

McCarthy & Stone (Shared Ownership) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 October 2022



Company registration number: 12330830

McCarthy & Stone (Shared Ownership) Limited

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DIRECTORS AND ADVISORS

For the year ended 31 October 2022

Directors

W S Yardley

J M Tonkiss

M C Perry

C E Bailey

A Brown (resigned 14 December 2022)

A Delamere-White (appointed 14 December 2022; resigned 24 April 2023)

Registered Office

4th Floor

100 Holdenhurst Road

Bournemouth

Dorset

BH8 8AQ

Bankers

HSBC Bank plc

70 Pall Mall

London

SW1Y 5EZ

DIRECTORS' REPORT

For the year ended 31 October 2022

The Directors of McCarthy & Stone (Shared Ownership) Limited ('the Company') (registered number 12330830) present their Annual Report and financial statements for the financial year ended 31 October 2022 ('2022'). All comparatives are for the year ended 31 October 2021 ('2021'). This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. Accordingly, the Company is not required to include a Strategic Report.

Review of the business

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

The Company follows the same strategy and is subject to the same principal risks and uncertainties as Mastiff Bidco Limited and its subsidiaries (the Group). Further details regarding the Group's strategy and the market in which it operates can be found in the Annual Report and financial statements of Mastiff Bidco Limited which are 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.

Principal activity

The Company's principal activity is to offer McCarthy Stone properties under an affordable shared ownership basis to qualifying customers. In September 2021, the Company was awarded £94m in grant funding from Homes England to deliver 1,500 new affordable shared ownership retirement properties. During 2022, the Company acquired its first properties which have been marketed to be sold under the Older Persons Shared Ownership (OPSO) scheme and the first Government grants have been received. The first sales under the programme have completed post year end during FY23.

Results and dividends

The loss after taxation for the year was £1,171,665 (2021: loss of £340,588).

No dividends have been proposed or paid during the current or prior year.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2022

Directors and Directors' interests

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

Name	Date of appointment	Date of resignation
W S Yardley	25 November 2019	-
J M Tonkiss	25 November 2019	-
M C Perry	1 June 2020	-
C E Bailey	1 June 2020	-
A Brown	25 May 2021	14 December 2022
A Delamere-White	14 December 2022	24 April 2023

No Director has any interest in the shares of the Company. There have been no changes in the Directors' interests in the share capital of the Company since 31 October 2022.

Directors' insurance

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

Directors' conflicts of interest

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

Directors' indemnities

As permitted by the Company's Articles of Association, qualifying third party indemnity provisions for the benefit of its Directors have been in place throughout the period 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.

Political donations

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

Post balance sheet events

Post balance sheet events have been disclosed within note 12.

Employees

As at the year end the Company had 4 employees (2021: 3), 3 of which were directors (2021: 3).

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Through a combination of third-party trading, transactions with other Group entities and intra-group financing where appropriate, the Directors believe that the Company has sufficient resources to continue as a going concern. They have accordingly continued to adopt the going concern basis in preparing the financial statements. See note 1 of the financial statements for more information.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2022

Future developments

The Company will continue to act as a provider of shared ownership properties for the foreseeable future.

Approval of reduced disclosures

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

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by McCarthy & Stone Retirement Lifestyles Limited, as the immediate parent of the entity. They should be served by no later than 31 October 2023.

Approved by the Board on 23 May 2023 and signed on its behalf by:



J M Tonkiss
Director

McCarthy & Stone (Shared Ownership) Limited
4th Floor
100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 October 2022

Directors' responsibilities statement in respect of the financial statements

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

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

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

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

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

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

PROFIT AND LOSS ACCOUNT

For the year ended 31 October 2022

	<i>Notes</i>	2022 £	2021 £
Administrative expenses		(1,106,888)	(402,474)
Operating (loss)	3	(1,106,888)	(402,474)
Interest charges		(339,612)	(19,144)
(Loss) before tax		(1,446,500)	(421,618)
Tax credit on loss	5	274,835	81,030
(Loss) for the financial year		(1,171,665)	(340,588)

All of the figures above relate to continuing operations.

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

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

BALANCE SHEET

As at 31 October 2022

	Notes	2022	2021
Current assets			
Inventories	6	39,576,943	-
Debtors: amounts due within one year	7	3,066,667	-
Cash and cash equivalents		6,025,854	-
Total current assets		48,669,464	-
Current liabilities			
Creditors: amounts falling due within one year	8	(50,467,515)	(626,386)
Net assets		(1,798,051)	(626,386)
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		(1,798,052)	(626,387)
Shareholders' funds		(1,798,051)	(626,386)

For the period ending 31 October 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

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

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

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

The financial were authorised for issue by the Board of Directors on 23 May 2023 and were signed on its behalf by:



J M Tonkiss
Director

Company registration number: 12330830

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2022

	<i>Notes</i>	Share capital £	Retained earnings £	Total £
Balance as at 1 November 2020	9	1	(285,799)	(285,798)
Loss for the year		-	(340,588)	(340,588)
Total comprehensive loss for the period		-	(340,588)	(340,588)
Balance as at 31 October 2021	9	1	(626,387)	(626,386)
Loss for the year		-	(1,171,665)	(1,171,665)
Total comprehensive loss for the year		-	(1,171,665)	(1,171,665)
Balance as at 31 October 2022	9	1	(1,798,052)	(1,798,051)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2022

1. Accounting policies

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

McCarthy & Stone (Shared Ownership) Limited ('the Company') is a private company limited by shares and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 2.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, as well as in accordance with the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and in compliance with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. 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. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going Concern

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

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

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

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2022

1. Accounting policies (continued)

Revenue

Revenue is classified as follows:

Unit sales

Revenue represents the consideration received from the sale of leasehold interests in apartments and is recognised on legal completion, being the point at which the transfer of control and risks and rewards of ownership has substantially occurred. 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.

Grant income

A government grant agreement was secured with Homes England during the year under the Older Persons Shared Ownership Scheme (OPSO). This grant is treated as deferred income, included within Creditors. This will be released to Revenue, on a unit-by-unit basis, as each apartment completes. No completions under this scheme were recorded during the financial year.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Sites in the course of construction relate to properties which the Company has incurred development expenditure however the property is not yet completed and available for sale.

Cash and cash equivalents

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

Corporation tax

Corporation tax comprises current tax. Current tax is based on taxable profits or losses for the year. 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 Profit and Loss Account.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Critical accounting judgements and estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2022

3. Operating loss

a. Auditor's remuneration

Due to exemption from audit by parent guarantee, no audit fees have been incurred during the period. Remuneration of the Group auditor is settled by McCarthy & Stone (Developments) Limited on behalf of all companies within the McCarthy & Stone Group, and not recharged in period. The total Group audit fee was £0.5m (2021: £0.5m).

b. Directors' remuneration

The average number of paid directors during the year was 3 (2021: 3). The total number of paid directors at 31 October 2022 was 3 (2021: 3). Additionally, 2 of the Company's Directors are paid by other Group companies and their employment costs are not recharged (2021: 2).

	2022 £	2021 £
Wages and salaries	199,177	195,534
Social security costs	27,925	34,890
For the year ended 31 October 2022	227,102	230,424

4. Employees

The average monthly number of paid employees (including Directors) during the year was 3 (2021: 3). The total number of persons (including Directors) employed by the Company at 31 October 2021 was 4 (2021: 3).

	2022 £	2021 £
<i>The aggregate payroll cost was as follows:</i>		
Wages and salaries	244,659	195,534
Social security costs	31,065	34,890
For the year ended 31 October 2022	255,724	230,424

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2022

5. Tax on loss

a. Analysis of tax on loss for the year

	2022 £	2021 £
Current tax:		
UK corporation tax on loss for the year	(274,835)	(80,107)
Tax on loss	(274,835)	(80,107)

b. Factors affecting tax credit for the current year

	2022 £	2021 £
Loss before tax	(1,446,500)	(421,618)
Anticipated tax based on loss before tax at 19.0%	(2,74,835)	(80,107)
Tax credit for the year	(274,835)	(80,107)

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

6. Inventories

	2022 £	2021 £
Sites in the course of construction	10,804,145	-
Finished stock	28,772,798	-
	39,576,943	-

7. Debtors: amounts falling due within one year

	2022 £	2021 £
Amounts owed by other Group undertakings	3,066,667	-
	3,066,667	-

Balances owed by Group undertakings are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2022

8. Creditors: amounts falling due within than one year

	2022 £	2021 £
Amounts owed to other Group undertakings	19,463,490	584,387
Intercompany loans	12,600,000	-
Other creditors and accruals	277,632	42,000
Deferred income	18,126,393	-
	50,467,515	626,387

Balances owed to Group undertakings are subject to interest charges at 3% + UK base rate (2021: 3.7%). Intercompany loans are charged at 3% + UK base rate at the start of the short-term draw down.

9. Share capital and reserves

	Allotted, called up and fully paid No.	Allotted, called up and fully paid £
Equity share capital		
Ordinary shares of £1 each	1	1
As at 31 October 2022 & 2021	1	1

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

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

10. Related parties

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

11. Ultimate parent undertaking and controlling party

The immediate parent undertaking is McCarthy & Stone Retirement Lifestyles Limited. Mastiff BidCo Limited, which is registered in Jersey, is considered to be the Company's immediate controlling party. The ultimate controlling party is Lone Star Real Estate Fund VI, LP.

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

44 Esplanade
St Helier
Jersey
JE4 9WG

12. Post balance sheet events

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