

**YourLife Management Services Limited**

**ANNUAL REPORT & FINANCIAL STATEMENTS**

**For the year to 31 August 2016**

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COMPANIES HOUSE

**Company registration number: 07153519**

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## **DIRECTORS AND ADVISORS**

For the year ended 31 August 2016

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### **Directors**

M J Jennings (resigned 19 August 2016)  
B M Chase (resigned 30 April 2016)  
L J Hardstaff (resigned 30 April 2016)  
R J Barnfield  
D J G Mann  
G N Day (appointed 19 August 2016)  
Dr J Townson Philpott (appointed 19 August 2016)  
M J Riddington (appointed 19 August 2016)

### **Registered Office**

4<sup>th</sup> Floor  
100 Holdenhurst Road  
Bournemouth  
Dorset  
BH8 8AQ

### **Independent Auditor**

Deloitte LLP  
Chartered Accountant and Statutory Auditor  
Mountbatten House  
1 Grosvenor Square  
Southampton  
SO15 2BZ

### **Bankers**

HSBC Bank plc  
70 Pall Mall  
London  
SW1Y 5EZ

## STRATEGIC REPORT

For the year ended 31 August 2016

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### Business Overview

YourLife Management Services Limited (the "Company") is a subsidiary Company within the McCarthy & Stone Group of companies (ultimately owned by McCarthy & Stone plc) which is 50% owned by McCarthy & Stone plc and 50% owned by Somerset Care Limited. The Company is engaged in the provision of management services to 'Assisted Living' retirement developments built by McCarthy & Stone plc across the UK.

McCarthy & Stone is the UK's leading retirement housebuilder. The Group buys land, secures detailed planning consent and then builds, sells and manages a range of high-quality developments that are specifically designed to meet the lifestyle needs of retirees. Somerset Care are one of the major care providers in England and one of the largest not-for-profit care companies in the UK. Somerset Care specialise in the provision of a range of care and support services to help retirees remain independent, they are also working hard to improve overall perceptions of the care industry in the retirement sector.

### Performance during the year

During the year to 31 August 2016 turnover increased by 32% from £8.8 million to £11.6 million resulting in a profit on ordinary activities before taxation of £0.7 million (2015: £0.6 million). The Directors paid a dividend of £0.4 million in respect of the year (2015: nil).

The business performance has been robust due to the increasing number of Assisted Living developments under management which grew in the year from 46 to 57. Each development generates management fees on a per apartment basis and each development also delivers revenue in the form of care and domestic support services. As revenue has increased operating expenditure has also increased, driven by increased management fees paid to the parent companies as well as additional staff costs incurred in the delivery of care and domestic support services per development. There continue to be a number of operational staff engaged in delivery of management services for the Company who are employed and remunerated by the two parent companies.

The Company is supported by a strong balance sheet and robust financial position with £0.9 million of net assets at 31 August 2016 (2015: £0.7 million) which is further underpinned by available cash of £1.2 million at 31 August 2016 (2015: £1.2 million). There is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

YourLife Management Services continues to be the sole provider of management services to 'Assisted Living' retirement developments built by McCarthy & Stone plc across the UK; McCarthy & Stone plans to open around 15 new 'Assisted Living' retirement developments each year for the next three years.

### Principle Risks & Uncertainties

#### Economic Conditions

The Company operates with a closely aligned strategy and is subject to similar risks and uncertainties as the McCarthy & Stone Group. If there is a deterioration of McCarthy & Stone plc's performance this may have an impact on YourLife Management Services in the form of limited new developments under management or the reduction of the current number of developments in the portfolio. The Group closely monitors industry indicators and assesses the potential impact of different economic scenarios which in turn mitigates the risk to YourLife Management Services.

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 August 2016

### Reputation and customer satisfaction

The Company is engaged in the provision of management services to ageing and sometimes frail homeowners, it is also the sole provider of management and personal care services to 'Assisted Living' retirement developments built by McCarthy & Stone plc across the UK. Any issues with the provision of quality services to homeowners could impact on the Company's reputation and overall homeowner satisfaction. This is mitigated by a strict business model for the delivery of management and care services with a robust performance and monitoring framework with key controls. Additionally we have a thorough customer satisfaction measurement and tracking process.

