McCarthy & Stone Retirement Lifestyles Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 October 2021

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Company registration number: 06622231

CONTENTS

DIRECTORS AND ADVISERS

For the year ended 31 October 2021

Directors

J M Tonkiss
M S Lloyd (resigned 4 June 2021)
N J Dell
D A Batty (resigned 28 May 2021)
M J Abell

Company Secretary

D A Batty (resigned 28 May 2021)
A Brown (appointed 1 June 2021)

Registered Office

4th Floor
100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ
United Kingdom

Independent Auditor

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

Banker

HSBC Bank Plc
70 Pall Mall
London
SW17 5EZ

STRATEGIC REPORT

For the year ended 31 October 2021

The Directors present their Strategic Report for the Company for the year ended 31 October 2021 (2021). All comparatives are for the year ended 31 October 2020 (2020). The Directors, in preparing this report, have complied with s414C and s414CB of the Companies Act.

Business overview

McCarthy & Stone Retirement Lifestyles Limited ('the Company') is a private company limited by shares and registered in England and Wales under the Companies Act 2006. It is the main trading subsidiary of McCarthy & Stone Limited.

During the year, the McCarthy & Stone Group was acquired by Mastiff BidCo Limited, a wholly owned indirect subsidiary of Lone Star Real Estate Fund VI.

The Transaction was implemented by means of a Court-sanctioned scheme of arrangement (the Scheme) under Part 26 of the Companies Act. The Scheme was 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 at which point the Group de-listed from the London Stock Exchange.

The results of the Company will continue to be consolidated at McCarthy & Stone Limited for the full financial year and the post-acquisition results are also included at 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 available on the Jersey Financial Services Commission.

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.

During the year the Company continued to engage in its principal activities of development, design, construction and sale of retirement apartments and bungalows together with the sale of the Freehold Reversionary Interests of its developments. However, the Company's turnover reflects a significant level of intra-group activity as a result of the sale of some leasehold interests to a subsidiary company prior to onward sale to the customer. These leasehold interests are granted to allow the Company to continue one of its principal activities of selling the Freehold Reversionary Interests in its developments. Total Group sales completions revenue is split between the Company and McCarthy & Stone (Extra Care Living) Limited.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2021

Performance during the year

Against the challenging backdrop of the continuing pandemic, the Company's turnover increased to £210.3m (2020: £122.8m) reflective of the growth in unit sales.

In addition, the Group entered into a strategic partnership with Anchor Hanover during the year, England's largest provider of specialist housing and care for people in later life, which will see the country's two leading retirement providers deliver a range of 'affordable for all' later living communities across England. The partnership will initially deliver four large scale sites (which are currently owned by McCarthy Stone and have planning consent). The partnership contributed £27.8m (2020: £nil) of revenue for the Company.

The Company's operating result, excluding non-underlying costs, improved by £62.6m to a £3.6m loss (2020: £63.4m loss). Non-underlying costs of £5.3m (2020: £28.3m) were incurred in relation to an increase in the Company's fire safety provision and the Group's strategic review. Other operating income included £51.2m of dividends received from other group companies (2020: £11.0m).

No dividend has been proposed or paid in the year by the Company (2020: £nil). Cash generated through sales of new apartments has been retained within the business to support future investment in land and build.

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 Risk & Audit Committees.

Pandemics:

An epidemic or pandemic of an infectious disease (either a further wave of Covid-19 or the emergence of a new disease) 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 current pandemic that it maintains flexibility to react swiftly, when necessary to changes in market conditions.

Government legislation:

In January 2021 MHCLG (Ministry of Housing, Communities & Local Government) 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 is considering new commercial options and has reviewed its land appraisal process accordingly.

Delivery of strategic objectives:

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

Principal risks and uncertainties (continued)

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 of price and supply.

Sales performance:
Detailed, regular and efficient 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 certain 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. 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.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2021

Principal risks and uncertainties (continued)

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. A significant amount of work has been undertaken to enable and improve home working conditions and network capacity. Incident and issue management and escalation governance structures and processes are in place with oversight from the Executive and Risk & Audit Committees. Potential customers are now able to visit our developments on a pre-booked and pre-qualified basis - with strict guidelines in place to maximise safety.

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.

Section 172 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 Act.

The key decisions of the year under review stemmed from the approach by Lone Star which led to the Board recommending the acquisition to its shareholders. The Board, having received briefings on their responsibilities and duties under Section 172 of the Companies Act (2006) and other relevant rules from its advisors, took into account the views and interests of a wide range so stakeholders. The Chairman and CEO met with significant shareholders and relayed their views to the Board as a whole.

Given the nature of the transaction, all shareholders had the opportunity to express their views and vote on the transaction at a specially convened Court and General meeting, with shareholders voting in favour of the acquisition. Staff, suppliers and key stakeholders have been kept informed of progress of the transaction and notified on its completion.

