Mastiff Bidco Limited

Annual Report and Financial Statements

For the year ended 31 October 2022

Jersey company registered number 132525

UK Companies House Registered number FC038412

Contents

The Directors have pleasure in submitting the Strategic Report and the audited Consolidated Financial Statements of Mastiff Bidco Limited (the Company) and all its subsidiaries (together, the Group) for the year ended 31 October 2022. The comparative financial year is the period from 15 October 2020 to 31 October 2021, during which the McCarthy Stone Group was acquired and its results consolidated from 1 February 2021, therefore the two financial years are not directly comparable.

The Group is the UK's leading developer and manager of retirement communities, under the trading name McCarthy Stone.

Our purpose is to champion the role, wellbeing and happiness of older people in society by creating communities for our customers that nurture a sense of belonging, independence and peace of mind.

Our mission is to be the natural choice for later living – by developing beautiful, sustainable and more affordable places to live, with flexible services and a choice of ownership options, designed around our customers and their families.

All our developments built since 2010 are managed by our in-house management services team, providing peace of mind that we will look after customers and their properties for the long term. As of October 2022, we operate 499 developments across the UK for more than 22,000 customers.

Our commitment to quality and customer service continues to be recognised by customers. In March 2022, we received the full five-star rating for customer satisfaction from the Home Builders Federation for the seventeenth consecutive year – making us the only UK developer, of any size or type, to achieve this accolade.

The Group employs around 2,600 people across the UK and works with c.6,000 suppliers, sub-contractors and local trades people to provide exceptional apartments for our customers to own outright, rent or part-buy part-rent, including under the Homes England Older Persons Shared Ownership (OPSO) scheme.

McCarthy Stone has two main product ranges - Retirement Living and Retirement Living PLUS - which provide mainly one and two-bedroom apartments with varying levels of support and care for older people. Retirement Living developments provide independence in private apartments designed specifically for the over 60s, as well as facilities such as communal lounges and guest suites that support companionship. Retirement Living PLUS developments, which are designed specifically for the over 70s, offer all of this plus more on-site facilities such as restaurants, well-being suites and function rooms. Importantly, they also provide on-site flexible care and support packages to assist those needing additional help.

Business performance review

The financial results for the year-ended 31 October 2022 include a full year of trading performance for the McCarthy Stone Group following the acquisition by Mastiff Bidco Limited in the prior year. The comparative prior year financial information only includes the consolidated results of the McCarthy Stone Group from 1 February 2021 and thus only includes nine months of trading performance. Where relevant, prior year financial information has been extracted from the McCarthy & Stone Limited Annual Report and Financial Statements for the year ended 31 October 2021 for the purpose of providing more relevant 12 month comparative financial information. Prior to acquisition, McCarthy & Stone Limited was the consolidating parent company containing the trading activities and assets of the group.

The financial year began with subdued trading performance as the UK grappled with further COVID restrictions in response to the Omicron variant. As restrictions were lifted, customer behaviour began to normalise with strong reservations throughout much of the financial year. The 23 September "Mini-budget" created significant uncertainty in the UK housing market with spiking mortgage rates compounding economic pressures from the escalating cost of living crisis. This resulted in increased hesitancy amongst our customer base, which suppressed reservations and increased customer cancellations at the end of the financial year. Notwithstanding the significant economic volatility throughout the year the Group delivered strong volume growth with 1,210 legal completions (2021: 814), comprising 910 sales completions (2021: 689) and 300 rental completions (2021: 125). This represents growth of 19% versus the 1,013 reported for the full year by the McCarthy & Stone Limited Group in the prior year.

The growth in legal completions underpinned the increase in revenue to £434.0m (2021: £280.5m). This represents growth of 30% versus the £335.5m reported for the full year by the McCarthy & Stone Limited Group in the prior year. Average selling price was broadly flat year on year at £314k (2021: £315k). Whilst house price growth was strong throughout the financial year supporting incremental increases across the portfolio, the impact of pricing increases on average selling price was offset by a shift in geographical mix with a higher proportion of sales in the Northern Division. £14.8m of revenue was generated from Freehold Revisionary Interests in the year. In January 2021, the Ministry of Housing, Communities & Local Government (MHCLG) reversed its decision to exempt the retirement housing industry from the zero rating of new ground rents. The ban is set to come in from April 2023 at which point no further Freehold revisionary interests will be sold to investors.

300 (25%) of the legal completions in the period are rental completions, an increase from the 176 (representing 17% of total legal completions) reported for the full year by the McCarthy & Stone Limited Group in the prior year. Throughout the year, the Group maintained its rental partnership provided by Brigid Investments Limited, selling units to them in four quarterly tranches generating a total of £101.8m cash in the period.

During the year, the Group achieved strategic partnership status with Homes England and has been successful in its bid for grant funding to deliver 1,500 new affordable shared ownership properties over the next five years. The grant funding will be the first investment in the private retirement sector ever made by Homes England. The 1,500 units, of which 25% will be delivered via Modern Methods of Constructions (MMC), will be both developed and managed by McCarthy Stone. The units will be delivered nationwide, with the majority located in the Midlands and North of England. By opening access to high-quality retirement communities, McCarthy Stone will help contribute towards the Government's 'levelling up' agenda, providing more older people with a diverse mix of specialist housing while also helping to create additional employment opportunities for local communities. At year-end the Group had drawn £18.1m of grant funding from Homes England.

The Group continues to work on its partnership with Anchor, which sees the country's two leading retirement providers deliver a range of 'affordable for all' later living communities across England. The partnership currently has four sites under contruction that contributed £19.0m of revenue in the year (2021: £27.8m)

The Group has continued to focus on operating costs in the year with administrative expenses totalling £69.5m (2021: £46.6m). This compares to £68.7m reported for the full year in the McCarthy & Stone Limited Group in the prior year.

Non-underlying costs total £28.7m in the year (2021: £9.8m) and includes a charge of £14.6m to increase the Group's fire safety provision. This increased charge reflects the more detailed understanding of costs of remediation on the original commitments combined with the broader scope now required as a consequence of signing the pledge which has resulted both in an increase in the amount of work required and in the number of developments in scope. It should also be noted that the Group has disclosed a contingent liability in note 21 with respect to the Self Remediation Terms and Deed of Bilateral Contract issued by the Government Department for Levelling up, Housing and Communities on 30 January 2023. Additionally, £8.2m was incurred in relation to the Group's strategic review (2021: £1.8m) and £5.6m relating to legal costs and provisions (2021: £0.2m). Consequently, the Group's underlying operating profit for the year is £39.3m (2021: £10.0m loss) and the reported operating profit for the year was £9.4m (2021: £20.7m loss).

The Group reported a financial loss after tax of £35.4m (2021: £28.4m loss).

The Group's financial position remains strong with year-end cash of £162.8m (2021: £200.4m) supported by a £275.0m 5-year senior loan facility and £48.5m revolving credit facility. No covenants apply on the facilities until 30 October 2023. Details of covenants are set out on note 24. Additionally, the Group has two related party loans with Mastiff Holdco Limited totalling £424.2m (2021: £424.7m). Year end net debt was £536.4m (2021: £499.3m).

A measured approach to cash flow management remains in place, balancing the need to preserve headroom in order to enable the Group to navigate the UK economic downturn and expected recession, with the need to continue to invest in land and development to support the sales and profitability of future financial periods.

The Group's results for the year and financial position at the end of the period are set out in the Consolidated Statement of Comprehensive Income on page 30 and in the Consolidated Statement of Financial Position on page 31.

Key performance indicators

	Mastiff Bidco Limited		McCarthy & Stone Limited
Indicator	**2022**	**2021[1]**	**2021[2]**
Sales completions	910	689	837
Rental completions	300	125	176
Average selling price	£314k	£303k	£315k
Land exchanges	47	24	33
First occupations	24	25	28
Developments under management	499	475	475
Customer satisfaction	91%	92%	92%

[1] The comparative prior year financial information for Mastiff Bidco Limited only includes the consolidated results of the McCarthy Stone Group from 1 February 2021 and thus only presents nine months of trading performance.

[2] McCarthy & Stone Limited Annual Report and Financial Statements for the year ended 31 October 2021 for the purpose of providing a more relevant 12 month comparative financial information. Copies of these financial statements can be obtained on Companies House.

Non-financial information statement

Strategic priorities

Our five key strategic priorities are:
1. Increasing Value from Build – We will deliver strong returns by buying valuable land and creating a smooth supply of developments, which we will have developed efficiently and effectively.
2. Establish Market Leadership – We will champion later life in the UK and establish our communities as a preferred lifestyle for older people.
3. Offer Choice – Our customers will be empowered to make the best financial choices for themselves and their families by giving them new tenure and services payment options.
4. Offer Affordability – We will create communities that are suitable for the budgets of an increasingly diverse older population in the UK.
5. Provide Flexibility – We will offer homeowners a broad range of services to create vibrant communities and adapt our offering to meet our customers' evolving wants and needs.

Products and services

We create beautiful retirement communities and provide management, care and wellbeing services with our customers' long-term interests in mind. We provide this through our two core products and a range of affordable and flexible services:

Retirement Living:
Designed exclusively for people aged 60 and over, our Retirement Living homes feature either one, two or three bedrooms, an on-site House Manager, spacious lounges, fitted kitchens, level access and typically private outside space in the form of balconies, terraces or patios. From 24-hour security to slip-resistant flooring in the bathroom, every aspect is specifically designed with our customers' needs in mind.

Retirement Living PLUS:
Created with the very specific needs of people aged 70 and over, our Retirement Living PLUS developments offer retirement properties with management services, domestic assistance and personal care on site. They are an attractive alternative for people seeking additional support in their retirement while maintaining their independence.

Management, care and wellbeing services:
We are one of the largest housing with care providers in the UK. All management, care and wellbeing services are provided by our dedicated in-house teams.

Our services business is at the heart of delivering our customer-led ethos and the efficient and effective operational management of our retirement communities which enrich the quality of life for our customers.

Business model

Our business model is built on five important core components – each designed to provide the very best properties and services for our customers. By ensuring that our customers are at the very heart of what we do, we will continue to evolve the business model as their needs and values change over time.

Land buying:
We identify and secure high-quality sites, most of which are brownfield, to create retirement communities that are located within towns and cities, close to amenities and which meet the needs of our customers and their families. This approach reduces the pressure for greenfield sites, assists with the need to rejuvenate land, buildings and high streets and mitigates the need for private transport.

Planning:
We operate an effective planning process and design high quality homes which meet our customers' evolving needs and improve their quality of life. Our plans and designs include communal areas for customers which provide for a closer community spirit, more social interaction and reduce loneliness.

Construction:
We consistently deliver exceptional energy efficient homes while maintaining robust health and safety standards and operating in a socially responsible, sustainable and ethical way. There are clear environmental benefits to using responsibly sourced and efficient materials and minimising the amount of waste sent to landfill.

Sales and marketing:
Our approach to sales and marketing is focused on ensuring our customers enjoy the best possible experience, from expressing an interest in a McCarthy Stone home and our services, through to moving into their new home. We help our customers to make the right decisions, providing them with choice of tenure and in turn we create liquidity in the housing market.

Management, care and wellbeing services:
Our services business is focused on the creation of a flexible offering that enhances our customers' sense of community and helps maintain their independence. We remove the burdens and worries of property maintenance and ensure that carefully tailored care and support is on hand 365 days a year.

Health and safety

Health and safety continues to be our top priority. We encourage a proactive approach to health and safety as well as reinforcing the individual responsibility that every employee and site worker has for their own and their colleagues' wellbeing. Employees and contractors are required to have adequate health and safety qualifications before starting work on our sites and all contractors are required to hold valid Construction Skills Certification Scheme cards.

The Board receives regular updates on health and safety including our Annual Injury Incidence Rate (AIIR), Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORs) reportable events and our performance against the NHBC All Advisor Average. As the majority of our site workers are sub-contractors and agency workers, continuous communication about, and induction on, health and safety matters are critical to ensure the safety of everyone.

NHBC carry out monthly independent health and safety inspections on all our live construction sites and report their findings. The data these reports provide allow us to compare our sites against other housebuilders through their system of All Advisor Average comparison.

Reducing injuries in the workplace – Annual Injury Incidence Rate:

	2022	2021
McCarthy Stone	179	279
Homebuilder peer group	239	264
HSE construction industry average	272	330
(Annual injuries per 100,000 workers)		

We have had no fatalities on any of our construction sites during the year.

