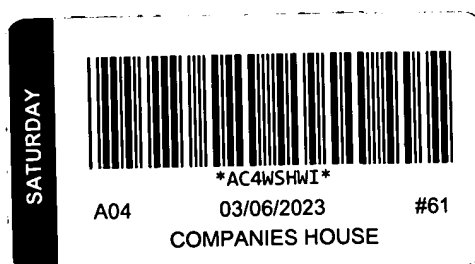


# **McCarthy & Stone Limited**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 October 2022**



**Company registration number: 06622199**

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## **DIRECTORS AND ADVISERS**

For the year ended 31 October 2022

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### **Directors**

J M Tonkiss  
M J Abell

### **Registered Office**

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

### **Independent Auditor**

Ernst & Young LLP  
Grosvenor House  
Grosvenor Square  
Southampton  
SO15 2BE

### **Bankers**

HSBC Bank plc  
70 Pall Mall  
London  
SW1Y 5EZ

## **STRATEGIC REPORT**

For the year ended 31 October 2022

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The Directors present their Strategic Report for the Company for the year ended 31 October 2022 (2022). All comparatives are for the year ended 31 October 2021 (2021). The Directors, in preparing this report, have complied with s414C of the Companies Act.

### **Review of the business**

McCarthy & Stone Limited ('the Company') is a subsidiary company of Mastiff Bidco Limited which produces consolidated accounts. During the prior year, the McCarthy Stone Group was acquired by Mastiff Bidco Limited, a wholly owned indirect subsidiary of Lone Star Real Estate Fund VI. The results of the Company in the prior year were consolidated in McCarthy & Stone Limited for the full financial year. The current year results are included in the Mastiff Bidco Limited consolidation.

The Company follows the same strategy and is subject to the same principal risks and uncertainties as Mastiff Bidco Limited and its subsidiaries ('the Group'). Further details regarding the Group's strategy and the market in which it operates can be found in the Annual Report and financial statements of Mastiff Bidco Limited which are filed on the Jersey Financial Services Commission and are publicly available along with the McCarthy & Stone Limited financial statements on Companies House.

The Group is the UK's leading developer and manager of retirement communities, under the trading name McCarthy Stone. The Group buys land and then builds, sells and manages a range of high-quality retirement developments.

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.

### **Principal activities**

The Company is an intermediate holding company within the Mastiff Bidco Limited Group and does not trade.

### **Performance during the year**

During the year the Company showed a loss after taxation of £89.4m (2021: £1.9m profit). This is as a direct result of an impairment of its investment in McCarthy & Stone Developments Limited during the financial year.

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2022

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### 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 turnover 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 of the Group.

#### *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.

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2022

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### Principal risks and uncertainties (continued)

#### *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, turnover 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 stock 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 stock 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.

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2022

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### Principal risks and uncertainties (continued)

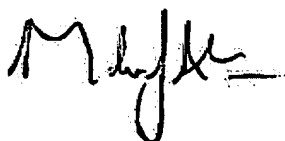
#### *Reputation and customer satisfaction:*

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 resale 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 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.

This Strategic Report was approved by the Board signed on its behalf by:



M J Abell  
Director

28 April 2023

McCarthy & Stone Limited  
4<sup>th</sup> Floor  
100 Holdenhurst Road  
Bournemouth  
Dorset  
BH8 8AQ

## DIRECTORS' REPORT

For the year ended 31 October 2022

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The Directors of McCarthy & Stone Limited (the Company) (registered number 06622199) present their Annual Report and audited financial statements for the year ended 31 October 2022.

### Ownership

The Company is a wholly owned subsidiary of Mastiff Bidco Limited, a wholly owned indirect subsidiary of Lone Star Real Estate Fund VI. Mastiff Bidco Limited and its subsidiaries are referred to as "the Group" under the trading name of McCarthy Stone.

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

### Directors' insurance

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

### Results

The loss after taxation for the year ended 31 October 2022 amounted to £89.4m (2021: profit of £1.9m). Dividends of £nil were paid during the year (2021: £nil).

### Directors and Directors' interests

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

Name	Date of appointment
<i>Current Directors:</i>	
J M Tonkiss	5 November 2015
M J Abell	1 August 2020

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 2022.