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

M J Abell
Director

24 June 2022

McCarthy & Stone Retirement Lifestyles Limited
4th Floor, 100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ

DIRECTORS' REPORT

For the year ended 31 October 2021

The Directors of McCarthy & Stone Retirement Lifestyles Limited (the Company) (registered number 06622231) present their Annual Report and audited financial statements for the year ended 31 October 2021.

Ownership

The Company is a subsidiary of McCarthy & Stone (Developments) Limited. During the year, the McCarthy & Stone Group was acquired by Mastiff BidCo Limited, a wholly owned indirect subsidiary of Lone Star Real Estate Fund VI.

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

Directors and Directors' interests

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

Name	Position	Date of appointment	Date of resignation
Current Directors:			
J M Tonkiss	Chief Executive Officer	5 November 2015	-
M S Lloyd	Chief Operating Officer	16 January 2019	4 June 2021
N J Dell	Senior Property Counsel	21 October 2020	-
M J Abell	Chief Financial Officer	1 August 2020	-
A D Batty	Company Secretary	20 January 2020	28 May 2021

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 2021.

Directors' conflicts of interest

Each of the Directors has a duty under the Companies Act 2006 to avoid a situation where he/she has, or could have, a direct or indirect interest that conflicts with the interests of the Company. The Company's Articles of Association contain provisions for dealing with conflicts or potential conflicts. The procedures for dealing with conflicts of interest have operated effectively during the year under review.

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.

Dividends

No dividends have been paid or proposed during the year (31 October 2020: £nil).

Political donations

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

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 7. The Strategic Report includes the financial review and a description of the principal risks and uncertainties facing the Group.

Employees
The Group recognises that attracting and retaining employees is only possible if the right working environment is created and attractive reward mechanisms and opportunities for personal development and training are provided. The Group has a wide range of policies relating to employees to support this.

The Company's employees are central to the delivery of the Group's objectives. At 31 October 2021, the Company employed 602 people (2020: 573).

Employee communications
A number of Group wide business updates were held 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 received an external accreditation from Great Place 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 a quarterly employee magazine, online news items and senior management communique.

Anti-bribery and corruption
The Group has embedded a culture of dealing with integrity at all times. A number of policies have been developed, supported by mandatory training for all staff to complete which helps 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 required under 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 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.

Equality, diversity and inclusion (continued)
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.

Environmental consideration
McCarthy Stone is committed to addressing concerns about climate change and the environment. Reducing emissions creates efficiencies, drives innovation, helps manage long term risk and improves our competitive advantage.

Overall emissions increased by 11% year on year to 15.983 tCO_2e. Scope 1 emissions remained at roughly the same level as the previous year at 6,129 tCO_2e but Scope 2 emissions rose by 18% to 9,854 tCO_2e. Much of this increase was attributable to our ability to access more robust and comprehensive energy data, especially in relation to our Managed Developments. Likewise, while our intensity measure has risen, we believe that any comparison with previous years would not be sensible given the changes to our reporting approach.

While there were no specific emissions reductions activities to report, across the year, as part of a programme of work to support our sustainable business strategy, in October 2021 McCarthy Stone began a transition to source 100% renewable electricity for development communal spaces and offices. This transition will be complete by March 2022 and deliver significant reductions in our Scope 2 and total emissions.

Moving from a standard home to a McCarthy and Stone flat could save a substantial quantum of CO_2 each year in a downsizing dividend. Encouraging older people to move to a McCarthy and Stone flat would also create a 'home improvement dividend' as younger homeowners are more likely to move into the freed up family homes and make further energy efficiency alterations to reduce their own carbon emissions. The key point about the 'downsizing dividend' is that in the absence of the McCarthy and Stone offering, older people are more likely to stay living in their existing houses, thus driving a need to build more new houses (as opposed to build new flats) in order to meet demand, and because new build houses have higher emissions than new build flats, this in turn is likely to mean higher emissions from housing overall.

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. Further, all entities also align to the Group's strategy focussed on being the UK's leading developer and manager of retirement communities and are core in the forecast projections that supported the going concern status. Therefore, all entities will be supported in achieving this through funding from the Group.

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 at least 12 months from the date of approval of the financial statements being June 2023 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 June 2023. The Group had an unrestricted cash balance of £157.2m as at 31 October 2021 The Group also has the following committed sources of funding:

- a 5-year senior loan facility for £275m with bi-annual interest payments, with the Group's immediate parent company (Mastiff BidCo Limited) as borrower; and
- an undrawn £48.5m revolving credit facility

The external facilities are held by the Group's parent Mastiff BidCo Limited and provided to the Group via a £200m intercompany loan which is repayable on demand.