McCarthy Stone's AIIR was 179 for the year to 31 October 2022, a 37% improvement on the previous year and a 26% improvement on the HBF Peer Group average. There were three construction site RIDDOR injuries in the year, down from five the previous year.

Social

McCarthy Stone is committed to helping strengthen the communities where it operates by fundraising, donating time and financial support to its Charitable Foundation.

The Group has a sustainability strategy and is committed to act ethically, develop its employees and manage environmental and social impacts directly, and through business relationships. The strategy has four priorities, Creating Communities, Building Green and Clean, Developing People and Sustainable Living. Our sustainability strategy is integrated into business practices through corporate governance, strategic plans, performance management systems, product development, and reporting and assurance processes. Details of the Group's emissions reporting can be found on pages 11 to 12.

Anti-bribery and corruption

McCarthy Stone is committed to full compliance with Anti Money Laundering laws and will conduct business only with reputable firms. McCarthy Stone has embedded a culture of dealing with integrity at all times. Policies have been developed, supported by mandatory training for all staff to complete to ensure ethical behaviours when dealing with all our stakeholders.

Human rights

The Group supports the United Nations' Universal Declaration of Human Rights and has policies and processes in place to ensure that the Group acts in accordance with principles in relation to areas such as anti-corruption, diversity, whistleblowing and the requirements of the Modern Slavery Act 2015. All suppliers are required to confirm compliance with the Group's Anti-Slavery and Human Trafficking Policy.

The Group's modern slavery and human trafficking statement is compliant with the Modern Slavery Act 2015 is available to view on our website: www.mccarthyandstone.co.uk

Equality, diversity and inclusion

Our Equality, Diversity and Inclusion policy underlines our commitment to creating an environment that enables every individual employee to be themselves, feel valued and able to perform to their best.

The Company regards equality and fairness as a fundamental right of all of its employees regardless of marital status, pregnancy and maternity, gender, sexual orientation, age, colour, religion or belief, race or ethnic origin. The Company believes that employees should be treated with dignity and respect and everyone is given an equal opportunity to reach their potential. It is McCarthy Stone's firm intention to create a climate free from bullying and harassment and in which all employees feel confident in raising concerns of this kind and have them dealt with quickly, sensitively and effectively.

Every employee is required to support the Company to meet its commitment to provide equal opportunities in employment and avoid unlawful discrimination. The Company does not tolerate any acts of discrimination at any level.

The tables below show that we have a higher proportion of men in senior management positions than women. The group maintains a number of initiatives to address this including improvements to maternity pay, a women's leadership network group and leadership development training for women.

Employees in senior management positions:
(including Directors of related undertakings)

	2022	2021
Female	**21**	20
Male	**44**	46
	65	66

It can also be seen that female staff represent 77% of our workforce. Our Management Services business employs significantly more females than males.

Total employees of the Group:

	2022	2021
Female	**2,055**	1,990
Male	**598**	591
	2,653	2,581

Environmental consideration

McCarthy Stone is committed to sustainability and recognised that as a business we have a responsibility to our customers, our employees and the communities within which we operate. In this way we can make sure we are protecting the needs of our business and people today, as well as supporting future generations.

Overall emissions for the Group decreased by approximately 12% from FY21 to 14,111 tCO2e. Scope 1 emissions increased from the previous year to 6,632 tCO2e but Scope 2 emissions decreased to 7,480 tCO2e. A reduction in emissions can be aattributed to a combination of:

- implementing energy reduction;
- improving our internal environmental data capture and reporting accuracy; and
- efficiency initiatives and the decarbonisation of the UK electricity market.

In 2021, McCarthy Stone released an ambitious sustainability strategy, which is led and governed by our Sustainability Committee, chaired by CEO John Tonkiss. This sustainability strategy outlines three key areas of focus: carbon and energy, biodiversity and ecology, and waste and resources. Under the energy and carbon pillar, we have implemented several emissions reduction activities over the last year. The business has agreed a Net Zero Carbon roadmap with key goals and KPI's. We communicated a business wide Net Zero campaign in line with the UK's national awareness week, which contained energy efficiency guidance and documentation of our key business areas, and educational resources for employees. An Energy Taskforce has been set up with key internal stakeholders from across the business which has focused on reviewing our portfolio and implementing engineering solutions to reduce energy. This taskforce worked closely with our energy broker to implement enhanced data collection and analysis dashboards to identify issues and monitor reductions. As a business we recognise that reducing emissions creates efficiencies, drives innovation, helps manage long term risk and improves our competitive advantage.

Alongside the sustainability strategy, as a business we have invested in an Environment Manager whose primary role is to implement the sustainability strategy and the environmental agenda.

At the beginning of 2022, we introduced a new environmental reporting methodology and improved our data capture processes. This included ensuring electricity data was from billed or half hourly data without estimation. We also now breakdown fleet data by petrol and diesel cars for our scope 1 emissions.

In addition to improved utility data capture, the decarbonisation of the UK's national grid has attributed to a reduction in electricity emissions in FY22. This is reflected in the emissions factor, published by the UK's Government GHG conversion factors for company reporting (2022).

Greenhouse Gas Emissions in tCO2e

	FY19	FY20	FY21	FY22
Total emissions	11,821	14,458	15,983	14,111
Scope 1	6,557	6,109	6,129	6,632
Scope 2 - Location-Based	5,264	8,349	9,854	7,480
Total Energy Consumption (MWh)	N/A	69,777	73,188	67,485
Intensity - emissions per number of Managed Developments	38	32	34	29

Methodology

We have applied the UK Government's 2022 Conversion Factors for Company Reporting and GHG standards and the Streamlined Energy and Carbon Reporting guidance to quantify and report our greenhouse gas emissions.

Definition and Scope

An operational control approach has been used to define the reporting process. This is the same approach as last year.

Emissions for all our significant sites have been disclosed. This includes our offices, construction sites and managed developments. Unlike previous years, we have not applied estimation techniques to calculate Scope 2 energy usage as we have visibility of energy usage across all sites.

The intensity measure for 2021/22 is calculated by reference to the number of our Managed Developments (no. of developments 499).

We report GHG emissions in CO2e for Scope 1 and Scope 2:

- Scope 1
  - Emissions from managed developments and offices (communal areas only) from usage of natural gas.
  - Emissions from construction sites from gas oil (red or white diesel).
  - Emissions from company cars, using mileage data from expense claims.
- Scope 2 Location-Based
  - Emissions from managed developments (communal areas and empty apartments), office buildings, and construction sites, from electricity.

In line with the Greenhouse Gas protocol – Corporate Standard, McCarthy Stone's emissions are calculated by multiplying buildings energy, construction energy and transport energy data with emissions conversions factors. Emissions factors are those published by the UK's Government GHG conversion factors for company reporting (2022).

Risk management

The Board sets the policy for managing risk in the business. It recognises the importance of having effective processes and procedures for identifying, actively monitoring, mitigating and managing the financial and non-financial risks facing the Group. By regularly reviewing the Group Principal Risks, which are derived from the detailed risks reported across the Group by businesses, and satisfying itself that these risks are managed within the Group's risk appetite, the Board ensures that the Group's risk exposure remains appropriate and that this links to the effective delivery of its strategic objectives.

The Board has ultimate accountability for the execution of risk management and internal control systems, and it has delegated responsibility for the monitoring and reviewing of the effectiveness of the Group's risk management and internal control systems to the Audit Committee. Assurance over the effectiveness of these systems is provided through management reporting to the Audit Committee.

The Group manages risk by operating a three lines of defence risk and control model:

1. The first line of defence consists of operational management implementing and maintaining effective risk identification, reporting, management and internal control systems.
2. The second line of defence consists of the Group Risk Owners supporting operational management in their own specialist areas to ensure operational processes have adequate controls in place and that these are routinely tested for both design and operational effectiveness.
3. The Group Compliance and Governance department, which forms the third line of defence, is empowered to provide an independent assessment of the effectiveness of risk management and internal control systems, as well as identifying areas for improvement through its risk based assurance programme.

Principal risks and uncertainties

As part of the Group's Risk Management Framework, principal risks and uncertainties have been identified that could prevent the Group from achieving its strategic objectives and how these risks could be effectively mitigated to an acceptable level, its risk appetite. These risks are reviewed, updated and approved on a regular basis by the Group's Executive and Audit Committees.

Business interruption:
A significant interruption to our business due to external events (such as a public health threat, war or natural hazard) could restrict access to our products and may lead to the imposition of Government controls, including social distancing, on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business will lead to reduced business activity and revenues until normal sales and construction activity can be safely recommenced.

Economic:
Investment in land, levels of committed expenditure and production programmes are all carefully targeted, monitored and continually assessed against market conditions. The business is equipped and has demonstrated, in light of the recent pandemic, that it maintains flexibility to react swiftly, when necessary to changes in market conditions.

Government legislation:
In January 2021, the Ministry of Housing, Communities & Local Government (MHCLG) reversed its decision to exempt the retirement housing industry from the zero rating of new ground rents. The ban is set to come in from April 2023. The Group has carried out an impact assessment of having no ground rents on new build properties. It has implemented changes to its business model to ensure compliance with the legislation.

The UK Government issued guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments. On 5 April 2022, the Group, along with the vast majority of the UK's largest housebuilders, signed the building safety pledge on building safety aligned to its belief that leaseholders should not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. Further detail can be seen within note 3 to the Consolidated Financial Statements

Delivery of strategic objectives:
Clear and concise objectives have been developed to deliver the targets as defined in the Group strategy. The Executive Committee which is chaired by the CEO closely monitors progress against the objectives, holding management to account and takes remedial action in order to ensure delivery against agreed timelines and objectives.

Land and planning:
Divisional land buying teams are in place providing local knowledge and expertise. These teams are targeted on land exchange and completion as part of their reward structure. Land is typically acquired with a high degree of conditionality, so as to not commit to purchase without having appropriate planning agreements in place. Divisional planning teams have the support and oversight of Group Investment Committee.

Workflow:
The Group continues to align workflow towards a steady state production and workflow is closely monitored by divisional management, the Executive Committee and the Board.

Build programmes and cost:
Build progress and costs are reviewed regularly by dedicated divisional commercial teams, as well as being reported to divisional management at formal Division Board meetings and the Executive Committee. The Group Investment Committee has oversight over all construction. Framework agreements have been established with key subcontractors and suppliers to provide greater certainty over price and supply.

Sales performance:
Detailed, regular and effective reporting enables the Group to monitor sales volumes, revenue and pricing at a development, site and unit level. Performance against expectation is reviewed by the Commercial Director with Divisional Sales Directors at monthly Divisional Revenue Board meetings and at the Executive Committee meetings to ensure performance is being effectively managed and action taken in order to address any potential performance issue. A strict approval process exists for pricing adjustments and the awarding of discounts and incentives in excess of pre-determined thresholds.

Employees:
The Group has put in place attractive reward mechanisms and provides extensive opportunities for professional development and training, both of which are regularly reviewed against peer housebuilders and other employers in local markets. Resource requirements are assessed against annual budgets and recruitment processes are designed to ensure talent attraction and retention to deliver the Group's strategic objectives. The investment in learning and development across the Group will also help to reduce the risk associated with employee retention.

Liquidity and funding:
Capital, funding and liquidity are all subject to extensive stress testing with the results informing the levels of capital and liquidity that are required to be held in the event of adverse conditions.

Health and safety:
The Group strives for excellence in health and safety and considers it to be a top priority. This is supported by a rigorous, independent site inspection process which routinely assesses and reports on standards. Regular reporting on key metrics and emerging issues are reviewed monthly by the Executive Committee. Care Quality Commission inspections are performed across all Retirement Living PLUS developments and actions are tracked to address any potential weaknesses in process.

Carrying value of inventory and investment property:
Whenever possible, contracts to purchase land are via option agreement or are conditional on the Group obtaining detailed planning consent and/or a commercial viability clause. The Group performs impairment reviews in line with International Financial Reporting Standards ('IFRS') requirements, on a yearly basis to ensure the value of inventory and investment property is correctly reported.

Operational and technology:
There is additional focus on business continuity and potential fraud monitoring within our technology function. Incident, issue management and escalation governance structures and processes are in place with oversight from the Executive and Audit Committees.

The Group maintains central IT systems and has a robust cyber security programme in place. Dedicated resources and regular reviews seek to reduce the risk of successful cyber-attacks and a disaster recovery programme is in place and regularly tested. Compliance with the UK GDPR legislation forms a core part of our policies and procedures.

