Officer

R C Baker
Chief Financial Officer
4 April 2017

Independent review report to McCarthy & Stone plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2017 which comprises the consolidated statement of income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
4 April 2017

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].

The Group has two established product ranges – Retirement Living and Assisted Living (from 5 April Assisted Living will be rebranded to McCarthy & Stone Retirement Living Plus)– 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 (from 5 April this will be rebranded to McCarthy & Stone Lifestyle Living), 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 apartments in this product range across nine 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 2017, the Group received the full 5 Star rating for customer satisfaction from the HBF for the twelfth 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)