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 Mastiff HoldCo Limited, a £215m 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 at group level which covers a period of more than twelve months from the date of approval of these financial statements. 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;
- That the Group will successfully execute quarterly sales of rental properties to a third-party investor in each quarter of the Forecast Period; and
- Grant income will be secured from Homes England in connection with a new proposed Affordable Shared Ownership customer proposition

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, being at least the next twelve months from date of approval of these financial statements, which includes both sensitivities and mitigating actions that consider the potential impact of:

- An extended period of trading weakness as a result of the continuing uncertainty over demand from Group's core demographic owing to the ongoing Covid-19 pandemic with a c.24% volume reduction across the forecast period;
- Quarterly sales of rental properties to a third-party investor cease once the initial contractual commitment is fully utilised;
- No Homes England funding is secured in the forecast period; and
- The combination of further build cost inflation and no house price inflation.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2021

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 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 for at least the next twelve months in a reasonable worst-case scenario.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of the approval of these financial statements, to June 2023, and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Information presented in other sections

Key events during the year and up to the date of this report and the future developments of the business are set out in the Strategic Report on pages 3-7. The Strategic Report includes the financial review of the business.

Risk management

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 Committee.

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 7. The Strategic Report includes the financial review and a description of the principal risks and uncertainties facing the Group.

Information presented in other sections

Key events during the year and up to the date of this report and the future developments of the business are set out in the Strategic Report on pages 3-7. The Strategic Report includes the financial review of the business.

Post balance sheet events are disclosed within note 22.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2021

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

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

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure 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 2022.

Approved by the Board and signed on its behalf by:

M J Abell
Director

24 June 2022

McCarthy & Stone Retirement Lifestyles Limited
4th Floor
100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 October 2021

Statement of Directors' responsibilities in respect of the financial statements

The Directors 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. 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 period. In preparing these 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 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 RETIREMENT LIFESTYLES LIMITED

Opinion

We have audited the financial statements of McCarthy & Stone Retirement Lifestyles Limited for the year ended 31 October 2021 which comprise of the Profit and Loss Account, the Balance Sheet and the Statement of changes in Equity and the related notes 1 to 23, 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 2020 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 group and parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue until 30 June 2023, 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.

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 14, 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.

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 group 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.

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

- 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.
- 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 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 a site review for a sample of developments owned by the company 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 prior year forecast margins and the margins actually recorded within the financial period. 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 were 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 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.

Ernst & Young LLP

James Harris (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
24 June 2022

PROFIT AND LOSS ACCOUNT

For the year ended 31 October 2021

		Year ended 31 October 2021			Year ended 31 October 2020 As restated		
		Before Exceptional Items	Non-underlying Items (see note 3)	Total	Before Exceptional Items	Non-underlying Items (see note 3)	Total
	Notes	£m	£m	£m	£m	£m	£m
Turnover	3	210.3	-	210.3	122.8	-	122.8
Cost of sales		(231.4)	-	(231.4)	(167.7)	-	(167.7)
Gross (loss)		(21.1)	-	(21.1)	(44.9)	-	(44.9)
Administrative expenses		(36.2)	(5.3)	(41.5)	(40.0)	(28.3)	(68.3)
Other operating income	3	57.9	-	57.9	27.9	-	27.9
Other operating expenses	3	(4.2)	-	(4.2)	(6.4)	-	(6.4)
Operating (loss)	3	(3.6)	(5.3)	(8.9)	(63.4)	(28.3)	(91.7)
Interest receivable and similar income	5	2.5	-	2.5	1.9	-	1.9
Interest payable and similar expenses	6	(13.3)	-	(13.3)	(6.2)	-	(6.2)
(Loss) before taxation		(14.4)	(5.3)	(19.7)	(67.7)	(28.3)	(96.0)
Tax credit on (loss)	7	4.6	-	4.6	16.0	-	16.0
(Loss) for the financial year		(9.8)	(5.3)	(15.1)	(51.7)	(28.3)	(80.0)

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 23 to 46 form part of these financial statements.

BALANCE SHEET

As at 31 October 2021

	Notes	2021	2020 as restated
		£m	£m
Non-current assets			
Intangible assets: goodwill	8	-	-
software	8	-	-
Tangible assets: investment properties	9	**0.1**	0.1
other	9	**0.2**	0.2
Investments	10	**4.0**	4.0
Deferred tax debtor	7	**13.6**	10.2
Debtors: amounts due after one year	13	**16.0**	33.2
		33.9	47.7
Current assets			
Stocks	11	**405.7**	390.9
Debtors: amounts due within one year	12	**460.4**	426.8
Cash at bank and in hand	16	**145.3**	127.0
		1,011.4	944.7
Creditors: amounts falling due within one year	14	**(510.7)**	(251.4)
Net current assets		**500.7**	693.3
Total assets less current liabilities		**534.6**	741.0
Creditors: amounts falling due after more than one year	15	**(8.0)**	(199.3)
Net assets		**526.6**	541.7
Capital and reserves			
Called up share capital	18	**13.3**	13.3
Share premium account		**322.4**	322.4
Profit and loss account		**190.9**	206.0
Shareholders' funds		**526.6**	541.7

The notes on pages 23 to 46 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 June 2022 and were signed on its behalf by:

M J Abell
Director
Company registration number: 06622231

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2021

	Notes	Share capital	Share premium	Profit and loss account as restated	Total
		£m	£m	£m	£m
Balance as at 1 November 2019		**13.3**	**322.4**	**282.6**	**618.3**
Prior year adjustment FY18		-	-	1.8	1.8
Prior year adjustment FY19		-	-	1.6	1.6
(Loss) for the year (adjusted)		-	-	(80.0)	(80.0)
Total comprehensive (loss) for the year		**-**	**-**	**(80.0)**	**(80.0)**
Balance as at 31 October 2020	*18*	**13.3**	**322.4**	**206.0**	**541.7**
(Loss) for the year		-	-	(15.1)	(15.1)
Total comprehensive (loss) for the year		**-**	**-**	**(15.1)**	**(15.1)**
Balance as at 31 October 2021	*18*	**13.3**	**322.4**	**190.9**	**526.6**

The notes on pages 23 to 46 form part of these financial statements.

