

**McCarthy & Stone Investment Properties
No.23 Limited**

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 October 2020



Company registration number: 06496130

CONTENTS

Directors and Advisors	2
Directors' Report	3
Statement of Directors' Responsibilities	6
Profit and Loss Account	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

DIRECTORS AND ADVISORS

For the year ended 31 October 2020

Directors

R C Baker (resigned 31 July 2020)

M J Abell (appointed 1 August 2020)

J M Tonkiss

Registered Office

4th Floor

100 Holdenhurst Road

Bournemouth

Dorset

BH8 8AQ

Bankers

HSBC Bank plc

70 Pall Mall

London

SW1Y 5EZ

DIRECTORS' REPORT

For the year ended 31 October 2020

The Directors of McCarthy & Stone Investment Properties No.23 Limited (the Company) (registered number 06496130) present their Annual Report and financial statements for the year ended 31 October 2020 ('2020'). The comparative financial year is the 14 month period to 31 October 2019 ('2019') and therefore is not directly comparable. This Directors' Report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies' exemption. Accordingly, the Company is not required to include a Strategic Report.

Principal activity

The Company's business is property investment. The Company owns four house manager flats within McCarthy & Stone developments. These assets are rented out to another entity within the Group.

Results

The profit after taxation for the year ended 31 October 2020 amounted to £24,070 (14 months ended 31 October 2019: £373,235). No dividend has been proposed or paid in either the current year or the previous period.

Ownership

The Company is a wholly-owned subsidiary of McCarthy & Stone Retirement Lifestyles Limited. The ultimate parent company, McCarthy & Stone Limited (formerly McCarthy & Stone plc), produces consolidated financial statements. McCarthy & Stone Limited and its subsidiaries are referred to as the Group.

On 23 October 2020, the Board announced that it had reached agreement with Mastiff Bidco Limited (Bidco), a wholly-owned indirect subsidiary of Lone Star Real Estate Fund VI, on the terms of a recommended cash offer by Bidco for the entire share issued and to be issued capital of the Company (the Transaction). The Transaction was to be implemented by means of a Court-sanctioned scheme of arrangement (the Scheme) under Part 26 of the Companies Act. The Scheme was duly approved by the Company's shareholders at meetings held on 7 December 2020. Court sanction of the Scheme was received on 28 January 2021 and the Scheme became effective on 1 February 2021.

Under the terms of the acquisition, each McCarthy & Stone shareholder received 120p per share held, resulting in a transaction value of approximately £646.6m.

On completion of the Transaction, the Group has a new ultimate controlling party being Lone Star Real Estate Fund VI, LP. The Company's immediate parent company is Mastiff Bidco Limited, a company registered in Jersey. A number of the Group's contractual arrangements include change of control clauses which apply as a result of the Transaction, none of which had a material impact on the financial position as at 31 October 2020.

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

DIRECTORS' REPORT

For the year ended 31 October 2020

Directors and Directors' interests

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

Name	Date of appointment	Date of resignation
<i>Current Directors:</i>		
R C Baker	6 January 2017	31 July 2020
M J Abell	1 August 2020	-
J M Tonkiss	31 August 2018	-

No Director has any interest in the shares of the Company. There have been no changes in the Directors' interests in the share capital of the Company since 31 October 2020.

Directors' insurance

The Group to which this Company belongs maintains Directors' and Officers' liability insurance for the Directors and Officers of all Group companies.

Directors' conflicts of interest

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

Future Developments

The Company will continue to act as a property investment company for the foreseeable future.

Post balance sheet events

Post balance sheet events have been disclosed in note 11.

Employees

The Company had no employees during the year or previous period.

Directors' indemnities

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. When making this assessment, the Directors have considered the results and future forecasts of the Group given the high level of intercompany transactions with the Company.

The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of current and anticipated economic conditions. In making their assessment the Directors have reviewed the Group's latest budget, forecasts, available loan and revolving credit facility and considered reasonably possible downside sensitivities in performance and mitigating actions.

DIRECTORS' REPORT

For the year ended 31 October 2020

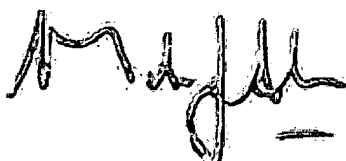
As a result of the above considerations, the Directors consider that the Group and Company have adequate resources in place for at least 12 months from the date of the approval of these financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Approval of reduced disclosures

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

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by McCarthy & Stone Retirement Lifestyles Limited, as the immediate parent of the entity. They should be served by no later than 31 October 2021.