### Employees

The Company's employees are central to the achievement of the Company's objectives and failure to recruit and retain sufficient staff resource of the right quality could constrain the ability to deliver high quality services. This is particularly prevalent in the fact that most of the employees work remotely on different developments around the country. This is mitigated by a comprehensive human resource framework managed carefully to ensure the Company employs and retains a strong workforce of development duty staff and operational staff who are based around the country. Additionally by building an attractive reward mechanism for all staff and ensuring it is comparable or better than the wider market enables us to attract talented staff who are passionate and engaged in the delivery of services to our homeowners.

### Provision of care and domestic support services

The Company provides personal care and domestic support services to ageing and sometimes frail homeowners, these services are carefully listed so there is clarity about what our staff can and cannot undertake. However some of these services are inherently risky and could expose staff to situations that result in injury or further complications. The Company is registered with the Care and Quality Commission (CQC) in England and the equivalent bodies in Wales and Scotland and the provision of all the Company's services are regulated by these bodies. The Company has therefore setup a robust management system to manage and monitor the provision of care and domestic support services and is routinely audited by CQC on a rolling basis with around twelve CQC audit inspections per year on different developments.

### Key performance indicators

The Company produced a strong set of results in 2015/16 with turnover and operating profit ahead of 2014/15. This was driven by a strong supply of new developments being completed by McCarthy & Stone plc and adopted into our management portfolio during the year, as shown by the key performance indicators below:

| Key Performance Indicators             | 2016 | 2015 | 2014 |
|--|------|------|------|
| Developments under management          | 57   | 46   | 32   |
| Staff employed by company at 31 August | 750  | 549  | 386  |
| Staff employed by owning companies     | 0    | 22   | 15   |
| Turnover (£m)                          | 11.6 | 8.8  | 5.5  |
| Operating Profit (£m)                  | 0.7  | 0.6  | 0.2  |
| Operating Margin                       | 6%   | 7%   | 4%   |

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 August 2016

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### Outlook

The Company continues to be the sole provider of management services to new Assisted Living developments built by McCarthy & Stone plc and there is a strong pipeline of new developments being built. Over the next three years there is forecast to be around 15 new Assisted Living developments per year being incorporated into our portfolio therefore providing a secure platform for continued growth. During 2016, the Company has been able to capitalise on this growth opportunity and the Directors are forecasting further significant growth in volumes, revenue and profit during 2017.

The Company strategy is to create an efficient and scalable business capable of managing more than 100 developments per year in the medium term, whilst also being focused on delivering high quality management services and achieving high levels of homeowner satisfaction. In support of this strategy, the Company is working closely with McCarthy & Stone plc to ensure it continues to be a respected partner for management services, and the Company has been increasing investment in its staff to ensure it can meet the evolving needs of its homeowners and drive excellence in its operational services. The Company believes it is well placed to deliver its strategy over the next three years with strong ongoing support from its two joint owning companies, McCarthy & Stone plc and Somerset Care Limited.

This Strategic Report was approved by the Board on 25 May 2017 and signed on its behalf by:



David Mann  
Director

YourLife Management Services Limited  
4<sup>th</sup> Floor  
100 Holdenhurst Road  
Bournemouth  
Dorset  
BH8 8AQ

## DIRECTORS' REPORT

For the year ended 31 August 2016

The Directors of YourLife Management Services Limited present their annual report and audited financial statements for the year ended 31 August 2016.

### Principal activity

The Company provides property management and support services to the residents of Assisted Living developments built and developed by McCarthy & Stone Retirement Lifestyles Limited.

### Results and dividends

The results for the year ended 31 August 2016 show a profit on ordinary activities after taxation which amounted to £0.6 million (2015: £0.5 million).

The Directors proposed a dividend of £0.4 million which was paid in December 2016 in respect of the year (2015: nil).

### Ownership

The Company is a subsidiary of McCarthy & Stone Management Services Limited owned 50/50 in partnership with Somerset Care Limited. The ultimate parent company is McCarthy & Stone plc (formerly McCarthy and Stone Ltd), who were admitted for listing on the London Stock Exchange in November 2015 and produces consolidated financial statements.

There has been no change to the Company's issued share capital during the year.

### Directors and Directors' interests

The Directors of the Company during the year and up to the date of signing were:

| Name   | Date of appointment |
|--|---------------------|
| <i>Current Directors:</i>                      |                     |
| Richard Barnfield                              | 26 March 2015       |
| David Mann                                     | 26 March 2015       |
| Gary Day                                       | 19 August 2016      |
| Dr Jane Townson Philpott                       | 19 August 2016      |
| Mark Riddington                                | 19 August 2016      |
| <i>Directors who resigned during the year:</i> |                     |
| Beverley Chase                                 | 30 April 2016       |
| Linda Hardstaff                                | 30 April 2016       |
| Mike Jennings                                  | 19 August 2016      |

No Director has any interest in the shares of the Company. There have been no changes in the Directors' interests in the share capital of the Company since 31 August 2016.