The prior year profit and loss account has been adjusted for a prior year restatement, including the impact of £4.8m on FY20. Full details can be found within note 1.

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 year.

McCarthy & Stone Retirement Lifestyles 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. The principal activities of the Company and the nature of the Company's operations are set out in the Strategic Report on pages 3 to 7.

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.

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

- The requirement to prepare a statement of cash flows.
- Financial instrument disclosures, including:
  - Categories of financial instruments.
  - Items of income, expenses, gains or losses relating to financial instruments.
  - Exposure to and management of financial risks.
- A reconciliation of the number of shares outstanding at the beginning and end of the period.
- Remuneration of key management personnel.

The Company has not prepared Group financial statements as the trading results of McCarthy & Stone Retirement Lifestyles Limited and those of its subsidiaries are reported as consolidated within McCarthy & Stone Limited, its ultimate parent company.

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, cash is moved within the group to support the trading activities of each entity through intercompany arrangements. Further, all entities also align to the Group's strategy focussed on being the UK's leading developer and manager of retirement communities and are core in the forecast projections that supported the going concern status. Therefore, all entities will be supported in achieving this through funding from the Group.

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 at least 12 months from the date of approval of the financial statements being to June 2023.

The going concern assessment considers the Group's projected liquidity position from existing committed financing facilities throughout the forecast period to June 2023. The Group had an unrestricted cash balance of £157.2m as at 31 October 2021 The Group also has the following committed sources of funding:

- a 5-year senior loan facility for £275m with bi-annual interest payments, with the Group's immediate parent company (Mastiff BidCo Limited) as borrower; and
- an undrawn £48.5m revolving credit facility

The external facilities are held by the Group's parent Mastiff BidCo Limited and provided to the Group via a £200m intercompany loan which is repayable on demand.

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 Mastiff HoldCo Limited, a £215m 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 more than twelve months from the date of approval of these financial statements. 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;
- That the Group will successfully execute quarterly sales of rental properties to a third-party investor in each quarter of the Forecast Period; and
- Grant income will be secured from Homes England in connection with a new proposed Affordable Shared Ownership customer proposition

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, being at least the next twelve months from date of approval of these financial statements, which includes both sensitivities and mitigating actions that consider the potential impact of:

- An extended period of trading weakness as a result of the continuing uncertainty over demand from Group's core demographic owing to the ongoing Covid-19 pandemic with a c.24% volume reduction across the forecast period;

1. Accounting policies (continued)

Going concern (continued)

- Quarterly sales of rental properties to a third-party investor cease once the initial contractual commitment is fully utilised;
- No Homes England funding is secured in the forecast period; and
- The combination of further build cost inflation and no house price inflation.

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 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 for at least the next twelve months in a reasonable worst-case scenario.

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, to March 2023, and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Investments in subsidiaries

Investments in subsidiary undertakings are included on the balance sheet at cost less any provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Costs include those costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, within administrative expenses. Rates are calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset over its expected useful life, on a straight-line basis, as follows:

Fixtures, fittings and equipment - over 3 to 10 years

Impairment of non-current assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. This impairment is based on the asset's recoverable amount, being the higher of value in use or fair value less costs of disposal.

1. Accounting policies (continued)

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term.

Investment properties
Investment properties represent the long-term interest held by the Company in certain properties arising from sales incentive scheme arrangements. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Stocks
Inventories are stated at the lower of cost and 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 Company 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 the 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. 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, are 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.

Shared equity receivables
The Company's shared equity interests arise from sales incentives under which the Company receives a proportion of the resale proceeds of certain apartments on its developments. The Company's equity share is protected by a registered entry on the title and usually represents the first interest in the property.

The shared equity receivables are initially recognised within turnover at fair value being the estimated future amount receivable by the Company discounted to present day values. The fair value of future anticipated cash receipts takes into account the Directors' view of appropriate discount rate, a new build premium, future house price movements, historical profit/losses on redemption and the expected timing of receipts. The Directors revisit the future anticipated cash receipts from the assets at the end of each financial year and the difference between the anticipated future receipt and the initial fair value is credited to finance income.

1. Accounting policies (continued)

Cash and cash equivalents

Cash and short-term deposits on the balance sheet comprise cash at banks and in hand.