Approved by the Board on 19 July 2021 and signed on its behalf by:



M J Abell
Director

McCarthy and Stone Investment Properties No.23 Limited
4th Floor
100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 October 2020

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards 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.

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

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROFIT AND LOSS ACCOUNT

For the year ended 31 October 2020

	<i>Notes</i>	12 month year ended 31 October 2020 £	14 month period ended 31 October 2019 £
Administrative expenses		(1,000)	(1,000)
Other operating income	3	32,425	465,005
Operating profit	3	31,425	464,005
Interest payable and similar expenses	4	(1,709)	(3,221)
Profit before taxation		29,716	460,784
Taxation on profit	5	(5,646)	(87,549)
Profit for the financial year		24,070	373,235

All the figures above relate to continuing operations.

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

The notes on pages 10 to 14 form part of these financial statements.

BALANCE SHEET

As at 31 October 2020

	Notes	2020 £	2019 £
Fixed assets			
Investment properties	6	546,000	546,000
Creditors: amounts due within one year	7	(136,560)	(160,630)
Net assets		409,440	385,370
Capital and reserves			
Called up share capital	8	3	3
Profit and loss account		409,437	385,367
Shareholders' funds		409,440	385,370

For the year ended 31 October 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

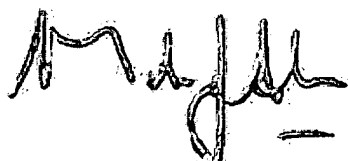
Directors' responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the period in question in accordance with section 476.
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 10 to 14 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 19 July 2021 and were signed on its behalf by:



M J Abell
Director

Company registration number: 06496130

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2020

	<i>Notes</i>	Share capital £	Share premium £	Profit and loss account £	Total £
Balance as at 1 September 2018	8	3	-	12,132	12,135
Profit for the period		-	-	373,235	373,235
Total comprehensive income for the period		-	-	373,235	373,235
Balance as at 31 October 2019	8	3	-	385,367	385,370
Profit for the year		-	-	24,070	24,070
Total comprehensive income for the year		-	-	24,070	24,070
Balance as at 31 October 2020	8	3	-	409,437	409,440

The notes on pages 10 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2020

1. Accounting policies

The following accounting policies have been used in dealing with items that are considered material in the financial statements. They have been applied consistently throughout the current year and prior 14 month period.

McCarthy & Stone Investment Properties No.23 Limited (the Company) is a private company limited by shares and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 2.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

The Company meets the definition of a qualifying entity under FRS 102 paragraph 1.12 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, McCarthy & Stone Limited, which may be obtained at companies house. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The financial statements have been prepared on the going concern basis. For further details please refer to the Directors' Report on pages 3 to 5.

Investment properties

Investment properties comprises completed property that is held to earn rentals or for capital appreciation as house manager flats, rather than for sale in the ordinary course of business.

Investment properties are stated at fair value using a market approach, which has been supported by a RICS qualified valuation. Changes in the valuation are recognised in the profit and loss account within 'Other operating income'.

Corporation tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2020

2. Critical accounting judgements and estimation uncertainty

There are no specific critical judgements or key assumptions the Company makes about the future, or other major sources of estimation uncertainty at the end of the reporting period, that are deemed to have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities at the year end and within the next financial year.

3. Operating profit

a. Other income

	12 month year ended 31 October 2020 £	14 month period ended 31 October 2019 £
Other income	32,425	45,434
Revaluation of investment properties	-	419,571
	32,425	465,005

b. Employees

The Company had no employees during the current year or prior 14 month period.

c. Auditor's remuneration

Due to exemption from audit by parent guarantee, no audit fees have been incurred during the year ended 31 October 2020 (14 month period ended 31 October 2019: £nil). Remuneration of the auditor is settled by McCarthy & Stone (Developments) Limited on behalf of all companies within the McCarthy & Stone Group and was not recharged in prior year. The total Group audit fee for the year ended 31 October 2020 was £0.4m (14 month period ended 31 October 2019: £0.4m).

d. Directors' remuneration

There was no Directors' remuneration during the current year or prior 14 month period. The Directors are paid by the other Group companies and the allocation to this Company is £nil (2019: £nil).