### Directors' insurance

The Company has appropriate insurance cover in respect of possible legal action being taken by third parties against its Directors and Officers.

## **DIRECTORS' REPORT (CONTINUED)**

For the year ended 31 August 2016

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### **Directors' conflicts of interest**

Each of the Directors has a duty under the Companies Act 2006 to avoid a situation where he has, or could have a direct or indirect interest that conflicts with the interests of the Company. The Company's Articles of Association contains provisions for dealing with conflicts or potential conflicts. The procedures for dealing with conflicts of interest have operated effectively during the year under review and the Directors have concluded that there were no conflicts of interest during the year.

### **Directors' indemnities**

As permitted by the Company's Articles of Association, qualifying third party indemnity provisions for the benefit of its Directors have been in place throughout the year under which the Company has agreed to indemnify the Directors, to the extent permitted by law and by the Articles, against all liability arising in respect of any act or omission in the course of performing their duties.

### **Employees**

At 31 August 2016 the total number of persons employed by the Company was 750 (2015: 549). The average number of persons employed during the year was 679 (2015: 483).

### **Disability Policy**

The Group gives full consideration to applications for employment from persons with disabilities where the requirements of the job can be adequately fulfilled by a person with a disability. Should any employee become disabled, it is the Group's policy, wherever possible, to continue the employment of that person and to provide equal opportunities for the career development of employees with disabilities.

### **Diversity Policy**

The Group is committed to promoting policies to ensure that those who are employed by the Group's businesses are treated equally, regardless of status, sex, age, colour, race or ethnic origin. At the end of the financial year 48% of all Group employees were female and 45% were over the age of 50.

### **Training and Development**

The Group's ability to achieve its commercial objectives and to meet the needs of its customers in a profitable, competitive and safe manner depends on the contribution of employees throughout the Group. Employees are encouraged to develop their contribution to the business wherever they work and the Group has an ongoing commitment to their training and development.

Performance against objectives is reviewed bi-annually and the process includes a personal development plan. Programmes focused on quality and customer service provide an opportunity for all employees to be involved in making improvements.

### **Employee Communications**

The Group communicates with its employees about its objectives, progress and activities through a variety of channels including regular quarterly updates and the Group's intranet. The Group has established a set of corporate values and conducts regular employee surveys. Group-wide roadshows were conducted during the year to update all employees on the business and to allow employees the opportunity to provide feedback to management.



## **DIRECTORS' REPORT (CONTINUED)**

For the year ended 31 August 2016

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### **Going Concern**

The Company has prepared a five year business plan, to forecast the expected turnover and cash flow for the business, and believes that future years will provide adequate resources for the business to trade profitably.

The Directors are satisfied that the loan facilities and operations of each Parent entity are sufficient that the financing provided would not be at risk, and thus have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the financial statements have been prepared on a going concern basis.

### **Statement of disclosure of information to the Independent Auditor**

In the case of each of the persons who is a Director of the Company at the date when this report is approved:

- as far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 31 August 2017.

Deloitte LLP have been appointed as the Group's auditors at the Annual General Meeting of McCarthy & Stone plc held in January 2017.

YourLife Management Services Limited

## **DIRECTORS' REPORT (CONTINUED)**

For the year ended 31 August 2016

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The Directors' Report was approved by the Board of Directors on 25 May 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R J Barnfield', with several horizontal strokes underneath.

R J Barnfield  
Director

YourLife Management Services Limited  
4<sup>th</sup> Floor  
100 Holdenhurst Road  
Bournemouth  
Dorset  
BH8 8AQ

## **DIRECTORS' RESPONSIBILITY STATEMENT**

For the year ended 31 August 2016

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### **Directors' Responsibilities Statement in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOURLIFE MANAGEMENT SERVICES LIMITED**

For the year ended 31 August 2016

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We have audited the financial statements of YourLife Management Services Limited for the year to 31 August 2016 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its profit for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOURLIFE MANAGEMENT SERVICES LIMITED (CONTINUED)**

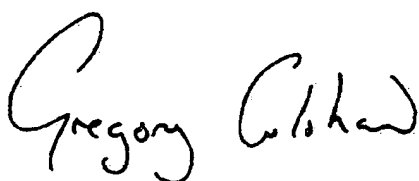
For the year ended 31 August 2016

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of Directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.