### 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.

### Directors' indemnities

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

### Employees

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



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

For the year ended 31 October 2022

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### **Financial risk management objectives and policies**

Further details of the risk management and the Group's principal risks and uncertainties are set out in the Strategic Report on pages 3 to 6. The Strategic Report includes the financial review and a description of the principal risks and uncertainties facing the Group.

### **Dividends**

Dividends of £nil were paid during the year to 31 October 2022 (2021: £nil).

### **Political donations**

There were no political donations during the current or prior year.

### **Going concern**

The Company has obtained a parental letter of support confirming that the Group will continue to support the trading activities of the Company and assist in meeting its liabilities. Management has assessed the ability of the parent to provide such support should it be required. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

A letter of support has been obtained because McCarthy Stone do not forecast at an entity level and cash is moved within the group to support the trading activities of each entity through intercompany arrangements. Furthermore, all entities align to the Group's strategy, focussed on being the UK's leading developer and manager of retirement communities and are included within the forecast projections that support the going concern status.

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 12 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

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

For the year ended 31 October 2022

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### **Going concern (continued)**

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 13 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 the next twelve months.

The Directors have also prepared a severe but plausible downside scenario covering the same forecast period of 12 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:

- Suppressed 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**

As outlined in note 12, there were no events after the reporting period that required adjustment in the financial statements.

### **Future developments**

The Company will continue to act as an intermediate holding company for the foreseeable future.

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

For the year ended 31 October 2022

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### **Statement of disclosure of information to auditor**

Each of the persons who is a Director at the date of approval of this report 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 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.

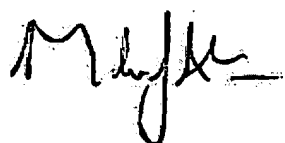
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemption in FRS 102 paragraph 1.12, as described within note 1.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. 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. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 31 October 2023.

Approved by the Board and signed on its behalf by:



M J Abell  
Director

28 April 2023

McCarthy & Stone Limited  
4<sup>th</sup> Floor  
100 Holdenhurst Road  
Bournemouth  
Dorset  
BH8 8AQ

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

For the year ended 31 October 2022

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### **Directors' responsibilities statement in respect of the financial statements**

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCCARTHY & STONE LIMITED**

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## **Opinion**

We have audited the financial statements of McCarthy & Stone Limited for the year ended 31 October 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 October 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue 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 company'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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCCARTHY & STONE LIMITED (CONTINUED)**

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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.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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 11, 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCCARTHY & STONE LIMITED (CONTINUED)**

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## **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 entity and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework are Financial Reporting Standard 102 as applied in accordance with Section 408 of the Companies Act 2006, the Companies Act 2006 and the relevant tax compliance regulations in the UK. In addition to this, the entity is part of a group which is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection, and anti-bribery and corruption.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company 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 noncompliance 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCCARTHY & STONE LIMITED (CONTINUED)

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

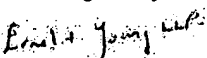
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Our procedures to address management override involved testing journals identified by specific risk criteria such as manual, 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 were designed to provide reasonable assurance that the financial statements were free from fraud and error.

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

DocuSigned by:



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James Harris (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Southampton  
28 April 2023



## PROFIT AND LOSS ACCOUNT

For the year ended 31 October 2022

	<i>Notes</i>	2022 £m	2021 £m
Administrative expenses		-	(0.3)
Other gains and losses		-	1.9
<b>Operating profit</b>	<b>3</b>	<b>-</b>	<b>1.6</b>
Interest receivable and similar income	4	-	0.3
Impairment of investment	5	(89.4)	-
<b>(Loss)/Profit before taxation</b>		<b>(89.4)</b>	<b>1.9</b>
Taxation (charge)	6	-	-
<b>(Loss)/Profit for the financial year</b>		<b>(89.4)</b>	<b>1.9</b>

All of 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 19 to 26 form part of these financial statements.