4. Interest payable and similar expenses

	12 month year ended 31 October 2020 £	14 month period ended 31 October 2019 £
Interest payable to fellow Group undertakings	1,709	3,221

	1,709	3,221
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McCarthy & Stone Investment Properties No.23 Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2020

5. Taxation on profit

a. Analysis of taxation on profit

	12 month year ended 31 October 2020 £	14 month period ended 31 October 2019 £
Current tax: UK corporation tax on profit for the year	5,646	87,549
Taxation on profit	5,646	87,549

b. Factors affecting the tax charge for the year

	12 month year ended 31 October 2020 £	14 month period ended 31 October 2019 £
Profit before tax	29,716	460,784
Anticipated tax charge based on profit before tax at 19.0% (2019: 19.0%)	5,646	87,549
Total tax charge for the year	5,646	87,549

The rate of corporation tax was 19.0% throughout the year. The UK deferred tax assets/liabilities at 31 October 2020 have been calculated based on the expected rate at which the asset/liability will unwind.

6. Investment properties

	2020 £	2019 £
As at 1 November / September	546,000	126,429
Revaluation	-	419,571
As at 31 October	546,000	546,000

The fair value is based on an external valuation carried out by independent valuation consultants.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2020

7. Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts owed to Group undertakings	136,560	147,367
Deferred income	-	13,263
	136,560	160,630

Balances owed to McCarthy & Stone Retirement Lifestyles Limited incur an interest rate charge of 2.2% (2019: 2.2%). Balances owed to other Group undertakings are repayable on demand.

8. Share capital

	Authorised No.	Authorised £	Allotted, called up & fully paid No.	Allotted, called up & fully paid £
Equity share capital				
Ordinary shares of £1 each				
As at 31 October 2019	1,000	1,000	3	3
As at 31 October 2020	1,000	1,000	3	3

9. Related parties

The Company has taken advantage of the exemption available under FRS 102, section 33.1A, not to disclose transactions with wholly-owned members of the Group headed by McCarthy & Stone Limited.

10. Ultimate parent undertaking and controlling party

The immediate parent undertaking is McCarthy & Stone Retirement Lifestyles Limited.

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

4th Floor
100 Holdenhurst Road
Bournemouth
Dorset

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

McCarthy & Stone Investment Properties No.23 Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2020

11. Post balance sheet events

On 23 October 2020, the Board of McCarthy & Stone plc announced that it had reached agreement with Mastiff Bidco Limited (Bidco), a wholly-owned indirect subsidiary of Lone Star Real Estate Fund VI, on the terms of a recommended cash offer by Bidco for the entire share issued and to be issued capital of the Company (the Transaction). The Transaction was to be implemented by means of a Court-sanctioned scheme of arrangement (the Scheme) under Part 26 of the Companies Act. The Scheme was duly approved by the Company's shareholders at meetings held on 7 December 2020. Court sanction of the Scheme was received on 28 January 2021 and the Scheme became effective on 1 February 2021.

Under the terms of the acquisition, each McCarthy & Stone shareholder received 120p per share held, resulting in a transaction value of approximately £646.6m.

On completion of the Transaction, the Group has a new ultimate controlling party being Lone Star Real Estate Fund VI, LP. The Company's immediate parent company is Mastiff Bidco Limited, a company registered in Jersey. A number of the Group's contractual arrangements include change of control clauses which apply as a result of the Transaction, none of which had a material impact on the financial position as at 31 October 2020. Following the Court sanction on 28 January 2021, all existing options under the Group's LTIP have been cancelled and all SAYE and SIP shareholders have been settled.

In addition, the Group's revolving credit facility of £200m has been cancelled and existing debt and accrued interest under this facility have been repaid in line with change of control provisions. On acquisition a new 5-year senior loan facility for £275m was put in place at a nominal interest rate of 7% per annum, with the Group's immediate parent company (Mastiff Bidco Limited) as borrower.

In March 2021, the Group has also secured an additional £48.5m revolving credit facility with four lender banks at a margin of LIBOR plus 3%. The facilities are secured, including by way of floating charge, over the assets of certain Group subsidiaries.