Reputation and customer satisfaction:
The Group enforces strict procedures over the handover of developments for occupation and the handover of specific apartments to individual customers. Ongoing management, care and wellbeing services are provided within a robust framework of controls which are closely monitored. The Care Quality Commission (CQC) inspects our Retirement Living PLUS developments and provides constructive feedback which is also used to ensure that we are meeting applicable care standards. The business has a dedicated customer services team and tracks customer satisfaction through NHBC, HBF and internal surveys. An in-house estate agency supports the resales process for customers in our managed developments on the general housing market, with the aim of speeding up the sales process and maximising value on resale.

Sustainability and climate change:
Robust sustainability objectives and targets have been developed in line with the United Nations Sustainability goals and these are be set over the short, medium and long term. The Group Sustainability Committee identifies strategic climate change risks and opportunities facing the business through regular review of issues and trends, working in active collaboration with external experts.

Directors' Compliance Statement

The Directors of the Company have acted in a way that they considered, in good faith, to be the most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so had regard, amongst other things to:

- the likely consequence of any decision in the long term;
- the interests of the Company's employees;
- the need to foster business relationships with suppliers, customers and others;
- the impact of the Company's operations on environment and community;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the members of the Company.

The Board has responsibility to oversee meaningful engagement with stakeholders, and to conduct constructive relationships in pursuit of the Company's purpose. The Strategic Report summarises the Company's efforts in; health, safety and environmental matters and anti-bribery and anti-corruption matters. The Board receives regular updates on financial performance, risk, compliance with laws and regulations, customer and supplier engagement, staff engagement and corporate social responsibility, including progress against the Group's Sustainability Strategic objectives. Where appropriate, papers presented to the Board draw out Directors duties under the Companies (Jersey) Law 1991.

The Directors have pleasure in submitting their report, together with the Strategic Report and the audited Consolidated Financial Statements of Mastiff Bidco Ltd (the Company) and all its subsidiaries (together, the Group) for the year ended 31 October 2022. The Company is a private company limited by shares which is incorporated and registered in Jersey and domiciled in the England, number 132525. The address of the registered office of 44 Esplanade, St Helier, Jersey, JE4 9WG.

Results and dividends

The Group's consolidated results for the year are as outlined in the Strategic Report on pages 2 to 17, together with a review of the Group's business during the year. Information about the Group's risk management is also provided in the Strategic Report.

No dividends were paid during the current or prior year.

Directors

The following Directors held office during the period and up to the date of signing these financial statements:

J Tonkiss
M Abell

Directors' indemnities and insurance

The Directors have the benefit of a Directors' and Officers' liability insurance policy and the UK subsidiary company has entered into qualifying third-party indemnity arrangements with them. The policy was in force throughout the year and at the year end and continues in force at the date of this report. The Directors are permitted to take independent legal advice at the Company's expense within set limits in furtherance of their duties.

Statement of Directors responsibilities

Financial statements and accounting records:
The Directors as listed on page 18 are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Group financial statements under IFRS as adopted by the European Union in compliance with the Companies (Jersey) Law 1991.

The financial statements are also required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. 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 the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards under IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

International Accounting Standard (IAS) 1 requires that financial statements present fairly for each financial year the relevant entity's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

The directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions on a consolidated basis 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 (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Share capital and control

At 31 October 2022, there were 209,690,689 ordinary shares of £1 nominal value in issue (2021: 209,690,689).

The Company has one class of share: ordinary shares of £1 nominal value, each of which carries the right to one vote at general meetings of the Company and to an equal proportion of any dividends declared and paid. The rights and obligations attached to the ordinary shares are governed by the Companies (Jersey) Law 1991.

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, general meetings. On a show of hands, every shareholder present in person or by proxy (or a duly authorised corporate representative) shall have one vote and, on a poll, every member who is present in person or by proxy (or a duly authorised corporate representative) shall have one vote for every share held by that member.

There are no restrictions on the transfer of the Company's ordinary shares and there are no shares carrying special rights with regards to control of the Company. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

There are no specific restrictions on the size of a holding or on the exercise of voting rights which are governed by the Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Details of the Company's share capital are set out on page 57 in note 26 to the financial statements.

Financial Risk Management

Details of the Groups financial instruments and its exposure to price risk, credit risk, liquidity risk and cash flow risk are set out in the note 29 to the financial statements on pages 59 to 62.

Going Concern

The Directors have assessed the Group's business activities and the factors likely to affect future performance considering current and anticipated economic conditions. In making their assessment the Directors have reviewed the Group's latest budget, forecasts, available loan facilities and considered reasonably possible downside sensitivities and mitigating actions. The Directors are confident that the Group has adequate resources in place to continue in operational existence for a period of at least 14 months from the date of approval of the financial statements until April 2024, being the going concern assessment period.

The going concern assessment considers the Group's projected liquidity position from existing committed financing facilities throughout the forecast period to April 2024. The Group had an unrestricted cash balance of £162.8m as at 31 October 2022. The Group also has the following committed sources of external funding:

- a 5-year senior loan facility for £275.0m with bi-annual interest payments; and
- undrawn £48.5m revolving credit facility

The facility has no income statement based financial maintenance covenants, with the sole financial covenant being an LTV ratio. No measurement of this covenant is required prior to October 2023 unless loans drawn under the revolving credit facility exceed 40% of the total facility.

In addition, the Group is funded by two loans from the immediate parent Mastiff HoldCo Limited, a £215.0m interest bearing loan and a £209.2m interest free intercompany loan, repayable after October 2026 & November 2026 respectively.

The Directors have prepared a base case cash flow forecast which covers a period of 14 months from the date of approval of these financial statements until April 2024, being the going concern assessment period. This base case assumes that trading performance including pricing, cost inflation, sales volumes, land acquisitions and build programmes are aligned to the Group's latest board approved budget. This base case indicates that the Group will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

The Directors have also prepared a severe but plausible downside scenario covering the same forecast period of 14 months from the date of approval of the financial statements to April 2024, being the going concern assessment period. This includes both sensitivities and mitigating actions that consider the potential impact of an extended period of trading weakness due to a severe downturn in the UK housing market including:

- Supressed demand for retirement living apartments resulting in a c.33% volume reduction across the forecast period;
- Negative house price inflation which results in a 15% reduction in ASP versus the base case; and
- Persistently high levels of build cost inflation at 10% throughout the forecast period.

In response to the crystallisation of each of the above sensitivities, the primary mitigating actions used to conserve liquidity are the curtailment of land purchases and postponement of build starts. Such mitigating actions are within the Directors' control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation.

The combined impact of the above downside sensitivities and mitigating actions indicates that the Group and Company will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due until April 2024 in a reasonable worst-case scenario.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place from the date of the approval of these financial statements to April 2024 and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Post Balance Sheet Events

On 30 January 2023, the Government Department for Levelling up, Housing and Communities published the Self Remediation Terms and Deed of Bilateral Contract and requested all housebuilders to sign the contract committing them to self-remediating fire risks in developments they are deemed responsible for. The Group has disclosed a contingent liability with respect to the Self Remediation Terms and Deed of Bilateral Contract in note 21.

Statement of corporate governance arrangements

The Board followed the spirit of the principles of the UK Corporate Governance Code (the Code), and the main areas not complied with during the year are as follows:

- Provision 21: The Code recommends that there should be a formal and rigorous annual evaluation of the performance of the Board, its committees, the chair and individual Directors.
- Provisions 23, and 26 in light of the fact that the Company is a wholly owned subsidiary this Annual Report does not seek to detail the work of the remuneration and audit committees during the course of the year.
- Provision 31: As the Company is a private limited company this Annual Report does not include a viability statement. As set out in the going concern statement above, the Directors have concluded at the time of approving the financial statements that it is their expectation that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future.

The Wates Principles of Corporate Governance have been adopted by Mastiff Bidco Limited for its governance arrangements, following the acquisition of the McCarthy Stone Group.

Stakeholder engagement

Promoting the Company's success is the driving factor behind all decisions made by the Board. Decision making processes are structured to enable directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term. The Board carefully considers the impact of the business on the communities and environments in which the Group operates. Due consideration is paid to the Group's stakeholders, including but not limited to our customers, suppliers, business partners, employees, shareholders and also the wider environmental and societal impacts. In all its activities, and those of the Group, the Board requires that its employees and partners conduct business with the highest ethical and professional standards.

Employees
The Group held a number of business updates during the year, led by the Chief Executive, Chief Financial Officer and Chief People Officer, where employees were provided the opportunity to feedback to the Executive Directors. These updates were filmed and made available on the Group's intranet for those employees who were unable to attend for any reason.

McCarthy Stone has external accreditation from Great Places to Work UK, which is given to companies with an exceptional workplace culture.

All employees have access to the Group intranet site, where they can find news, policies and procedures and a range of other materials of interest. All Group sites use a combination of notice boards and/or digital displays to communicate employee information, with many sites giving employees the opportunity to make suggestions for improvement using feedback boxes.

During the year, the Group's corporate communications department compiled and distributed various materials to employees including employee magazines, online news items and senior management communications. Dovetailing with this, certain group functions undertook more specialist engagement relevant to specific functions such as finance and procurement.

We give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitudes and abilities and we arrange appropriate training, career development and promotion for disabled persons and those that have become disabled during the period when they were employed by the company.

Customers
McCarthy Stone communicates with customers through house / estate managers, newsletters and customer opinion surveys, plus provide our customers with tailored on-site assistance and support from our c.1600 strong services team.

Suppliers
Building strong relationships with suppliers enables the Company to obtain the best value, service and quality. The Company works with suppliers who understand our business and adhere to our ways of working. Our procurement and operations teams work hard to understand our supply chain and develop deeper and more strategic relationships with key suppliers.

Investors
Our investors are actively involved with strategic and operational decisions.

Mastiff Bidco Limited

Disclosure of information to the auditor

Each Director confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board:

John Tonkiss
Board Director
2 February 2023

Opinion

We have audited the financial statements of Mastiff Bidco Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 October 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 October 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of 14 months from the date of approval of the financial statements until April 2024, being the going concern assessment period.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report. [other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards as adopted by the European Union for the Group financial statements). In addition to this, the Group is subject to the Companies (Jersey) Law 1991 and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statement, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect, being health and safety, data protection, and anti-bribery and corruption.
- We understood how Mastiff Bidco Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Group maintains and communicates its policies and procedures in these areas. Our audit procedures were designed to either corroborate or provide contrary evidence, the results of which were followed up appropriately. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, assessment of financial statement disclosures to ensure compliance with the relevant reporting frameworks, and enquiries with management and those charged with governance.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Our procedures to address management override involved testing journals identified by specific risk criteria such as manual, large or unusual journals. We also discussed with management from various parts of the business to understand where it considered there was susceptibility to fraud and by assessing key assumptions over significant estimates made by management for evidence of bias. We also considered performance targets and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was higher, we performed incremental audit procedures to address each identified fraud risk. These procedures included those on inventory valuation and profit recognition and revenue recognition; and were designed to provide reasonable assurance that the financial statements were free from fraud and error.

- To address our identified fraud risk of incorrect inventory valuation and profit recognition, we performed site reviews for a sample of developments owned by the group to understand the appropriateness of the judgements and estimates made by management in determining site margins. For each item in our site review, we obtained explanations from the group finance team to understand the key drivers of movements in the current year margin compared to prior year. Based on our understanding of the Group's margin equalisation accounting policy, we set expectations that margins would remain comparable year to year and challenged management where there were margin movements outside of our set expectations when comparing periods. For sites where margin movements were not consistent with our expectations, we performed further enquires with Divisional management teams to ensure that there was alignment in the explanations provided by both the Group and Divisional teams to understand the reasons behind movements in margins where our expectations were not met. We also reviewed post year-end sales activity to corroborate the recoverable amounts estimated in management's inventory provisioning assessments with post year-end sales activity.

- To address our identified fraud risk of incorrect revenue recognition around the period end, we tested a sample of unit completions recorded before and after the year end on a sample basis by vouching to evidence (such as legal completion documents, and bank statements) that the performance obligations are satisfied, and revenue has been recorded in the right period. We also utilised data analytics tools to analyse unit completions recorded before and after year end, this helped us to identify periods where unit sales were concentrated, from which we selected samples to test.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

DocuSigned by:

CCDF49D9AE9A4DC...