Pensions and other post-retirement benefits

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

Corporation tax

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

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

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

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

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

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

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

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

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

1. Accounting policies (continued)

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Profit and Loss Account using the effective interest method and are deducted from or added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Agency fees incurred in respect of the raising and ongoing monitoring of loan facilities are also reported within finance charges.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets (continued)
If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, secured mortgages and shared equity receivables are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities and equity
Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

1. Accounting policies (continued)

Financial liabilities and equity (continued)
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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 or shared equity, 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.

In April 2021, the Group entered into a contract to sell an initial "seed" portfolio of rental properties with a third-party investor and an offtake agreement which secures the future sale of rental properties in regular tranches. The sale of units in the seed portfolio was recognised through other income as the properties sold were classed as investment properties. The sale of rental units from stock included in the offtake agreement tranches is classed as revenue. See note 6 for further information.

1. Accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers
The Group has entered into a strategic partnership with Anchor Hanover ('AHG'), England's largest provider of specialist housing and care for people in later life. A contractual relationship has been agreed for McCarthy & Stone to deliver 316 apartments across five projects for Anchor Hanover. The land on each site is sold to Anchor Hanover and McCarthy Stone then construct the development on the land controlled by AHG. As AHG 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 ('FRI's)
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 retirement apartment has been contractually sold.

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.

Other income
Other income consists primarily of the income generated on the recharge of certain costs to another Group company which holds legal title to the retirement apartments but for which the Company operates the sales and marketing process. It also includes rents receivable, income from insurance claims, profit/loss arising from the disposal of undeveloped land sites, income obtained from other Company companies relating to services provided, dividends received and profits arising from the realisation of incentive scheme assets.

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

Government grants
Grants have been received for furlough payments under the Government's Coronavirus Job Retention Scheme. The Company have claimed under this scheme and recognised the income received within 'Other operating income'. Where grant income is outstanding at the year-end date, subsequent to a claim being made, the balance is shown on the Balance Sheet within 'Debtors due within one year'. The total grant income in the year amounted to £nil (2020: £3.4m).

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received.

1. Accounting policies (continued)

Finance costs
Finance costs of financial liabilities are recognised in the Profit and Loss Account over the term of such instruments at a constant rate on the carrying amount. Finance costs which are directly attributable to the issue of loans are capitalised and amortised over the period of the debt.

Non-underlying items
Non-underlying items are defined as 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. Exclusion of these balances allows review of the underlying trading position of the Company. *Exceptional items are detailed further in note 3.*

Dividend income
Dividend income is recognised when the right to receive payment is established.

Comparative restatement
Other operating income and expenditure in respect of the acquisition and resale of part exchange properties legally owned by McCarthy & Stone (Extra Care Living), another subsidiary of the McCarthy Stone Group, were previously recorded within the accounts of McCarthy & Stone Retirement Lifestyle. A restatement has been posted in to derecognise these transactions from the financial statements of McCarthy & Stone Retirement Lifestyle. This restatement affects other operating income, other operating expenses, retained earnings and trade & other debtors. In total, as a result of the above restatement:

- Net assets as at 31 October 2019 increased by £3.4m, with trade & other receivables increasing by £3.4m with there being a corresponding £3.4m increase in opening reserves.
- Net assets as at 31 October 2020 increased by £7.2m, with trade & other receivables increasing by £4.8m, with there being a corresponding £158.4m reduction in other operating income and a £163.2m reduction in other operating expenses.

2. Critical judgements and sources of 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.

2. Critical judgements and sources of uncertainty

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. 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, historical profit/losses on redemption and the expected timing of receipts. Shared equity receivables are reviewed at each reporting date using a variety of estimates that anticipate future cash flow from assets. 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 1% increase or decrease, the effect has been illustrated below:

	Increase *assumptions by 1%* £m	Decrease *assumptions by 1%* £m
Fair value	(0.2)	0.2

Inventory valuation and profit recognition

Within inventory there are a number of areas of estimation uncertainty, including determination of site margin, 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 before being proposed to the Risk and Audit Committee.

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 50-84% (2020: 55-85%) for the various functions. Overhead costs capitalised during the year amount to £11.0m (31 October 2020: £8.4m). If the prior year cost capitalisation rates were to be used, the value of the overhead costs capitalised would have increased by £0.4m.

3. Operating profit

a. Turnover

Turnover is attributable to one continuing activity within the UK, being the development, design, construction and sale of retirement apartments. Turnover is attributable as follows:

	2021 £m	2020 £m
Unit sales – external customers	194.9	103.0
Unit sales – revenue from an associate	2.6	12.6
Freehold Reversionary Interests	12.8	7.2
For the year ended 31 October 2021	**210.3**	**122.8**

No individual customer is significant to the Company's revenue in any period.

b. Operating profit is stated after charging

		2021 £m	2020 £m
Depreciation of owned assets		0.1	0.2
Amortisation of goodwill		-	0.3
Operating lease rentals -	land and buildings	1.4	1.6
	plant and machinery	0.9	1.4

Remuneration of the auditor is settled by McCarthy & Stone (Developments) Limited on behalf of all companies within the McCarthy & Stone Group, and not recharged in current or prior year. The total Group audit fee was £0.4m (2020: £0.4m). The amount in respect of McCarthy & Stone Retirement Lifestyles Limited was £0.1m (2020: £0.1m). Fees payable to the auditor for other services have been disclosed within the Group's Annual Report.