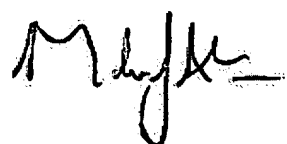
## BALANCE SHEET

As at 31 October 2022

	<i>Notes</i>	<b>2022</b> £m	<b>2021</b> £m
<b>Non-current assets</b>			
Investments in subsidiaries	7	<b>350.0</b>	439.4
<b>Current assets</b>			
Trade and other debtors	8	<b>15.2</b>	15.2
<b>Total assets</b>		<b>365.2</b>	454.6
<b>Net assets</b>		<b>365.2</b>	454.6
<b>Capital and reserves</b>			
Called up share capital	9	<b>43.1</b>	43.1
Share premium		<b>102.7</b>	102.7
Profit and loss account		<b>219.4</b>	308.8
<b>Shareholders' funds</b>		<b>365.2</b>	454.6

The notes on pages 19 to 26 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 April 2023 and were signed on its behalf by:



M J Abell  
Director

Company registration number: 06622199

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2022

	<i>Notes</i>	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
<b>Balance as at 1 November 2020</b>	9	<b>43.0</b>	<b>101.6</b>	<b>308.9</b>	<b>453.5</b>
Issue of ordinary shares		0.1	1.1	(1.2)	-
Share-based payments		-	-	(1.2)	(1.2)
Profit for the year		-	-	2.3	2.3
<b>Total comprehensive income for the year</b>		-	-	<b>2.3</b>	<b>2.3</b>
<b>Balance as at 31 October 2021</b>	9	<b>43.1</b>	<b>102.7</b>	<b>308.8</b>	<b>454.6</b>
(Loss) for the year		-	-	(89.4)	(89.4)
<b>Total comprehensive (loss) for the year</b>		-	-	<b>(89.4)</b>	<b>(89.4)</b>
<b>Balance as at 31 October 2022</b>	9	<b>43.1</b>	<b>102.7</b>	<b>219.4</b>	<b>365.2</b>

The notes on pages 19 to 26 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2022

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### 1. Accounting policies

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

McCarthy & Stone 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 on a going concern basis under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and the Companies Act 2006.

The Company's financial statements are presented in pound sterling and rounded to thousands unless specifically stated. The Company's functional and presentation currency is the pound sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The results of the Company are included in the consolidation at Mastiff Bidco Limited.

The Company has not prepared Group financial statements as the trading results of McCarthy & Stone Limited and those of its subsidiaries are reported as consolidated within Mastiff Bidco Limited.

The financial statements contain information about McCarthy Stone Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of Mastiff Bidco Limited, which are filed on the Jersey Financial Services Commission and are publicly available along with the McCarthy & Stone Limited financial statements on Companies House.

#### **Going concern**

The Company has obtained a parental letter of support confirming that the Group will continue to support the trading activities of the Company and assist in meeting its liabilities. Management has assessed the ability of the parent to provide such support should it be required. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

A letter of support has been obtained because McCarthy Stone Group do not forecast at an entity level and cash is moved within the group to support the trading activities of each entity through intercompany arrangements. Furthermore, all entities align to the Group's strategy, focussed on being the UK's leading developer and manager of retirement communities and are included within the forecast projections that support the going concern status.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2022

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### 1. Accounting policies (continued)

#### Going concern (continued)

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 12 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 12 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 the next 12 months.

The Directors have also prepared a severe but plausible downside scenario covering the same forecast period of 12 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:

- Suppressed 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2022

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### 1. Accounting policies (continued)

#### 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.

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.

#### Investments in subsidiaries

Investments in Group undertakings are included in the Balance Sheet at cost less any provision for impairment and are reviewed if there is an indication that an asset may be impaired.

#### Share-based payments

The cost of equity-settled transactions with employees is 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. In valuing equity-settled transactions, no account is taken of any non-market based vesting conditions and no expense is recognised for awards that do not ultimately vest as a result of a failure to satisfy a non-market based vesting condition. All share-based payments ceased during the prior year.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

#### Financial assets

All financial assets are normally recognised and derecognised on the 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.

Financial assets are classified as 'trade and other debtors'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at amortised cost

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2022

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### 1. Accounting policies (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.

On 13 March 2023, the Group signed the Self Remediation contract.

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

#### 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. On 13 March 2023, the Group signed the Self Remediation terms. Depending on the interpretation and application of the contract, this may will commit the Group to further incremental expenditure on fire remediation. The Company has disclosed a contingent liability with respect to the Self Remediation Terms and Deed of Bilateral Contract in note 13.

#### 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 Company are recognised at the proceeds received, net of direct issue costs.

#### Related parties

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2022

### 2. Critical accounting judgements and estimation uncertainty

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

The estimates and 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.

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 period.