James Harris
for and on behalf of Ernst & Young LLP
Southampton
02 February 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2022

	Notes	2022 £m	2021[1] £m
Revenue	6	434.0	280.5
Cost of sales		(364.7)	(265.5)
Gross profit		**69.3**	**15.0**
Other operating income	9	167.6	82.1
Other operating expenses	9	(158.0)	(71.2)
Administrative expenses		(69.5)	(46.6)
Operating profit/(loss)		**9.4**	**(20.7)**
Amortisation of brand	7	(1.2)	(0.9)
Non-underlying items	7	(28.7)	(9.8)
Underlying operating profit/(loss)		**39.3**	**(10.0)**
Finance income	10	0.8	1.6
Finance expense	11	(45.2)	(18.7)
(Loss) before tax	7	**(35.0)**	**(37.8)**
Income tax (charge)/credit	12	(0.4)	9.4
(Loss) for the year from continuing operations and total comprehensive income		**(35.4)**	**(28.4)**

Notes 1 to 33 form part of the financial statements shown above. All trading derives from continuing operations.

Adjusted measures			
Underlying operating profit/(loss)	7	39.3	(10.0)
Underlying (loss) before tax	7	(5.1)	(27.1)

[1] *The prior year financial statements are for the period 15 October 2020 to 31 October 2021 ('FY21' or '2021') and hence are not directly comparable to the current year results. Additionally, the prior year comparatives only included the trading activity of the McCarthy Stone Group from 1 February 2021 to 31 October 2021 following the acquisition during the financial period.*

Mastiff Bidco Limited

Consolidated Statement of Financial Position

As at 31 October 2022	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Goodwill	13	0.8	1.0
Intangible assets	13	25.9	26.4
Property, plant and equipment	14	0.7	0.7
Right of use assets	15	3.0	3.3
Investment properties	16	11.2	27.9
Other receivables	18	19.7	29.9
Deferred tax asset	19	22.6	23.0
Total non-current assets		**83.9**	**112.2**
Current assets			
Inventories	17	755.6	700.1
Trade and other receivables	18	18.8	9.0
UK corporation tax		1.8	0.8
Restricted cash		2.0	1.2
Cash and cash equivalents	25/29	162.8	200.4
Total current assets		**941.0**	**911.5**
Total assets		**1,024.9**	**1,023.7**
Equity and liabilities			
Capital and reserves			
Par value share capital	26	209.7	209.7
Retained earnings		(63.8)	(28.4)
Shared based payment reserve		1.1	-
Total equity		**147.0**	**181.3**
Current liabilities			
Trade and other payables	20	134.8	98.1
Land payables	22	17.5	24.3
Lease liabilities	23	1.2	1.4
Provisions	21	14.2	5.6
Total current liabilities		**167.7**	**129.4**
Non-current liabilities			
Long-term borrowings	24	693.1	692.2
Trade and other payables	20	1.1	1.5
Land payables	22	2.1	6.5
Lease liabilities	23	2.5	3.1
Provisions	21	11.4	9.7
Total liabilities		**877.9**	**842.4**
Total equity and liabilities		**1,024.9**	**1,023.7**

Notes 1 to 33 form part of the financial statements shown above.
These financial statements were approved by the Board on 2 February 2023 and signed on its behalf by:

John Tonkiss
Director

Martin Abell
Director

Mastiff Bidco Limited

Consolidated Statement of Changes in Equity

For the year ended 31 October 2022

	Notes	Par value share capital £m	Retained earnings £m	Share based payment reserve £m	**Total equity £m**
Balance at 15 October 2020		–	–	–	–
Loss for the year		–	(28.4)	–	**(28.4)**
Total comprehensive loss for the year		–	**(28.4)**	–	**(28.4)**
Transactions with owners of the Company:					
Issue of ordinary shares	26	–	–	–	–
Conversion of loan to share capital		209.7	–	–	**209.7**
Balance at 31 October 2021		**209.7**	**(28.4)**	–	**181.3**
Loss for the year		–	(35.4)	–	**(35.4)**
Total comprehensive loss for the year		–	**(35.4)**	–	**(35.4)**
Transactions with owners of the Company:					
Share based payments	32	–	–	1.1	**1.1**
Balance at 31 October 2022		**209.7**	**(63.8)**	**1.1**	**147.0**

Notes 1 to 33 form part of the financial statements shown above.

Consolidated Cash Flow Statement

For the year ended 31 October 2022

	Notes	2022 £m	2021 £m
Net cash flow from operating activities	27	**(52.0)**	**(37.3)**
Investing activities			
Purchases of property, plant and equipment	14	(0.3)	(0.3)
Purchases of intangible assets	13	(1.5)	(2.2)
Outflows in relation to investment properties	16	16.7	66.1
Acquisition of subsidiary		–	(646.6)
Acquisition of associate		–	(2.3)
Net cash from/(used) in investing activities		**14.9**	**(585.3)**
Financing activities			
Issue of long-term borrowings		–	923.2
Repayment of long-term borrowings		(0.5)	(213.8)
Cash acquired on acquisition		–	113.6
Net cash (used in)/from financing activities		**(0.5)**	**823.0**
Net (decrease)/increase in cash and cash equivalents		(37.6)	200.4
Cash and cash equivalents at beginning of year		200.4	–
Cash and cash equivalents at end of year		**162.8**	**200.4**

Notes 1 to 33 form part of the financial statements shown above.

Notes to the Consolidated Financial Statements

1. Basis of preparation

Mastiff Bidco Limited is a wholly-owned indirect subsidiary of Lone Star Real Estate Fund VI and is incorporated in Jersey and registered under the Companies (Jersey) Law 1991. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and have been prepared in accordance with the Companies (Jersey) Law 1991.

The current year financial statements have been prepared for the accounting period from 1 November 2021 to 31 October 2022 ('FY22' or '2022'). The prior year financial statements are for the period 15 October 2020 to 31 October 2021 ('FY21' or '2021') and hence are not directly comparable to the current year results. Additionally, the prior year comparatives only included the trading activity of the McCarthy Stone Group from 1 February 2021 to 31 October 2021 following the acquisition during the financial period.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and the requirements of the Companies (Jersey) Law 1991 and have been prepared under the historical cost convention, except for investment properties, shared ownership receivables, shared equity receivables and provisions that have been measured at fair value.

The registered office is 44 Esplanade, St Hellier, Jersey, JE4 9WG.

Going concern

The Directors have assessed the Group's business activities and the factors likely to affect future performance considering current and anticipated economic conditions. In making their assessment the Directors have reviewed the Group's latest budget, forecasts, available loan facilities and considered reasonably possible downside sensitivities and mitigating actions. The Directors are confident that the Group has adequate resources in place to continue in operational existence for a period of 14 months from the date of approval of the financial statements until April 2024, being the going concern assessment period.

The going concern assessment considers the Group's projected liquidity position from existing committed financing facilities throughout the forecast period to April 2024. The Group had an unrestricted cash balance of £162.8m as at 31 October 2022 The Group also has the following committed sources of external funding:

- a 5-year senior loan facility for £275.0m with bi-annual interest payments; and
- undrawn £48.5m revolving credit facility

The facility has no income statement based financial maintenance covenants, with the sole financial covenant being an LTV ratio. No measurement of this covenant is required prior to October 2023 unless loans drawn under the revolving credit facility exceed 40% of the total facility.

In addition, the Group is funded by two loans from the immediate parent Mastiff HoldCo Limited, a £215.0m interest bearing loan and a £209.7m interest free intercompany loan, repayable after October 2026 & November 2026 respectively.

The Directors have prepared a base case cash flow forecast which covers a period of 14 months from the date of approval of these financial statements until April 2024, being the going concern assessment period. This base case assumes that trading performance including pricing, cost inflation, sales volumes, land acquisitions and build programmes are aligned to the Group's latest board approved budget. This base case indicates that the Group will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

The Directors have prepared a severe but plausible downside scenario covering the same forecast period of 14 months from the date of the approval of the financial statements to April 2024, being the going concern assessment period. This includes both sensitivities and mitigating actions that consider the potential impact of an extended period of trading weakness due to a severe downturn in the UK housing market including:

- Supressed demand for retirement living apartments resulting in a c.33% volume reduction across the forecast period;
- Negative house price inflation which results in a 15% reduction in ASP versus the base case; and
- Persistently high levels of build cost inflation at 10% throughout the forecast period.

Going concern (continued)

In response to the crystallisation of each of the above sensitivities, the primary mitigating actions used to conserve liquidity are the curtailment of land purchases and postponement of build starts. Such mitigating actions are within the Directors' control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation impact.

The combined impact of the above downside sensitivities and mitigating actions indicates that the Group and Company will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due until April 2024 in a reasonable worst-case scenario.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place from the date of the approval of these financial statements to April 2024 and have therefore adopted the going concern basis of accounting in preparing the financial statements.

2. Changes in accounting policies and disclosures

The accounting policies adopted are in line with IFRS. There were several other new and amendments to standards and interpretations which are applicable for the first time in the year, but either do not cause any impact or have no relevance to the Group.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiaries. For the purposes of consolidation, subsidiaries are entities which are controlled by the Group. The Group controls an entity when it has:

- *Power over the entity through existing rights that give the ability to direct the relevant activities of the entity*
- Exposure, or rights, to variable returns from its involvement with the entity
- The ability to use its power over the entity to affect the amount of the investor's returns

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand, except when otherwise indicated.

Goodwill

Goodwill arising from a business combination is recognised as an asset at the date that control is attained (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The company acquired the entire issued share capital of McCarthy & Stone Limited in February 2021. A purchase price allocation exercise was completed to establish the excess of the sum of the consideration transferred and the fair value of the assets and liabilities acquired in the acquisition. This resulted in a Goodwill balance of £0.8m.

For the purpose of impairment testing, goodwill is allocated to McCarthy & Stone Limited. This is the lowest level at which goodwill is monitored internally. Goodwill arose on acquisition of McCarthy & Stone Limited in February 2021 and therefore management consider it appropriate to allocate goodwill across the business in aggregate. The CGU is tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the CGU.

As at 31 October 2022, there have been no significant changes to the business or other indicators that suggest that the goodwill balance should be impaired.

Notes to the Consolidated Financial Statements (continued)

Revenue recognition

Revenue from contracts with customers is measured at fair value of the consideration received or receivable and represents amounts receivable for goods supplied stated net of discounts, cash incentives, rebates, VAT and other sales taxes. Revenue is recognised when control of the goods or services are transferred to the customer.

Revenue recognised in the Consolidated Statement of Comprehensive Income but not yet invoiced is held on the Statement of Financial Position within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the Consolidated Statement of Comprehensive Income is held on the Consolidated Statement of Financial Position within 'Trade and other payables'.

Revenue is classified as follows:

Unit sales

Revenue represents the consideration received from the sale of leasehold interests in apartments and freehold interests in houses and bungalows and is recognised on legal completion, being the point at which the transfer of control and risks and rewards of ownership has substantially occurred. Where the Group commits on completion to provide an additional cash amount above an offer given by a third-party part-exchange provider, this additional cash amount is recognised as a deduction from revenue. Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction of revenue. Where a completion involves an on balance sheet part-exchange, any initial provision or top-up applied to the value of the acquired property is deemed to be a reduction to the fair value of the acquired property and is also treated as a reduction to revenue. Where a completion involves shared ownership, the Group records the full sale as control of the apartment in addition to the risks and rewards of ownership have transferred to the customer, less an adjustment to reflect the fair value of the transaction.

The Group sold portfolios of rental properties to a third-party investor in regular tranches throughout the year. The sale of rental units from stock is recorded within revenue, except where the units sold have previously been classed as investment properties which upon sale are shown as a profit or loss on disposal within 'Other operating income'. See note 6 for further information.

Revenue from contracts with customers

The Group is engaged in a strategic partnership with Anchor, England's largest provider of specialist housing and care for people in later life. The land on each site is sold to Anchor and McCarthy Stone then construct the development on the land controlled by Anchor. As Anchor control the land, revenue is recognised over time on a percentage completion basis, using costs incurred as a measure of the works completed to date.

Freehold reversionary interests ('FRIs') revenue

FRIs in respect of developed sites are periodically sold to third parties. Revenue arising from these sales is recognised only to the extent that the underlying leasehold interest in the apartment has been transferred to the customer and the transaction price has been determined.

Operating rental income

The Group earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on investment property and rental stock is accounted for on a straight-line basis over the lease term and is included in revenue in the Consolidated Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are expensed upfront due to their insignificant value.