3. Operating profit (continued)

c. Other operating income comprises of:

	2021 £m	2020 as restated £m
Other income	6.7	13.9
Dividends received from other Group companies	51.2	11.0
Grant income	-	3.0
For the year ended 31 October 2021	**57.9**	**27.9**

Other income consists primarily of the income generated on the recharge of certain costs to another Group company which holds legal title to the retirement apartments but for which the Company operates the sales and marketing process.

The 2020 comparatives have been adjusted for a prior year restatement. Full details can be found within note 1.

d. Other operating expenditure comprises of:

	2021 £m	2020 as restated £m
Agency fees	4.2	6.4
For the year ended 31 October 2021	**4.2**	**6.4**

Other expenditure consists mainly of expenditure relating to on balance sheet part-expenditure and agency fees paid to McCarthy & Stone (Extra Care Living) Limited for the sales, marketing and estate agency services provided on selling apartments where the Company has sold the freehold.

The 2020 comparatives have been adjusted for a prior year restatement. Full details can be found within note 1.

e. Directors' remuneration

The Directors received no remuneration from the Company in the current or prior years. The Directors are paid by other Group companies and the allocation to this Company is £nil (2020: £nil).

3. Operating profit (continued)

f. 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 Company. Each item has been identified and explained below:

	2021	2020
	£m	£m
a) Costs in relation to strategic review	**0.3**	5.9
b) Covid-19 costs	-	6.8
c) Fire safety provision	**5.0**	12.1
d) Goodwill impairment	-	3.5
As at 31 October 2021	**5.3**	28.3

a) Costs were incurred in relation to the strategic review which included redundancy costs following the restructuring from nine Regions to four Divisions, costs incurred relating to new strategic initiatives and land aborts following a review of build programmes.
b) Covid-19 related costs are deemed to be those which are directly attributable to the coronavirus outbreak and are incremental to costs incurred prior to the outbreak and not expected to recur once the crisis has subsided and operations return to normal, plus are clearly separable from normal operations. This includes the costs of demobilisation of our sites, their subsequent remobilisation and onerous lease provisions. There are no such costs in the year.
c) The UK government have issued guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments. A review was carried out by McCarthy & Stone prior to Lone Stars acquisition for property under their management to estimate the likely level of compliance against current fire safety legislation. The review covered three key risk profiles: External Wall Systems, cladding and passive fire protection measures. A provision was put in place to cover estimates of the costs to repair, replace and complete works across several sites identified.
d) Full impairment of goodwill balances following impairment testing undertaken at half yearly review. There are no such costs in the year

The cash outflow from these costs was £0.3m (2020: £6.3m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

4. Employees

The average monthly number of employees during the year was 585 (2020: 641). The total number of persons employed by the Company at 31 October 2021 was 602 (2020: 573).

	2021	2020
Average number of employees during the year		
Office and management	137	493
Construction	448	148
For the year ended 31 October 2021	**585**	**641**

	2021 £m	2020 £m
The aggregate payroll cost was as follows:		
Wages and salaries	34.6	36.7
Social security costs	4.0	4.1
Other pension costs	2.7	3.1
For the year ended 31 October 2021	**41.3**	**43.9**

5. Interest receivable and similar income

	2021 £m	2020 £m
Interest received from other Group Companies	1.4	0.8
Other interest receivable	1.1	1.1
For the year ended 31 October 2021	**2.5**	**1.9**

Interest is receivable from Group companies at a rate of 2.2% (2020: 2.2%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

6. Interest payable and similar expenses

	2021 £m	2020 £m
Loans and overdrafts	0.9	3.7
Amortisation of refinancing issue costs	1.4	1.0
Interest payable to Group companies	10.4	0.5
Other interest payable	0.6	1.0
For the year ended 31 October 2021	**13.3**	**6.2**

Amortisation of refinancing issue costs within the year include the write off of costs incurred upon repayment of external debt.

Interest payable to Group companies includes select intercompany balances at a rate of 2.2% (2020: 2.2%) and specific related party creditors accruing interest at 7% per annum.