Gregory Culshaw ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Southampton, United Kingdom

30 May 2017

## PROFIT AND LOSS ACCOUNT

For the year ended 31 August 2016

|   | Notes | 2016<br>£'000 | 2015<br>£'000 |
|---|-------|---------------|---------------|
| Turnover                                      | 1     | 11,557.7      | 8,768.2       |
| Cost of sales                                 |       | (10,038.2)    | (8,066.0)     |
| Gross profit                                  |       | 1,519.5       | 702.2         |
| Administrative expenses                       |       | (791.5)       | (89.8)        |
| Operating profit/ (Loss)                      | 3     | 728.0         | 612.4         |
| Interest payable and similar charges          |       | (3.6)         | (2.7)         |
| Profit on ordinary activities before taxation |       | 724.4         | 609.7         |
| Taxation charge                               | 6     | (144.9)       | (125.1)       |
| Profit for the financial year                 |       | 579.5         | 484.6         |

There were no gains or losses other than those stated in the Profit and Loss Account above. Accordingly no Statement of Comprehensive Income is given.

All of the figures above relate to continuing operations.

## BALANCE SHEET

As at 31 August 2016

|  | Notes | 2016<br>£'000 | 2015<br>£'000 |
|--|-------|---------------|---------------|
| <b>Current assets</b>                        |       |               |               |
| Debtors: amounts due within one year         | 7     | 573.3         | 230.4         |
| Cash   |       | 1,190.9       | 1,237.6       |
|  |       | 1,764.2       | 1,468.0       |
| Creditors: amounts due within one year       | 8     | (883.2)       | (766.5)       |
| <b>Net current assets</b>                    |       | <b>881.0</b>  | <b>701.5</b>  |
| <b>Total assets less current liabilities</b> |       | <b>881.0</b>  | <b>701.5</b>  |
| <b>Net assets</b>                            |       | <b>881.0</b>  | <b>701.5</b>  |
| <b>Capital and reserves</b>                  |       |               |               |
| Called up share capital                      | 10    | 10.0          | 10.0          |
| Profit and loss account                      | 10    | 871.0         | 691.5         |
| <b>Shareholders' funds</b>                   |       | <b>881.0</b>  | <b>701.5</b>  |

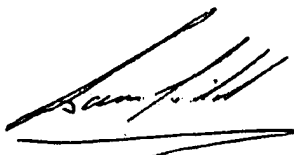
Company registration number: 07153519

Approved by the Board and authorised for issue on 25 May 2017.

Signed on its behalf by:



D J G Mann  
Director



R J Barnfield  
Director

The notes on pages 16 to 23 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

As at 31 August 2016

|  | Share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|--|---------------------------|-------------------------------|----------------|
| <b>At 1 September 2014</b>                     | <b>10.0</b>               | <b>206.9</b>                  | <b>216.9</b>   |
| Profit for the year                            | -                         | 484.6                         | 484.6          |
| <b>Total comprehensive income for the year</b> | <b>-</b>                  | <b>484.6</b>                  | <b>484.6</b>   |
| <b>Balance as at 31 August 2015</b>            | <b>10.0</b>               | <b>691.5</b>                  | <b>701.5</b>   |
| Profit for the year                            | -                         | 579.5                         | 579.5          |
| <b>Total comprehensive income for the year</b> | <b>-</b>                  | <b>579.5</b>                  | <b>579.5</b>   |
| Dividends paid during the year                 | -                         | (400.0)                       | (400.0)        |
| <b>Balance as at 31 August 2016</b>            | <b>10.0</b>               | <b>871.0</b>                  | <b>881.0</b>   |



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2016

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### 1. Accounting policies

The following accounting policies have been used in dealing with items that are considered material in the financial statements. They have been applied consistently throughout the current year and prior period.

YourLife Management Services Limited (the Company) is a private company limited by shares and incorporated in England under the Companies Act 2006. The address of the registered office is given on page 2. The principal activities of the Company and the nature of the Company's operations are set out in the Strategic Report on pages 3 to 5.