Segmental analysis

IFRS 8 *'Operating Segments'* establishes standards for reporting information about operating segments and related disclosures, products and services, geographical areas and major customers. The Group conducts its activities through a single operating segment, consequently, no detailed segment information has been presented.

Notes to the Consolidated Financial Statements (continued)

Other operating income and expenses

Other operating income includes management services income, revaluation gains or losses from investment properties, customer extras, income from insurance claims, profits arising from the disposal of undeveloped land sites, profits arising from the realisation of shared equity receivables and profits arising on disposal of investment properties.

The Group sold portfolios of rental properties to a third-party investor in regular tranches throughout the year. The sale of rental units from stock is recorded within revenue, except where the units sold have previously been classed as investment properties which upon sale are shown as a profit or loss on disposal within 'Other operating income'. See note 6 for further information.

Other operating income also includes resale income on acquired part-exchange properties. These have been presented here rather than in core revenue due to their acquisition being incidental to the sale of a McCarthy Stone apartment, the properties acquired are a very different product to the specialised, age-restricted products sold by the Group and the resale route being via local agents rather than using the McCarthy Stone sales function. As a result, this is not considered to be a core trading activity of the Group.

Management services income relates to the management of service charge trusts, estate management and the provision of care and domestic assistance to residents within our developments. Income is recognised as these services are provided.

Other operating expenses relate to the cost incurred in delivering this income, notably the purchase cost of part-exchange properties and their associated holding and selling fees. Management services other expenses relate to the costs of the provision of care and domestic assistance and management of our estates and service charges.

Finance income

Income is recognised as interest accrues, using the effective interest rate method, being the rate used to discount the estimated future cash receipts over the expected life of the financial instrument.

Cost of sales

Costs directly attributable to unit sales are included within cost of sales. This includes the cost of bringing the inventory into use and divisional marketing costs that are directly attributable to sales, including show flat running costs and estate agent referral fees. Cost of sales is recognised on a unit-by-unit basis, by reference to the forecast list prices and land and build costs. Build-related rebates are recorded as a reduction to cost of sales.

Non-underlying items

Non-underlying items are defined as material items of income or expenditure which, in the opinion of the Directors, are material, non-recurring and unusual in nature or of such significance that they require separate disclosure to enable full understanding of the Group's financial performance. Exclusion of these balances, in addition to the exclusion of the amortisation of brand, allows review of the underlying trading position of the Group through the Alternative Performance Measures. Further information on non-underlying items is provided in note 7.

Leases

The Group enters into a number of lease arrangements for properties and vehicles, none of which transfer substantially all the risks and rewards of ownership, nor control, to the lessee.

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the payments across the lease term, adjusted for any initial direct costs or incentives received. The discount rate applied is set by the Group's incremental borrowing rate at the date of the inception of the lease. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the same value as the right-of-use asset and is adjusted to reflect interest on the lease liability, whilst reducing it by the lease payments made.

The lease term applied is initially set by the non-cancellable period of the contract, however, is adjusted where the Group is reasonably certain that it will exercise its option to extend the lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for low value leases of office equipment or leases of build-related plant and machinery that have a lease term of less than 12 months. These lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (continued)

Leases (continued)

Right-of-use assets are classified as non-current assets on the face of the Statement of Financial Position and lease liabilities are separately classified on the Consolidated Statement of Financial Position within current liabilities and non-current liabilities as a result of the remaining lease terms.

Government grants

A government grant agreement was secured with Homes England during the year under the Older Persons Shared Ownership Scheme (OPSO). This grant is treated as deferred income, included within Trade and other payables. This will be released to the Consolidated Statement of Comprehensive Income within Revenue, on a unit-by-unit basis, as each customer completion is recorded in line with IAS 20. No completions under this scheme were recorded during the financial year.

Retirement benefit costs

The Group operates a defined contribution retirement scheme, which is open to all employees.

A retirement benefit scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to benefit schemes are recognised in the Consolidated Statement of Comprehensive Income in the periods during which services are rendered by employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred.

Current tax

Tax currently payable/recoverable is based on taxable profit or losses for the year. Taxable profit or losses differs from net profit or losses as reported in the Consolidated Statement of Comprehensive Income due to exclusion of items of income or expense that are taxable or deductible in other periods, additionally it excludes items that are never taxable or deductible. The Group's liability/asset for current tax is calculated using tax rates that have been enacted, or substantively enacted, at the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at the end of each reporting period and maintained to the extent that there are sufficient probable future taxable profits available to allow the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability crystallises or the asset realised based on tax laws and rates that have been enacted at the period end. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements (continued)

Tangible and intangible assets

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method, on the following basis:

Fixtures, fittings and equipment 3-10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income on the transfer of the risks and rewards of ownership. The Group has no class of tangible fixed asset that has been revalued.

Intangible assets – brand

Separately acquired brands are shown at historical cost. Brands have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their useful lives, estimated at 20 years.

Intangible assets – software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet the criteria are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives using the straight-line method, which does not exceed ten years. Development expenditure relating to software has been capitalised and is detailed in note 13 to the financial statements.

Impairment of tangible and intangible assets and goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU.

Recoverable amount is the higher of: (i) fair value less costs to sell and (ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Investment properties

Investment properties comprise completed properties that are held to earn rental income or for capital appreciation rather than for sale in the ordinary course of business.

Investment properties are stated at fair value using a market approach, which has been assessed by management. The initial gain arising from the change in the fair value of investment property is included in the Consolidated Statement of Comprehensive Income within 'Other operating income' in note 9 in the period in which they arise. Subsequent fair value changes will also be recorded within 'Other operating income/expenses'.

Following the offtake agreement to sell regular tranches of rental properties, transfers are no longer being made from inventories to investment properties given the short-term nature which the Group holds rental assets prior to being sold externally, as a result these properties are now held at cost within inventories as 'Rental stock'.

Investment property cash flows are treated as investing cash flows.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the operating and financial policy decisions of the Company, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those used to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The aggregate of the Group's share of profit or loss of an associate or joint venture is shown on the face of the Consolidated Statement of Comprehensive Income.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The cost of sites in the course of construction and finished stock comprises the cost of land purchases, which are accounted for from the date of contract exchange, when the Group obtains the effective control of the site, building costs and attributable construction overheads. Net realisable value represents the estimated selling price less all estimated costs of completion.

Part-exchange properties are initially recognised at fair value on the acquisition date, as established by independent surveyors, less a provision for costs to sell.

Land inventories and the associated land payables are recognised in the Consolidated Statement of Financial Position from the date of unconditional exchange of contracts.

Rental stock includes properties that have been rented to customers which the group intends to sell to a third-party investor rather than hold for rental income or capital appreciation. Properties remain held in stock until sold to an investor.

Expenditure on land without the benefit of detailed planning consent, either through purchase of freehold land or non-refundable deposits paid on land purchase contracts subject to detailed planning consent, is capitalised initially at cost. Regular reviews are completed for impairment in the value of these investments, and a provision is made to reflect any irrecoverable element. The impairment reviews consider the existing value of the land and assess the likelihood of achieving detailed planning consent and the value thereof.

Provisions are established to write down land where the forecast net sales proceeds, less costs to complete, exceed the carrying value of the land. These provisions are adjusted as selling prices and costs to complete change over time.

All inventory acquired in the acquisition of McCarthy & Stone Limited on 1 February 2021 was valued at fair value as required by IFRS 3 *Business Combinations*. This inventory continues to be held at the fair value determined on this date until sold externally from the Group. No subsequent fair valuation will be performed on this inventory in future periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Restricted cash

Restricted cash is primarily held in relation to rental deposits in line with the Tenancy Deposit Scheme and is not available for general business use.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument, in accordance with IFRS 9.

Financial assets

All financial assets are normally recognised and derecognised on the trade date that an agreement has been entered into where the purchase or sale of a financial asset is under a contract. They are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Notes to the Consolidated Financial Statements (continued)

Financial assets (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other operating income line item in the Consolidated Statement of Comprehensive Income. Fair value is determined in the manner described in note 29.

Shared equity receivables

Shared equity interests arise from sales incentive schemes under which the Group acquires a contractual entitlement to receive a proportion of the proceeds on sale of an apartment. These interests are normally protected by a legal charge over the relevant apartment and/or a restriction on title.

The value of the shared equity receivables changes in response to an underlying variable due to them being held at fair value, as designated upon their initial recognition. The shared equity receivables are recognised at fair value, being the estimated future amount receivable by the Group, discounted to present value. 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, historic gains and losses on redemptions and the expected timing of receipts. The Directors revisit the future anticipated cash receipts from the assets at each reporting date and the difference between the anticipated future receipt and the initial fair value is recognised in finance income/expense.

Shared ownership receivables

Shared ownership interests arise from the sale of apartments where the Group retains a portion of ownership of the property and receives rental income in relation to the retained portion.

The shared ownership receivables are recognised at fair value, being the estimated future amount receivable by the Group on their percentage share, discounted to present value.

Where a customer staircases on their ownership share, the Group recognises the appropriate profit or loss on the holding value of the equity percentage sold within the Consolidated Statement of Comprehensive Income.

Where an external investor acquires our share of the ownership, the Group recognises the appropriate profit or loss on the holding value of the equity percentage sold within the Consolidated Statement of Comprehensive Income.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote. See note 21 for further details.

Mastiff Bidco Limited

Notes to the Consolidated Financial Statements (continued)

Fire safety provision

In prior years, the UK Government issued guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments. The Group has been carrying out a review of the McCarthy Stone property estate under management to estimate the likely level of action required in line with the latest updates to Government guidance. On 5 April 2022, the Group, along with the vast majority of the UK's largest housebuilders, signed the building safety pledge aligned to its belief that leaseholders should not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. As part of the pledge the Group committed to:

- take responsibility for performing, or otherwise at our discretion, funding self-remediation and/or mitigation works to address life-critical fire-safety issues on all buildings in the McCarthy Stone property estate under management of 11 metres and above in England that we have developed or refurbished (other than solely as a contractor) ("Our Buildings"); and
- to the extent not already withdrawn and/or reimbursed, withdraw our buildings from, and/or reimburse, the Building Safety Fund and ACM Funds.

The cost of this provision has been recognised within non-underlying items.

Contingent liability
Following a pledge by house builders last year, the Government Department for Levelling up, Housing and Communities published the Self Remediation Terms and Deed of Bilateral Contract on 30 January 2023 and requested all housebuilders to sign the contract committing them to self-remediating fire risks in developments they are deemed responsible for. It is not known how many house builders will sign the contract and the Board is currently assessing the Group's options and the implications of signing. In the event the Board signs the contract, and, depending on the interpretation and application of the contract, this may commit the Group to further incremental expenditure on fire remediation over and above the amounts already provided for.

Financial assets at amortised cost

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The Group does not hold trade receivables as part of its core trading activity as the Group's accounting policy is not to recognise revenue until legal completion. As such, there are no significant implications of the expected credit loss model being applied however will continue to be reviewed by the Group as multi-tenure offerings continue to grow.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Share based payment schemes

The cost of equity-settled transactions with employees are measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. The calculation applies an assumption for leavers over the vesting period. There are no non-market based vesting conditions.

Further details regarding the scheme is set out within note 32.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are classified as financial liabilities at amortised cost and include trade and other payables, land payables and loans.

All financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

All financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Notes to the Consolidated Financial Statements (continued)

Financial liabilities (Continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Within the Annual Report, the Directors have adopted various APMs. These measures are not defined by International Financial Reporting Standards ('IFRS').

Alternative Performance Measures ('APMs')

The Directors are of the opinion that the separate presentation of these items provides helpful information about the Group's underlying business performance.

The key APMs that the Group has used are as follows:

- Underlying operating profit
- Underlying operating profit margin
- Net debt
- Underlying profit before tax

All 'underlying' items refer to the adjusted measure being reported before 'non-underlying' and 'adjusted cost' items. Specifically, the non-underlying items are one-off, and their inclusion does not present consistent and comparable results. The amortisation of brand is a non-trading factor and its inclusion is not useful in determining the trading profits of the Group.

A full reconciliation between the statutory results and the underlying net debt/cash has been defined and calculated within note 25. Adjusted cost and non-underlying items have been defined within note 7.

Standards issued but not yet effective

At the date of approval of the financial statements, the following standards, interpretations and amendments to standards have been issued, but are not yet effective for the year ended 31 October 2022.