7. Tax credit on (loss)

a. Analysis of tax on (loss)/profit for the year

	2021 £m	2020 £m
Current tax:		
UK corporation tax credit on (loss) for the year	(0.5)	(5.8)
Adjustments in respect of previous periods	(0.7)	-
Deferred tax:		
Origination and reversal of timing differences	(4.0)	(10.2)
Adjustments in respect of previous periods	0.6	-
Total tax on (loss)	**(4.6)**	**(16.0)**

7. Tax credit on (loss) (continued)

b. Factors affecting tax credit for the current year

	2021 £m	2020 as restated £m
(Loss) before tax	(19.7)	(96.0)
Anticipated tax charge based on (loss) before tax at 19.0% (2020: 19.0%)	(3.7)	(18.2)
Effects of:		
Expenses not deductible for tax purposes	0.6	0.1
UK dividend income	(9.7)	(2.1)
Stock transfer pricing adjustment	10.4	4.2
Adjustments in respect of previous periods	(0.1)	-
Effects of tax rate changes	(2.1)	-
Total tax (credit) for the year	**(4.6)**	**(16.0)**

The rate of corporation tax was 19.0% throughout the year (2020: 19.0%). The UK deferred tax assets at 31 October 2021 has been calculated based on the expected rate at which the asset will unwind.

c. Deferred tax movements

	2021 £m	2020 £m
At 1 November 2020	10.2	-
Movement during the year	3.4	10.2
At 31 October 2021	**13.6**	**10.2**

8. Intangible fixed assets

	Goodwill £m	Software £m	Total £m
Cost:			
At 31 October 2020	8.0	0.2	8.2
Additions	-	-	-
Disposals	(8.0)	(0.2)	(8.2)
At 31 October 2021	-	-	-
Amortisation:			
At 31 October 2020	(8.0)	(0.2)	(8.2)
Charge for the year	-	-	-
Impairment	-	-	-
Disposals	8.0	0.2	8.2
At 31 October 2021	-	-	-
Net book value at 31 October 2021	-	-	-
Net book value at 31 October 2020	-	-	-

9. Tangible fixed assets

a. Investment properties at valuation

	Long leasehold equity interests in sold flats £m
At 31 October 2020	0.1
At 31 October 2021	**0.1**

Long leasehold equity interests represent interests in apartments sold between 1989 and 1993 using a sales incentive scheme under which the Company undertook to contribute towards service charges in exchange for an equity share in the apartment. These interests are secured by legal charges on those apartments.

9. Tangible fixed assets (continued)

b. Plant and equipment

	Fixtures, fittings and equipment £m
Cost:	
At 31 October 2020	1.5
Additions	0.2
Disposals	(0.6)
At 31 October 2020	**1.1**
Depreciation:	
At 31 October 2020	1.3
Charge for the year	0.1
Disposals	(0.5)
At 31 October 2021	**0.9**
Net book value at 31 October 2021	**0.2**
Net book value at 31 October 2020	0.2

10. Investments

	£m
Shares in unlisted related undertakings	
Cost:	
At 31 October 2020 & 31 October 2021	**4.2**
Impairments:	
At 31 October 2020	(0.2)
During the year	-
Net book value at 31 October 2021	**4.0**
Net book value at 31 October 2020	4.0

The Company's subsidiaries and joint ventures for the period are listed below, including the name, country of incorporation, and proportion of ownership interest. With the exception of the companies noted below, the registered office for all entities is the address included on page 2:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

10. Investments (continued)

Name	Country of incorporation	Principal activity	Class of shares	2021 %	2020 %
McCarthy & Stone (Equity Interests) Limited*	England	Property	Ordinary	100	100
McCarthy & Stone (Home Equity Interests) Limited*	England	Property	Ordinary	100	100
McCarthy & Stone Investment Properties No. 23*	England	Property	Ordinary	100	100
McCarthy & Stone (Total Care Living) Limited*	England	Property	Ordinary	100	100
McCarthy & Stone (Extra Care Living) Limited*	England	Property	Ordinary	100	100
McCarthy & Stone Total Care Management Limited*	England	Property	Ordinary	100	100
McCarthy & Stone Rental Properties Limited*	England	Property	Ordinary	100	100
McCarthy & Stone Rental Properties No. 2 Limited*	England	Property	Ordinary	100	100
McCarthy & Stone Rental Properties No. 3 Limited*	England	Property	Ordinary	100	100
McCarthy & Stone Rental Properties No. 4 Limited*	England	Property	Ordinary	100	100
McCarthy & Stone (Shared Ownership) Limited*	England	Property	Ordinary	100	100
Keyworker Properties Limited*	England	Property	Ordinary	100	100
Waverstone LLP	England	Property	Ordinary	100	-
Waverstone Investments Holdings Limited	England	Property	Ordinary	100	-
Waverstone Investments Limited	England	Property	Ordinary	100	-
Kindle Housing (Christchurch) Limited**[1]	England	Housing	Ordinary	50	50
Kindle Housing (Exeter) Limited**[1]	England	Housing	Ordinary	50	50
Kindle Housing (Worthing) Limited**[1]	England	Housing	Ordinary	50	50
Kindle Housing Limited**[1]	England	Housing	Ordinary	50	50
Advantage Apartments Limited**[1]	England	Dormant	Ordinary	50	50
Advantage Housing Limited**[1]	England	Dormant	Ordinary	50	50
Advantage Homes Limited**[1]	England	Dormant	Ordinary	50	50

* Held directly by McCarthy & Stone Retirement Lifestyles Limited

** 50% joint ventures held by McCarthy & Stone Retirement Lifestyles Limited

[1] Registered office: Cosmopolitan House, Old Fore Street, Sidmouth, Devon, EX10 8LS

11. Stocks

	2021 £m	2020 £m
Land held for sale	-	0.9
Land for development	86.3	103.6
Sites in the course of construction	245.1	217.9
Finished stock	74.3	68.5
As at 31 October 2021	**405.7**	**390.9**

There is no material difference between the balance sheet value of stocks and their replacement cost required. Inventories are stated after provisions for impairment of £4.9m (2020: £3.8m). Within the year £160.2m of stock was recognised as an expense (2020: £106.7m).