### 3. Operating profit

#### a. Employees

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

#### b. Auditor's remuneration

Remuneration of the Group auditor is settled by McCarthy & Stone (Developments) Limited on behalf of all companies within the McCarthy Stone Group, and not recharged in period. The total Group audit fee for the year ended 31 October 2022 was £0.5m (2021: £0.5m). There have been no other fees payable to the Company's auditor relating to the Company.

#### c. Directors' remuneration

The Directors received no remuneration from the Company in the current or prior year. The Directors are paid by other Group companies and the allocation for the year ended 31 October 2022 is £nil (2021: £nil).

### 4. Interest receivable and similar income

	2022 £m	2021 £m
Interest received from subsidiary	-	0.3
<b>For the year ended 31 October 2022</b>	<b>-</b>	<b>0.3</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2022

### 5. Impairment of investment

	2022 £m	2021 £m
Impairment of investment	89.4	-
<b>For the year ended 31 October 2022</b>	<b>89.4</b>	<b>-</b>

Following an impairment review of investments in subsidiaries, management have subsequently partially impaired its investment in McCarthy & Stone Developments Limited.

### 6. Corporation Tax

#### a. Analysis of tax charge for the period

	2022 £m	2021 £m
<i>Current tax:</i>		
UK corporation tax on profit for the period	-	-
<b>Tax charge on (loss)/profit</b>	<b>-</b>	<b>-</b>

#### b. Factors affecting tax charge for the year

	2022 £m	2021 £m
(Loss)/profit before taxation	(89.4)	2.3
Anticipated tax (credit)/charge based on profit before tax at 19.0% (2021: 19.0%)	(17.0)	0.4
<i>Effects of:</i>		
Non-relevant loan relationships	17.0	-
Share schemes	-	(0.4)
<b>Tax charge for the period</b>	<b>-</b>	<b>-</b>

The rate of corporation tax was 19.0% throughout the year (2021: 19.0%).

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

For the year ended 31 October 2022

**7. Investments in subsidiaries**

	2022 £m	2021 £m
Opening	439.4	439.4
Impairment	(89.4)	-
<b>Net book value at 31 October 2022</b>	<b>350.0</b>	<b>439.4</b>

Investments in subsidiary undertakings relate to a 100% ownership interest in McCarthy & Stone (Developments) Limited.

**8. Trade and other debtors**

Debtors: amounts due within one year	2022 £m	2021 £m
Amounts owed by Group undertakings	15.2	15.2
	<b>15.2</b>	<b>15.2</b>

Amounts repayable from McCarthy & Stone Retirement Lifestyles Limited are repayable on demand.

**9. Share capital**

	2022 £m	2021 £m
<b>Allotted and issued ordinary shares</b>		
8p each fully paid: 538,849,621 ordinary shares (2021: 538,849,621)	<b>43.1</b>	<b>43.1</b>
<b>As at 31 October 2021 and 2022</b>	<b>43.1</b>	<b>43.1</b>

Each ordinary share carries equal voting, dividend and capital repayment rights.

The profit and loss account represents cumulative profits or losses net of other adjustments.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**10. 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 Mastiff Bidco Limited.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2022

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### 11. Ultimate parent undertaking and controlling party

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

Mastiff Bidco Limited, which is registered in Jersey, is considered to be the Company's ultimate parent undertaking and immediate controlling party.

The financial statements of Mastiff Bidco Limited are filed on the Jersey Financial Services Commission and are publicly available along with the McCarthy & Stone Limited financial statements on Companies House. They can also be obtained from their registered office:

44 Esplanade  
St Helier  
Jersey  
JE4 9WG

The smallest Group in which this Company's financial statements are consolidated is Mastiff Bidco Limited.

### 12. 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. On 13 March 2023, the Group signed the Self Remediation terms. The Company has disclosed a contingent liability with respect to the Self Remediation Terms and Deed of Bilateral Contract in note 13.

### 13. Contingent liabilities

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. On 13 March 2023, the Group signed the Self Remediation terms. Depending on the interpretation and application of the contract, this will commit the Group to further incremental expenditure on fire remediation. McCarthy & Stone Limited signed the pledge on behalf of the group, however the provisions in relation to this sit within other members of the Group. As a result, there are no costs within the Profit and Loss account of McCarthy & Stone Limited and no provision within the Balance Sheet.