The Group has considered the impact of Amendments to IAS 16 Property, Plant and Equipment; IFRS 3 Business Combinations; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020; and IFRS 17 Insurance Contracts. These standards, interpretations and amendments are not expected to have a significant impact on the Group.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

In applying the Group's accounting policies, the most significant judgement made by the Directors in these financial statements is deemed to be non-underlying items, which notably include costs associated with the Group's fire safety provision.

Mastiff Bidco Limited defines underlying activities of the Group as those which are core to the business and comprise the construction and sale or rental of retirement apartments, after-sale management, care and wellbeing services, part-exchange purchases and resales, bulk sales to financial institutions and strategic business partnerships.

The Group have therefore removed any non-underlying items that do not fall in line with this definition in order to provide users with a reliable methodology to present the financial information in a way that enables users to better assess the quality of the Group's profitability. Additionally, this also allows for greater comparability of results across different reporting periods.

No other critical judgements are deemed to have been made that have a material effect on the amounts recognised in the financial statements.

Notes to the Consolidated Financial Statements (continued)

Assumptions and other sources of estimation uncertainty

The following are assumptions the Group makes about the future, and other sources of estimation uncertainty at the end of the reporting period. This has been split between those that could result in a material adjustment within one year and those over the longer-term.

Critical assumptions and major sources of estimation uncertainty

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other assumptions and sources of estimation uncertainty

These assumptions and sources of estimation uncertainty carry risk of resulting in a material adjustment to the carrying amounts of assets and liabilities over the longer-term.

Fair value of shared equity receivables

Shared equity receivables are recognised at the fair value of future anticipated cash receipts that takes into account the Directors' view of an appropriate discount rate, a new build premium, future house price movements, the expected timing of receipts and historic gains and losses on redemptions. Shared equity receivables are reviewed at each reporting date using a variety of estimates that anticipate future cash flow from assets. Further information regarding the assumptions and sensitivity effects of a reasonable possible change across all schemes can be seen within note 29. The most significant uncertainty is the Group's substantially largest shared equity scheme which was offered between FY12 and FY17 of which the revaluation is driven by changes in discount rates and house price inflation. Should both of these assumptions be impacted by a reasonably possible change of a 5% increase or decrease, the effect has been illustrated below:

	Increase assumptions by 5% £m	Decrease assumptions by 5% £m
Fair value	(0.1)	0.1
Discount rate	(0.1)	0.1
Timing of receipt	(0.1)	0.1

Cost capitalisation of overheads

Within inventory there are a number of areas of estimation uncertainty, including determination of the margins on our sites, of which cost capitalisation of overheads is the most significant. Inventory includes a proportion of design, procurement, construction, health and safety, interior design, commercial and planning costs. Costs associated with these functions are reviewed by management to attribute those costs relating directly to the cost of the developments to inventory and those that relate to general business overheads to expenses. The assumptions used are reviewed annually by the function heads.

Cost capitalisation involves estimates of the proportion of costs that are directly attributable to sites. The key source of estimation uncertainty in this area relates to the percentage of time spent by our divisions on directly attributable site activities. The percentage of their time which is capitalised ranges between 47-88% (2021: 50-84%) for the various functions. Overhead costs capitalised during the year amount to £12.1m. If the prior year cost capitalisation rates were to be used, the value of the overhead costs capitalised would have decreased by £0.2m.

Provisions

The Group holds a provision in relation to fire safety which is apportioned between combustible materials, fire risk and protection and regulatory compliance on completed developments. The Group have calculated the provision using assumptions of the number of developments within scope and subsequently the costs to repair, replace and complete rectification work. Additionally, an assumption around the timing of the forecast expenditure has been applied.

There are four key components to the fire safety liability which result in a cumulative £22.1m provision required at the year end. These key components are divided as below:

1) Passive fire stopping
2) Fire doors
3) Cladding (over 18 metres)
4) Cladding (under 18 metres)

The first three components were assessed and initially provided for in prior years. They have been reassessed based on actual works undertaken which provides a higher degree of certainty over the remaining costs to complete.

Notes to the Consolidated Financial Statements (continued)

Provisions (continued)

The fourth component is entirely new and results from the extension of the scope of the Fire Safety Act 2022 and the Group's commitment to assess all developments with combustible materials. To date no works has been completed on these sites besides initial risk assessments. As such, there remains substantial uncertainty over both the number of developments where work will be required and the total cost of remediation. The provision represents management's best estimate based on the information available and totals £5.0m. Should both of these assumptions be impacted by a reasonably possible change of a 5% increase or decrease, the effect has been illustrated below:

	Increase assumptions by 5% £m	Decrease assumptions by 5% £m
Number of developments	0.5	(0.4)
Cost per m^2	0.3	(0.2)

A further provision is held in relation to an ongoing legal case currently being undertaken by the Group. The provision has been calculated in line with management's best estimate of the total expected costs to conclude legal proceedings.

Deferred tax

At the year end, the Group has recognised a deferred tax asset of £22.6m mostly related to unrelieved tax losses. The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the unrelieved tax losses can be utilised.

Differences in forecast taxable profits and actual profitability or a downgrade in future forecast taxable profits could impact the deferred tax assets recognised in future periods and are reviewed at the end of each reporting period.

6. Revenue

	2022 £m	2021 £m
Unit sales – external customers	310.2	216.7
Unit sales – revenue from an associate	–	4.8
Unit sales – revenue from sale of rental properties	84.9	16.5
Revenue from contracts	19.0	27.8
FRI revenue	14.8	11.0
Rental income	5.1	3.7
For the year ended 31 October 2022	**434.0**	**280.5**

All unit sales revenue arose from the sale of properties. All revenue was generated within the UK.

Unit sales to external customers includes the sale of properties to individual homeowners. No individual customer is significant to this revenue stream.

Unit sales – revenue from the sale of rental properties includes bulk sales of rental properties to an investor. There were four offtake tranche sales of units in the year (2021: two tranches), which included a mix of properties previously held in investment property and units held as rental stock in inventory. The revenue from the rental stock unit sales is considered part of the normal course of business and part of the core future activity of the Group as part of the strategy and therefore is included above in revenue.

Revenue from contracts includes revenue generated from a strategic partnership with Anchor, England's largest provider of specialist housing and care for people in later life. The land on each site is sold to Anchor and the Group then construct the development on the land controlled by Anchor. As Anchor control the land, revenue is recognised over time on a percentage completion basis, using costs incurred as a measure of the works completed to date.

FRI revenue includes revenue generated from the sale of Freehold Reversionary Interests which are periodically sold to third parties.

Notes to the Consolidated Financial Statements (continued)

7. Loss before tax

Loss before tax has been arrived at after charging:

	Notes	2022 £m	2021 £m
Amortisation of intangibles	13	2.0	1.4
Depreciation of property, plant and equipment	14	0.3	0.1
Depreciation of right-of-use assets	15	1.2	1.0
Cost of inventories recognised as an expense		298.8	209.6
Staff costs	8	105.4	75.8
Share based payments	32	1.1	–
Movement in inventory provision (including part-exchange properties)		–	3.4

Non-underlying items

Non-underlying 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 and allow for a greater understanding of the operating performance of the Group. Each item has been identified and explained below:

	2022 £m	2021 £m
a) Costs in relation to strategic review	8.2	1.8
b) Costs in relation to the acquisition	0.3	2.6
c) Fire safety provision	14.6	5.2
d) Legal provisions	5.6	0.2
For the year ended 31 October 2022	**28.7**	**9.8**

a) Following the acquisition, management have reviewed the core business operating model through assessing the financial model, development programmes and customer journey. As part of this strategic review, management have implemented a restructuring of the organisation.

b) Further sell side costs advisor costs have been incurred by the Group in relation to their acquisition of McCarthy & Stone Limited.

c) In prior years, the UK Government issued guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments. The Group has been carrying out a review of the McCarthy Stone property estate under management to estimate the likely level of action required in line with the latest updates to Government guidance. On 5 April 2022, the Group, along with the vast majority of the UK's largest housebuilders, signed the building safety pledge aligned to its belief that leaseholders should not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. As part of the pledge the Group committed to:

- take responsibility for performing, or otherwise at our discretion, funding self-remediation and/or mitigation works to address life-critical fire-safety issues on all buildings in the McCarthy Stone property estate under management of 11 metres and above in England that we have developed or refurbished (other than solely as a contractor) ("Our Buildings"); and
- to the extent not already withdrawn and/or reimbursed, withdraw Our Buildings from, and/or reimburse, the Building Safety Fund and ACM Funds.

During FY22, the Group have made good progress addressing those buildings previously identified as in scope for requiring fire remediation work in line with the initial government guidance post Grenfell. This work has led to a more detailed understanding of costs of remediation and allowed management to gain more cost certainty in some aspects of the work. This better understanding combined with the broader scope now required as a result of signing the pledge has resulted both in an increase in the amount of work required and in the number of eligible developments. Allied to this, there is the backdrop of substantial cost inflation. The provision can be seen further within note 21.

d) A provision is held in relation to an ongoing legal case currently being undertaken by the Group. The provision has been calculated in line with managements best estimate of the total expected costs to concule legal proceedings. The provision can be seen further within note 21.

Notes to the Consolidated Financial Statements (continued)

7. Loss before tax (continued)

Reconciliation to underlying operating profit and profit before tax

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

			Non-underlying	Adjusted cost	
Year ended 31 October 2022	**Notes**	**Statutory £m**	**Non-underlying items £m**	**Amortisation of brand £m**	**Underlying £m**
Operating profit		**9.4**	**28.7**	**1.2**	**39.3**
Finance income	10	**0.8**	**–**	**–**	**0.8**
Finance expense	11	**(45.2)**	**–**	**–**	**(45.2)**
(Loss) before tax		**(35.0)**	**28.7**	**1.2**	**(5.1)**
Income tax (charge)		**(0.4)**	**(5.5)**	**(0.2)**	**(6.1)**
(Loss) for the year attributable to owners of the Company		**(35.4)**	**23.2**	**1.0**	**(11.2)**

			Non-underlying	Adjusted cost	
15 October 2020 to 31 October 2021	**Notes**	**Statutory £m**	**Non-underlying items £m**	**Amortisation of brand £m**	**Underlying £m**
Operating (loss)		(20.7)	9.8	0.9	(10.0)
Finance income	10	1.6	–	–	1.6
Finance expense	11	(18.7)	–	–	(18.7)
(Loss) before tax		(37.8)	9.8	0.9	(27.1)
Income tax credit		9.4	(1.9)	(0.2)	7.3
(Loss) for the year attributable to owners of the Company		(28.4)	7.9	0.7	(19.8)

Auditor's remuneration

	2022 £m	**2021 £m**
Fees payable to the Group's auditor		
Audit of the Company and Consolidated Financial Statements	0.4	0.4
Audit of the Company's subsidiaries	0.1	0.1
For the year ended 31 October 2022	**0.5**	**0.5**

There were no other fees payable to the Group auditor during the current or prior year.

Notes to the Consolidated Financial Statements (continued)

8. Staff costs

Staff costs for the year include Directors' emoluments, which are detailed within this note:

	2022 £m	2021 £m
Wages and salaries	87.6	65.7
Social security costs	9.3	5.9
Other pension costs	5.6	3.9
Share based payments	1.1	–
Termination payments	1.8	0.3
For the year ended 31 October 2022	**105.4**	**75.8**

Staff costs above includes costs which are either recharged to customer service charges or directly capitalised to work in progress. Therefore the costs do not directly correlate to the charge included within the administrative expenses in the Consolidated Statement of Comprehensive Income, being £47.9m (2021: £38.8m).

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

	2022 Number	2021 Number
Office management and staff	860	854
House managers	1,610	1,571
Construction staff	136	137
For the year ended 31 October 2022	**2,606**	**2,562**

At 31 October 2022 the Group employed 2,653 people (2021: 2,581). The group employs some staff on flexible working arrangements who did not contribute to payroll costs in FY22.

Directors' emoluments

Amounts recognised in respect of Board Directors' emoluments:

	2022 £m	2021 £m
Wages and salaries	1.9	1.4
Social security costs	0.3	0.2
Other pension costs[1]	0.1	0.1
For the year ended 31 October 2022	**2.3**	**1.7**

[1] Includes salary supplements in lieu of pension

The emoluments of the highest paid director were £1.3m (2021: £1.0m), including pension contributions of £nil (2021: £nil). The number of Directors in the Company pension plan was nil (2021: nil).