12. Debtors: amounts falling due within one year

	2021 £m	2020 as restated £m
Trade debtors	0.6	0.4
Other debtors and prepayments	7.8	6.1
Amounts owed by subsidiary undertakings	452.0	420.3
As at 31 October 2021	**460.4**	**426.8**

Balances owed by Group undertakings are unsecured and repayable on demand. There are no guarantees on balances and no provisions against outstanding balances have been made.

The 2020 comparatives have been adjusted for a prior year restatement. Full details can be found within note 1.

13. Debtors: amounts falling due after one year

	2021 £m	2020 £m
Secured mortgages	1.4	2.3
Shared equity receivables	14.6	15.1
Trade receivables from an associate	-	15.8
As at 31 October 2021	**16.0**	**33.2**

Secured mortgages represent amounts outstanding from the sale of certain of the Company's apartments under a sales incentive scheme, which was discontinued in 1995, together with interest thereon. The amounts are secured by mortgages repayable on subsequent sale of the underlying unit, or certain other specified events. Secured mortgages are held at amortised cost.

The Company's shared equity interests arise from sales incentives under which the Company receives a proportion of the resale proceeds of certain apartments on its developments. The Company's equity share is protected by a registered entry on the title and usually represents the first interest in the property. Shared equity receivables are held at fair value through profit or loss.

14. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Trade creditors	12.9	12.1
Unconditional land creditors	24.3	36.9
Other creditors and accruals	88.8	63.8
Amounts owed to subsidiary entities	184.7	138.6
Related party creditors	200.0	-
As at 31 October 2021	**510.7**	**251.4**

Balances owed to Group undertakings are unsecured and repayable on demand. There are no guarantees on balances.

Land creditors primarily relate to the unpaid purchase consideration due on sites acquired, most of which are conditional on achieving a satisfactory planning consent.

Related party creditors represent an interest-bearing loan repayable to McCarthy & Stone (Developments) Limited. The loan is repayable on demand and accrues interest at 7% per annum.

15. Creditors: amounts falling due after more than one year

	2021 £m	2020 £m
Other loans (Revolving Credit Facility)	-	200.0
Other creditors and accruals	1.5	0.7
Unamortised issue costs	-	(1.4)
Unconditional land creditors	6.5	-
As at 31 October 2021	**8.0**	**199.3**

16. Analysis and reconciliation of net debt

	2020 £m	Net cashflow £m	2021 £m
Cash	127.0	18.3	145.3
Revolving credit facility	(200.0)	200.0	-
Related party creditor	-	(200.0)	(200.0)
Total debt (excluding cash)	(200.0)	-	(200.0)
Net (debt)	**(73.0)**	**18.3**	**(54.7)**

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).

17. Operating lease commitments

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

	Land & buildings 2021 £m	Other 2021 £m	Land & buildings 2020 £m	Other 2020 £m
Operating leases expiring:				
In less than one year	1.0	0.3	1.0	0.4
In one to five years	2.1	0.3	2.6	0.6
In more than five years	0.4	-	0.6	-
As at 31 October 2021	**3.5**	**0.6**	**4.2**	**1.0**

No capital or other commitments are held.

18. Share capital and reserves

	Authorised No. '000	Authorised £'000	Allotted, called up & fully paid No. '000	Allotted, called up & fully paid £'000
Equity share capital Ordinary shares of 20p each				
As at 31 October 2021	**105,000**	**21,000**	**66,400**	**13,280**
As at 31 October 2020	105,000	21,000	66,400	13,280

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

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

The Company's other reserves are as follows:

- The share premium reserve contains the premium arising on issue of equity shares, net of any issue expenses
- The profit and loss account represents cumulative profits or losses net of other adjustments

19. Pensions

A defined contribution money purchase pension arrangement is operated for employees in the UK to which the Company makes a contribution under specified circumstances. The Company's pension cost for the period was £2.7m (2020: £3.1m). The unpaid contributions outstanding at 31 October 2021 were £nil (2020: £nil).

20. 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 2021

21. Ultimate parent undertaking and controlling party

The immediate parent company is McCarthy & Stone (Developments) Limited. Mastiff BidCo Limited, which is registered in Jersey, is considered to the Company's immediate controlling party.

The financial statements of Mastiff BidCo Limited can be obtained from its registered office:

44 Esplanade
St Helier
Jersey
JE4 9WG

The ultimate controlling party is Lone Star Real Estate Fund VI, LP.

22. Post balance sheet events

There are no post balance sheet events related to the Company.

23. Contingent liabilities

There are no contingent liabilities being held by the Company.