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2015.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemption by the Company's shareholders. The Company has taken advantage of the following exemptions on the basis that the consolidated accounts of McCarthy & Stone plc include equivalent disclosures:

- the requirement to prepare a statement of cash flows
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks
- a reconciliation of the number of shares outstanding at the beginning and end of the period
- remuneration of key management personnel

#### Going concern

YourLife Management Services Limited was formed to provide a vehicle for estate management and the provision of care related services. It is a joint venture between McCarthy & Stone Management Services Limited and Somerset Care Group. YourLife Management Services Limited is financed via equal investment from both entities. The Directors are satisfied that the bank facilities and operations of each parent entity are sufficient that the financing provided would not be at risk, and thus have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the financial statements have been prepared on a going concern basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2016

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### 1. Accounting policies (continued)

#### Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at banks and in hand.

#### Corporation tax

Corporation tax comprises current tax and deferred tax. Current tax is based on taxable profits for the year.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the Profit and Loss Account.

#### Pensions and other post-retirement benefits

The Company provides a defined contribution pension scheme arrangement. Contributions to the scheme are recognised in the Profit and Loss Account in the period in which they become payable. The amount charged to the Profit and Loss Account represents contributions payable to the individual policies held by employees with independent insurance companies.

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

#### Turnover

Turnover is attributable to a number of activities within the UK. These are the estate management and support services on behalf of McCarthy & Stone Retirement Lifestyles Ltd, and the provision of care and domestic assistance to the residents of the developments they manage. All amounts arise in respect of operations undertaken during the year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 August 2016

**2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company'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 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 Company's accounting policies**

The Directors have made no critical judgements in applying the Company's accounting policies.

**3. Profit on ordinary activities before taxation**

Operating profit is stated after charging:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Operating lease rentals - plant and machinery | 12.5          | -             |
| Auditors' remuneration - audit services       | 3.4           | 2.0           |

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 3.4           | 2.0           |
| <b>Total audit fees</b>   | <b>3.4</b>    | <b>2.0</b>    |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 August 2016

**4. Employees**

The average number of persons employed during the year was 679 (2015: 483). The number of persons employed by the Company at 31 August was:

|  | 2016<br>Number | 2015<br>Number |
|--|----------------|----------------|
| Office and management                    | 20             | 0              |
| Estate manager's, duty and support staff | 730            | 549            |
|  | <b>750</b>     | <b>549</b>     |

The aggregated payroll costs are as follows:

|                       | 2016<br>£'000  | 2015<br>£'000  |
|-----------------------|----------------|----------------|
| Wages and salaries    | 9,030.9        | 6,545.2        |
| Social security costs | 615.2          | 420.0          |
| Other pension costs   | 143.0          | 84.1           |
|                       | <b>9,789.1</b> | <b>7,049.3</b> |

Estate manager's, duty and support staff are employed by the Company to oversee each development managed by the Company. The employment costs of these staff are included in the above table but are recharged at cost to the relevant developments. These amounted to wages and salary costs of £7,839,257 (2015: £5,961,069), social security costs of £529,937 (2015: £388,187) and pension costs of £113,813 (2015: £80,596).

**5. Directors' emoluments:**

The remuneration of the Directors as listed on page 6 was paid by the joint owning companies and the allocation to this Company is £nil (2015: £nil).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 August 2016

**6. Taxation on profit on ordinary activities****a. Analysis of tax charge for the period**

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <i>Current tax:</i>                               |               |               |
| UK corporation tax on the profit for the period   | 144.9         | 125.5         |
| Adjustment in respect of previous periods         | -             | (4.4)         |
| <i>Deferred tax:</i>                              |               |               |
| Adjustment in respect of previous periods         | -             | 4.0           |
| Effect of change in tax rates                     | -             | -             |
| <b>Total tax on profit on ordinary activities</b> | <b>144.9</b>  | <b>125.1</b>  |

**b. Factors affecting tax charge for the current period**

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation                                 | 724.4         | 609.7         |
| Anticipated tax charge based on profit before tax at 20.00%<br>(2015: 20.58%) | 144.9         | 125.5         |
| <i>Effects of:</i>  |               |               |
| Effect of change in tax rates   | -             | -             |
| Adjustment in respect of previous periods                                     | -             | (0.4)         |
| <b>Total tax charge for the period</b>  | <b>144.9</b>  | <b>125.1</b>  |

The effective tax rate for the year was 20% following a reduction to the rate on 1 April 2015. Further reductions to 19% from 1 April 2017 and 17% from 1 April 2020 have been substantively enacted. Deferred tax assets and liabilities are measured at the rate at which they are expected to reverse.