Notes to the Consolidated Financial Statements (continued)

9. Other operating income/expenses

Other operating income	2022 £m	2021 £m
Other income	24.0	17.7
Valuation gains from investment property	–	4.1
Part-exchange revenue	143.6	60.3
For the year ended 31 October 2022	**167.6**	**82.1**

Other income arises on the services provided by Group subsidiaries to manage certain developments and non-core income such as customer extras.

Other operating expenses	2022 £m	2021 £m
Other expenses	15.8	12.0
Part-exchange expenditure	142.2	59.2
For the year ended 31 October 2022	**158.0**	**71.2**

Other expenses arise on the provision of services provided by Group subsidiaries to manage certain developments and non-core expenditure such as customer care.

10. Finance income

	2022 £m	2021 £m
Gain in fair value of shared equity receivables	0.1	0.5
Interest income received	0.7	1.1
For the year ended 31 October 2022	**0.8**	**1.6**

11. Finance expense

	2022 £m	2021 £m
Loans interest and overdraft fees	40.2	15.7
Refinancing issue costs	1.3	2.5
Lease interest	0.2	0.1
Loss in fair value of shared equity receivables	3.5	0.4
For the year ended 31 October 2022	**45.2**	**18.7**

Notes to the Consolidated Financial Statements (continued)

12. Income tax charge/(credit)

	Notes	2022 £m	2021 £m
Corporation tax charge/(credit)			
Current year		–	(0.4)
Adjustments in respect of prior periods		–	(0.4)
Deferred tax charge/(credit)			
Current year	19	2.5	(8.6)
Adjustments in respect of prior periods		(2.1)	–
For the year ended 31 October 2022		**0.4**	(9.4)

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

	2022 £m	2021 £m
(Loss) before tax	(35.0)	(37.8)
Tax (credit) at the UK corporation tax rate of 19.0% (2021: 19.0%)	(6.7)	(7.2)
Tax effect of		
Expenses that are not deductible in determining taxable profit	6.4	2.2
Share options timing difference	0.2	0.2
Adjustments in respect of previous years	(2.1)	(0.4)
Effects of tax rate changes	(1.8)	(4.2)
Income not taxable in determining taxable profit	(0.1)	–
Reversal of timing difference on corporate interest restriction	4.7	–
Utilisation of LLP losses	(0.2)	–
Tax charge/(credit) for the year	**0.4**	(9.4)

Both the Group and Company are subject to UK corporation tax, based on where their core activities reside, and as such the rate of corporation tax was 19% throughout the year. The UK deferred tax assets/liabilities at 31 October 2022 have been calculated based on the expected rate at which the asset/liability will unwind.

Notes to the Consolidated Financial Statements (continued)

13. Goodwill and intangible assets

	Goodwill £m	Brand £m	Software £m	Total £m
Cost				
At 1 November 2021	1.0	23.6	7.3	31.9
Additions	–	–	1.5	1.5
Disposals	–	–	(0.2)	(0.2)
Impairment	(0.2)	–	–	(0.2)
At 31 October 2022	**0.8**	**23.6**	**8.6**	**33.0**
Amortisation				
At 1 November 2021	–	(0.9)	(3.6)	(4.5)
Charge for the year	–	(1.2)	(0.8)	(2.0)
Disposals	–	–	0.2	0.2
At 31 October 2022	–	**(2.1)**	**(4.2)**	**(6.3)**
Carrying amount				
At 31 October 2021	1.0	22.7	3.7	27.4
At 31 October 2022	**0.8**	**21.5**	**4.4**	**26.7**

Goodwill arose as a result of the acquisition of the net assets of McCarthy & Stone Limited in 2021. The Group tests goodwill and intangible assets for impairment annually or where there is an indication that goodwill might be impaired. For the purpose of impairment testing, goodwill is allocated to McCarthy & Stone Limited. Of the £1.0m acquired in the prior year, £0.8m related to the acquisition of McCarthy & Stone Limited and £0.2m related to the acquisition of Waverstone LLP. During 2022, following the transfer of assets out of Waverstone LLP, management have fully impaired the Waverstone goodwill balance of £0.2m.

Brand assets represent the McCarthy Stone brand name purchased as part of the business combination in 2021.

There have been no significant changes in the business since the acquisition in February 2021 that would indicate any impairment issues for intangible assets.

Notes to the Consolidated Financial Statements (continued)

14. Property, plant and equipment

	£m
Cost	
At 1 November 2021	4.3
Additions	0.3
Disposals	(0.9)
At 31 October 2022	**3.7**
Accumulated depreciation and impairment	
At 1 November 2021	(3.6)
Charge for the year	(0.3)
Eliminated on disposals	0.9
At 31 October 2022	**(3.0)**
Carrying amount	
At 31 October 2021	0.7
At 31 October 2022	**0.7**

15. Right of use assets

The Group's leased assets comprise of property leases and vehicle leases.

	Properties £m	Vehicles £m	Total £m
At 1 November 2021	2.7	0.6	3.3
Additions	0.3	0.6	0.9
Depreciation	(0.9)	(0.3)	(1.2)
At 31 October 2022	**2.1**	**0.9**	**3.0**

Notes to the Consolidated Financial Statements (continued)

16. Investment properties

	Rental £m	Other £m	Total £m
Cost			
At 1 November 2021	27.1	0.8	27.9
Disposals	(16.7)	–	(16.7)
At 31 October 2022	**10.4**	**0.8**	**11.2**

The Group's investment properties consist of McCarthy Stone properties that are held as rental apartments for capital appreciation and are held at fair value using a market based valuation. The fair value is based on management's valuation of the portfolio.

Investment properties sold in the offtake tranches during the year have been treated as disposals of investment properties and any gains are recognised within other operating income.

17. Inventories

	2022 £m	**2021 £m**
Land held for development	117.9	82.5
Sites in the course of construction	280.8	230.7
Finished Stock	267.7	314.4
Rental stock	33.9	27.3
Part-exchange properties	55.3	45.2
At 31 October 2022	**755.6**	**700.1**

18. Trade and other receivables

	2022 £m	**2021 £m**
Trade and other receivables due in less than one year		
Trade receivables	2.0	0.6
Other debtors and prepayments	9.8	8.4
Accrued FRI income	7.0	–
At 31 October 2022	**18.8**	**9.0**

	2022 £m	**2021 £m**
Trade and other receivables due in greater than one year		
Secured mortgages	1.1	1.4
Shared ownership receivables	2.6	7.2
Shared equity receivables	16.0	21.3
At 31 October 2022	**19.7**	**29.9**

Secured mortgages disclosed above are measured at amortised cost. Shared equity receivables and shared ownership receivables are classified as financial assets measured at fair value through profit or loss.

19. Deferred tax

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

	Other temporary differences £m	Accelerated tax depreciation £m	Unrelieved tax losses £m	Acquisition Adjustment £m	Total £m
At 1 November 2021	0.1	1.1	25.3	(3.5)	23.0
Adjustment in respect of prior year	(0.3)	–	2.0	0.4	2.1
Charge in year	(0.3)	1.6	(2.6)	(1.2)	(2.5)
At 31 October 2022	**(0.5)**	**2.7**	**24.7**	**(4.3)**	**22.6**

20. Trade and other payables

	2022 £m	**2021 £m**
Trade and other payables due in less than one year		
Trade payables	18.5	13.1
Other taxes and social security costs	1.8	2.4
Accrued expenses	46.4	50.5
Other creditors and deferred income	22.0	27.1
Deferred grant income	18.1	–
Intercompany loan interest	20.0	–
Accrued interest	8.0	5.0
At 31 October 2022	**134.8**	**98.1**

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs.

No material interest costs have been incurred in relation to such payables. The Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. Other creditors include sales taxes, property taxes and customer deposits. The Directors consider that the carrying amount of trade payables approximates their fair value. No purchases are made on extended payment terms.

Deferred grant income relates to cash received from Homes England under the Older Persons Shared Ownership Scheme (OPSO) and will be released to revenue on a unit by unit basis. No completions under this scheme are recorded during the year.

Intercompany loan interest is accrued on the £215m loan from Mastiff Holdco Limited. For details see note 24.

	2022 £m	**2021 £m**
Trade and other payables due in greater than one year		
Other creditors and deferred income	1.1	1.5
At 31 October 2022	**1.1**	**1.5**

Notes to the Consolidated Financial Statements (continued)

21. Provisions

	Fire Safety £m	Legal £m	Total £m
At 1 November 2021	15.3	–	15.3
Provided in the year	14.6	3.5	18.1
Utilised in the year	(7.8)	–	(7.8)
At 31 October 2022	**22.1**	**3.5**	**25.6**
Of which:			
Current	10.7	3.5	14.2
Non-current	11.4	–	11.4
At 31 October 2022	**22.1**	**3.5**	**25.6**

Fire safety provision
In prior years, the UK Government issued guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments. The Group has been carrying out a review of the McCarthy Stone property estate under management to estimate the likely level of action required in line with the latest updates to Government guidance. On 5 April 2022, the Group, along with the vast majority of the UK's largest housebuilders, signed the building safety pledge aligned to its belief that leaseholders should not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. As part of the pledge the Group committed to:

- take responsibility for performing, or otherwise at its discretion, funding self-remediation and/or mitigation works to address life-critical fire-safety issues on all buildings in the McCarthy Stone property state under management of 11 metres and above in England that we have developed or refurbished (other than solely as a contractor) ("Our Buildings"); and
- to the extent not already withdrawn and/or reimbursed, withdraw Our Buildings from, and/or reimburse, the Building Safety Fund and ACM Funds.

The cost of this provision has been recognised within non-underlying costs.

Contingent liability
Following a pledge by house builders last year, the Government Department for Levelling up, Housing and Communities published the Self Remediation Terms and Deed of Bilateral Contract on 30 January 2023 and requested all housebuilders to sign the contract committing them to self-remediating fire risks in developments they are deemed responsible for. It is not known how many house builders will sign the contract and the Board is currently assessing the Group's options and the implications of signing. In the event the Board signs the contract, and, depending on the interpretation and application of the contract, this may commit the Group to further incremental expenditure on fire remediation over and above the amounts already provided for.

Legal
A provision is held in relation to an ongoing legal case currently being undertaken by the Group. The provision has been calculated in line with management's best estimate of the total expected costs to conclude the legal proceedings.

The cost of this provision has been recognised within non-underlying costs.

Notes to the Consolidated Financial Statements (continued)

22. Land payables

	2022 £m	2021 £m
Land payables due in less than one year	17.5	24.3
At 31 October 2022	**17.5**	**24.3**

	2022 £m	2021 £m
Land payables due in greater than one year	2.1	6.5
At 31 October 2022	**2.1**	**6.5**

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

23. Lease liabilities

This has been split accordingly as follows:

	Properties £m	Vehicles £m	Total £m
Current	0.8	0.4	1.2
Non-current	2.0	0.5	2.5
At 31 October 2022	**2.8**	**0.9**	**3.7**

The total cash outflow of IFRS 16 leases in the year was £1.6m (2021: £1.3m).

At year end the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases under IAS 17, which fell due as follows:

As a lessee:	2022 £m	2021 £m
Within one year	1.3	1.6
In the second to fifth years inclusive	2.5	3.1
After five years	0.1	0.1
Outstanding commitments for future minimum lease payments	**3.9**	**4.8**

24. Borrowings

Long-term borrowings	2022 £m	2021 £m
Loans	275.0	275.0
Unamortised issue costs	(6.1)	(7.5)
Interest bearing related party loan	215.0	215.0
Interest free related party loan	209.2	209.7
At 31 October 2022	**693.1**	**692.2**

Following the acquisition of McCarthy & Stone Limited, a 5-year senior loan facility for £275.0m was put in place. No covenants apply on this loan until October 2023. The facility is secured by way of floating charge over the assets of certain Group subsidiaries.

Two related party loan arrangements with Mastiff Holdco Limited are also in place. The £215m drawdown incurs interest at a rate of 9% per annum and is repayable after October 2026. The £209.2m loan, which was partially repaid during the year, incurs no interest and is repayable after November 2026.

Notes to the Consolidated Financial Statements (continued)

25. Net debt

	2022 £m	2021 £m
Loans and borrowings	693.1	692.2
Add back unamortised issue costs	6.1	7.5
Cash and cash equivalents	(162.8)	(200.4)
Net debt	**536.4**	**499.3**

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).

26. Par value share capital

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

Allotted and issued ordinary shares	2022 £m	2021 £m
£1 each fully paid: 209,690,689 ordinary shares	209.7	209.7

Dividends on equity shares

No dividends have been paid or declared within the current or prior year.

Mastiff Bidco Limited

Notes to the Consolidated Financial Statements (continued)

27. Notes to the cash flow statement

	Notes	2022 £m	2021 £m
(Loss) for the financial year		(35.4)	(28.4)
Adjustments for			
Income tax charge/(credit)	12	0.4	(9.4)
Amortisation of intangible assets	13	2.0	1.4
Amortisation of loan issue costs		1.4	1.4
Depreciation of property, plant and equipment	14	0.3	0.1
Depreciation of right of use assets	15	1.2	1.0
Finance expense	11	45.2	18.7
Finance income	10	(0.8)	(1.6)
Share option charge		1.1	–
Revaluation of investment properties	16	–	1.2
Revaluation of inventories to investment properties		–	(4.1)
Operating cash flows before movements in working capital		15.4	(19.7)
Decrease in trade and other receivables		(3.6)	26.6
(Increase) in inventories		(55.5)	(39.0)
Increase in trade and other payables		10.6	5.6
Cash generated by operations		(48.5)	(6.8)
Interest paid		(17.3)	(10.8)
Income taxes paid		(1.6)	–
Net cash flow from operating activities		(52.0)	(37.3)
Cash and bank balances		**162.8**	**200.4**

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.

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

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

The benefit scheme charge for the period represents contributions payable to the benefit scheme and amounted to £5.6m for the year ended 31 October 2022 (2021: £5.1m). Unpaid contributions amounted to £0.4m as at 31 October 2022 (2021: £0.4m).

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

Categories of financial instruments	Notes	2022 £m	2021 £m
Financial assets			
Fair value through profit or loss			
Shared equity receivables	18	16.0	21.3
Shared ownership receivables	18	2.6	7.2
At amortised cost			
Cash and cash equivalents		162.8	200.4
Trade and other receivables	18	2.4	0.5
Secured mortgages	18	1.1	1.4
At 31 October 2022		**184.9**	**230.8**
Financial liabilities			
Other financial liabilities			
Trade and other payables	20	109.2	81.2
Land payables	22	19.6	30.8
Loans	24	693.1	692.2
At 31 October 2022		**821.9**	**804.2**

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

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

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

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

Housing market risk management
The Group's activities expose it primarily to macroeconomic risks such as deflation and the cyclical nature of UK property prices. A deterioration in the economic outlook could have a significant impact on the Group's financial performance and the Group has the following procedures which mitigate its market-related operational risk:

- The Group closely monitors industry indicators and assesses the potential impact of different economic scenarios
- Decisions to allocate new capital to land and build are managed centrally through the Group Investment Committee, membership of which includes the Chief Executive Officer, Director of Strategic Investment and the Chief Commerical Officer
- The Group aims to maintain a geographical spread of developments to ensure that it is not reliant on one particular location, development or product
- The Group undertakes a weekly review of sales, reservations and incentives at divisional and Group level

Notes to the Consolidated Financial Statements (continued)

29. Financial risk management (continued)

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a low exposure to credit risk due to the nature and legal framework of the UK housing industry.

In certain circumstances the Group offers sales incentives resulting in a long-term debt being recognised under which the Group will receive a proportion of the resale proceeds of an apartment. The Group's equity share is protected by a registered entry on the title and usually represents the first interest in the property. A reduction in property values leads to an increase in the credit risk of the Group in respect of such sales.

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

The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. There is no material concentration of credit risk in respect of one individual customer.

The carrying amount recorded for financial assets in the financial statements is net of impairment losses and represents the Group's maximum exposure to credit risk. No guarantees have been given in respect to third parties.

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

The maturity of the financial liabilities of the Group at 31 October 2022 are as follows:

	2022			
	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-5 years £m
Loans (net of borrowing costs)	483.9	546.7	19.3	527.4
Financial liabilities carrying no interest	337.0	337.0	124.5	212.5
Total	**820.9**	**883.7**	**143.8**	**739.9**

	2021			
	Carrying value £m	Contractual cash flows £m	Within 1 year £m	1-5 years £m
Loans (net of borrowing costs)	692.2	793.5	19.3	774.2
Financial liabilities carrying no interest	112.0	112.0	104.0	8.0
Total	**804.2**	**905.5**	**123.3**	**782.2**

Notes to the Consolidated Financial Statements (continued)

29. Financial risk management (continued)

Interest rate risk management
Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market.

Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

Fair value of financial instruments carried at amortised cost
The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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

Fair value measurements recognised in the Consolidated Statement of Financial Position
All financial instruments are grouped into Levels 1 to 3 is based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The financial instruments held by the Group that are measured at fair value are the shared equity receivables and shared ownership receivables which are both measured at fair value through profit or loss using methods associated with Level 3.

At 31 October 2022, the shared equity receivables were valued at £16.0m (2021: £21.3m) and the shared ownership receivables were valued at £2.6m (2021: £7.2m).

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

The fair value of future anticipated cash receipts takes into account the Directors' views of an appropriate discount rate, expected timing of receipts and historic gains and losses on redemptions. These assumptions cover a variety of different schemes and the range of assumptions used are stated below. The assumptions are reviewed at each year end.

Shared equity receivables

Assumptions	2022	2021
Discount rate	3.6%	3.6%
Timing of receipt	3 to 8 yrs	3 to 5 yrs
Fair value	17.7%	15.1%

Movements	2022	2021
Opening balance	21.3	-
Business acquisition	–	20.9
Additions	–	0.9
Disposals	(1.9)	(1.0)
Revaluation gains and (losses) recognised in the statement of comprehensive income	(3.4)	0.5
Closing balance	16.0	21.3

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

Notes to the Consolidated Financial Statements (continued)

29. Financial risk management (continued)

Shared ownership receivables

Movements	**2022**	**2021**
Opening balance	7.2	–
Business acquisition	–	7.1
Additions	5.5	5.9
Disposals	*(10.1)*	*(5.8)*
Closing balance	2.6	7.2

Assumptions	**2022**	**2021**
Discount rate	3.9%	3.5%
New build premium	5%	5%
Timing of receipt	7 yrs	7 yrs

Notes to the Consolidated Financial Statements (continued)

30. Related undertakings

The entities listed below are subsidiaries, joint ventures or associates of the Company or Group. All entities, unless noted below, are registered in England and Wales with a registered address of: 4th Floor, 100 Holdenhurst Road, Bournemouth, Dorset, BH8 8AQ.

Name	Notes	Company number	Principal activity	2022 % of shares owned	2021 % of shares owned
McCarthy & Stone Limited		06622199	Holding company	100	100
McCarthy & Stone (Developments) Limited		06622183	Holding company	100	100
McCarthy & Stone Retirement Lifestyles Limited		06622231	Developer	100	100
McCarthy & Stone (Equity Interests) Limited	1,6	05663330	Property investment	100	100
McCarthy & Stone (Home Equity Interests) Limited	1,6	05984851	Property investment	100	100
McCarthy & Stone Investment Properties No. 23 Limited	1,6	06496130	Property investment	100	100
McCarthy & Stone Total Care Living Limited	1,6	06069509	Property investment	100	100
McCarthy & Stone (Extra Care Living) Limited		06897363	Property investment	100	100
McCarthy & Stone Total Care Management Limited	1,6	06897301	Property investment	100	100
McCarthy & Stone Management Services Limited		07166051	Development management	100	100
McCarthy & Stone Lifestyle Services Limited	1,6	07165986	Holding company	100	100
Keyworker Properties Limited	1,6	04213618	Holding company	100	100
YourLife Management Services Limited		07153519	Development management	100	100
The Planning Bureau Limited	1, 2	02207050	Dormant	100	100
McCarthy & Stone Resales Limited	1,6	10716544	Property resales	100	100
McCarthy & Stone Rental Properties Limited		11771289	Property investment	100	100
McCarthy & Stone Rental Properties No.2 Limited	1, 6	11822847	Property investment	100	100
McCarthy & Stone Rental Properties No.3 Limited	1,6	12143464	Property investment	100	100
McCarthy & Stone Rental Properties No.4 Limited	1,6	12759676	Property investment	100	100
McCarthy & Stone (Shared Ownership) Limited	1,6	12330830	Property investment	100	100
Waverstone LLP	1,6	OC429156	Property investment	100	100
Waverstone Investments Holdings Limited	1,6	12245754	Property investment holding	100	100
Waverstone Investments Limited	1,6	09817139	Property investment holding	100	100
Kindle Housing (Christchurch) Limited	3, 5	04737739	Affordable housing rental	n/a	50
Kindle Housing (Exeter) Limited	3, 4, 5	05692813	Affordable housing rental	n/a	50
Kindle Housing (Worthing) Limited	3, 4, 5	04239574	Affordable housing rental	n/a	50
Kindle Housing Limited	3, 4, 5	04088162	Affordable housing management	50	50
Advantage Apartments Limited	2, 3, 5	03697251	Dormant	50	50
Advantage Housing Limited	2, 3, 5	03697230	Dormant	50	50
Advantage Homes Limited	2, 3, 5	03697079	Dormant	50	50

1 These subsidiaries will take advantage of audit exemptions for the year ended 31 October 2022
2 These subsidiaries are considered dormant for the period ended 31 October 2022 and have taken advantage of the section 394A exemption from preparing individual financial statements.
3 These subsidiaries are registered at Cosmopolitan House, Old Fore Street, Sidmouth, Devon, EX10 8LS
4 This subsidiary has been dissolved during the financial year
5 These entities are joint ventures
6 These subsidiaries will receive a parent company guarantee under section 479C of the Companies Act 2006 for the year ended 31 October 2022

McCarthy & Stone (Developments) Limited is directly owned by the Company. All other subsidiaries, joint ventures or associates are indirectly owned by McCarthy & Stone Limited. Each of the shareholdings gives the immediate parent company 100% voting rights unless stated above. All shares are classified as 'ordinary'.

31. Related party transactions

Balances and transactions between the 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 between the Group and associates of the Group are eliminated proportionally based upon the percentage of shares owned.

Notes to the Consolidated Financial Statements (continued)

31. Related party transactions (continued)

During the prior year the Group received funding from its parent company, Mastiff HoldCo Limited, to finance the £646.6m acquisition of McCarthy & Stone Limited.

Funding transferred between the entities during the period is set out below:

	2022 £m	2021 £m
Interest free related party loan	–	648.2
During the year ended 31 October 2022	**–**	**648.2**

The outstanding related party funding balances at the year-end are set out below:

	2022 £m	2021 £m
Interest free related party loan	209.2	209.7
Interest bearing related party loan	215.0	215.0
At 31 October 2022	**424.2**	**424.7**

The £215.0m drawdown incurs interest at a rate of 9% per annum and is repayable in October 2026. The £209.7m loan, £0.5m of which was repaid during the year, incurs no interest and is also repayable in November 2026.

Remuneration of key management personnel
The key management personnel are the Board and the Executive Committee including Group Non-Executive Directors. The average number of roles during the period was 11. The remuneration that they received during the period is set out below in aggregate for each of the categories specified in IAS 24 *'Related Party Disclosures'*.

	2022 £m	2021 £m
Short-term employee benefits	4.9	2.8
Social security costs	0.7	0.4
Pension contributions	0.3	0.2
For the year ended 31 October 2022	**5.9**	**3.4**
Aggregate emoluments of the highest paid director	1.3	1.0

The Group had no trading transactions with related parties during the year to 31 October 2022 that would materially affect the performance of the Group. Intra-group transactions between the Company and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

Notes to the Consolidated Financial Statements (continued)

32. Share based payments

The Group's LTIP opened in October 2021 to key management at discretion of the Board, granting equity-settled shares under the scheme within Mastiff Midco Limited.

The LTIP carries a service condition. The estimated fair value of the share based incentive is measured using the Black-Scholes model. There are no market-based conditions under the scheme or cash alternative.

The expense for these charges is shown within the Consolidated Statement of Comprehensive Income and retained earnings.

	2022 £m	2021 £m
Expense arising from equity setted share based payments	1.1	-
For the year ended 31 October 2022	**1.1**	**-**

33. Events after the balance sheet date

On 30 January 2023, the Government Department for Levelling up, Housing and Communities published the Self Remediation Terms and Deed of Bilateral Contract and requested all housebuilders to sign the contract committing them to self-remediating fire risks in developments they are deemed responsible for. The Group has disclosed a contingent liability with respect to the Self Remediation Terms and Deed of Bilateral Contract in note 21.