**c. Deferred taxation movements**

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| At 1 September                            | -             | 4.0           |
| Adjustment in respect of previous periods | -             | (4.0)         |
| <b>At 31 August</b>                       | <b>-</b>      | <b>-</b>      |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 August 2016

**7. Debtors: amounts due within one year**

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Amounts owed by McCarthy & Stone plc Group companies | 283.4         | -             |
| Prepayments and other debtors                        | 289.9         | 230.4         |
|  | <b>573.3</b>  | <b>230.4</b>  |

**8. Creditors: amounts due within one year**

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Amounts owed to McCarthy & Stone plc Group companies | 378.5         | 372.6         |
| Other creditors                                      | 299.5         | 128.4         |
| Trade creditors                                      | 3.8           | 102.3         |
| Corporation tax                                      | 167.1         | 162.4         |
| Other taxation and social security                   | 34.3          | 0.8           |
|  | <b>883.2</b>  | <b>766.5</b>  |

**9. Operating lease commitments**

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

|                      | Other<br>2016<br>£'000 | Other<br>2015<br>£'000 |
|----------------------|------------------------|------------------------|
| Within one year      | 14.5                   | -                      |
| In two to five years | 33.5                   | -                      |
|                      | <b>48.0</b>            | <b>-</b>               |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 August 2016

**10. Share capital and reserves**

|  | Allotted,<br>called up &<br>fully paid<br>No. | Allotted,<br>called up &<br>fully paid<br>£ |
|--|---|---|
| <b>Equity share capital</b>                      |   |   |
| Ordinary 'A' shares of £1 each                   | 5,000   | 5,000                                       |
| Ordinary 'B' shares of £1 each                   | 5,000   | 5,000                                       |
| <b>As at 31 August 2015 &amp; 31 August 2016</b> | <b>10,000</b>                                 | <b>10,000</b>                               |

Each class of shares carries equal voting, dividends and capital repayment rights.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

**11. Pensions**

The Company 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 Company as the assets of these arrangements are held and managed by third parties entirely separate from the Company.

The Company's pension cost for the period was £143.0k (2015: £84.1k). The unpaid contributions outstanding at the year-end are £nil (2015: £nil).

**12. Related parties**

During the year the Company invoiced management fees of £657.9k (2015: £974.2k) not wholly within the same Group.

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <b>Amounts due from related party at the balance sheet date</b> |               |               |
| McCarthy & Stone Management Services Ltd                        | 277.6         | 0.3           |
| Somerset Care Ltd   | 2.5           | -             |
|   | <b>280.1</b>  | <b>0.3</b>    |
| <b>Amount due to related party at the balance sheet date</b>    |               |               |
| McCarthy & Stone Management Services Ltd                        | 183.0         | 95.3          |
| Somerset Care Ltd   | -             | 58.6          |
|   | <b>183.0</b>  | <b>153.9</b>  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2016

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### 13. Ultimate Parent undertaking and controlling party

The immediate parent undertaking is McCarthy & Stone Management Services Limited.

McCarthy & Stone plc, which is registered in England and Wales, is considered to be the Company's ultimate parent undertaking and ultimate controlling party. The financial statements of McCarthy & Stone plc can be obtained from the registered office:

4<sup>th</sup> Floor  
100 Holdenhurst Road  
Bournemouth  
Dorset  
BH8 8AQ

The smallest and largest Group in which this Company's financial statements are consolidated is McCarthy & Stone plc.

### 14. Post balance sheet events

There are no post balance sheet events

### 15. Transition to FRS 102

For all periods up to and including the year ended 31 August 2016, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice ("UK GAAP"). As stated in note 1, these financial statements for the year ended 31 August 2016 are the first the Company is required to prepare in accordance with FRS 102.

Accordingly, the Company has prepared financial statements which comply with FRS 102 applicable for periods beginning on or after 1 September 2014. The significant accounting policies meeting those requirements are described in note 1 and have been consistently applied throughout the period.

As a consequence of adopting FRS 102, certain accounting policies have been changed to comply with that standard:

Amounts owed to/ by group undertakings: Under UK GAAP these balances were held at the value of received net proceeds. Under FRS 102 amounts owed to group undertakings will initially be recognised at the transaction value and subsequently at amortised cost. Due to the balances not having a set repayment date, and therefore being current balances, the amortised costs is deemed to equal the value recorded at the transaction date, and therefore there will be no adjustment required to comply with FRS 102.

Holiday pay accrual: Under FRS 102 companies are required to accrue for holiday pay owed to employees at the period end. The additional accrual has been booked across all periods.

There were no material adjustments required to the amounts previously reported under UK GAAP in preparing the Company's opening FRS 102 balance sheet.