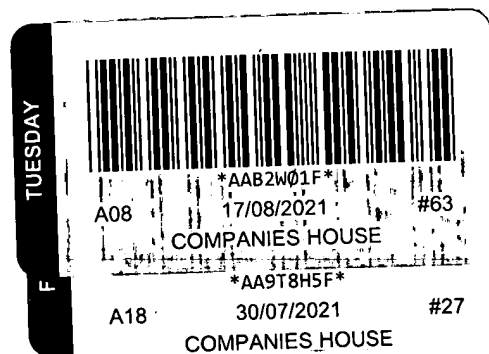


# McCarthy & Stone (Shared Ownership) Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period 25 November 2019 to 31 October 2020



Company registration number: 12330830

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## **DIRECTORS AND ADVISORS**

For the period 25 November 2019 to 31 October 2020

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### **Directors**

W S Yardley (appointed 25 November 2019)

J M Tonkiss (appointed 25 November 2019)

M C Perry (appointed 1 June 2020)

C E Bailey (appointed 1 June 2020)

M S Lloyd (appointed 6 August 2020)

### **Registered Office**

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

## DIRECTORS' REPORT

For the period 25 November 2019 to 31 October 2020

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The Directors of McCarthy & Stone (Shared Ownership) Limited ('the Company') (registered number 12330830) present their Annual Report and financial statements for the financial period ended 31 October 2020 ('2020' or 'FY20'). This was the Company's first accounting period which commenced on 25 November 2019 and ended on 31 October 2020. 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.

### Ownership

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

There has been no change to the Company's issued share capital since inception.

### Principal activity

The Company has been incorporated with the intention to acquire units from the Group companies and offer these units on an affordable shared ownership basis to qualifying customers. This is in line with the Group's multi-tenure strategy and affordable offering launched in September 2018.

Throughout the financial year, the focus of the business has been on setting up the required Board and governance structure and completing the application to the Regulator of Social Housing to become a Profit-making Private Registered Provider of Social Housing (the "Registered Provider") with the application submitted in July 2020. Subsequent to the year end, the entity has been awarded the Registered Provider status on 4 February 2021.

### Results and dividends

The Company's FY20 financial result was a loss after tax of £285,799. No dividends have been proposed or paid during the period.

### 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         | -                   |
| M S Lloyd   | 6 August 2020       | -                   |

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

### Directors' insurance

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

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

For the period 25 November 2019 to 31 October 2020

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### **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.

### **Future developments**

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

### **Post balance sheet events**

Post balance sheet events have been disclosed in note 11.

### **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.

### **Employees**

As at the year end the Company had 3 employees (all 3 were directors).

### **Dividends**

No dividends were proposed or paid during the current period.

### **Political donations**

There were no political donations during the current period.

### **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. For further detail please refer to note 1 to the financial statements.

## DIRECTORS' REPORT (CONTINUED)

For the period 25 November 2019 to 31 October 2020

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### Approval of reduced disclosures

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

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

Approved by the Board on 25 May 2021 and signed on its behalf by:



W S Yardley  
Director

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

## DIRECTORS' RESPONSIBILITIES STATEMENT

For the period 25 November 2019 to 31 October 2020

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and 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 period 25 November 2019 to 31 October 2020

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|                                      | <i>Notes</i> | <b>2020<br/>£</b> |
|--------------------------------------|--------------|-------------------|
| Administrative expenses              |              | <b>(346,843)</b>  |
| <b>Operating (loss)</b>              | <b>3</b>     | <b>(346,843)</b>  |
| Interest charges                     |              | <b>(4,856)</b>    |
| <b>(Loss) before tax</b>             |              | <b>351,699</b>    |
| Tax credit on loss                   | <b>5</b>     | <b>65,900</b>     |
| <b>(Loss) for the financial year</b> |              | <b>(285,799)</b>  |

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 2020

|  | Notes | 2020             |
|--|-------|------------------|
| <b>Current assets</b>                          |       |                  |
| Debtors: amounts due within one year           | 6     | 65,900           |
| <b>Current liabilities</b>                     |       |                  |
| Creditors: amounts falling due within one year | 7     | (351,698)        |
| <b>Net assets</b>                              |       | <b>(285,798)</b> |
| <b>Capital and reserves</b>                    |       |                  |
| Called up share capital                        | 8     | 1                |
| Profit and loss account                        |       | (285,799)        |
| <b>Shareholders' funds</b>                     |       | <b>(285,798)</b> |

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

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the 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 25 May 2021 and were signed on its behalf by:



W S Yardley  
Director

Company registration number: 12330830

## STATEMENT OF CHANGES IN EQUITY

For the period 25 November 2019 to 31 October 2020

|  | <i>Notes</i> | Share<br>capital<br>£ | Retained<br>earnings<br>£ | Total<br>£       |
|--|--------------|-----------------------|---------------------------|------------------|
| <b>Balance as at 29 November 2019</b>          | <b>8</b>     | -                     | -                         | -                |
| Issue of share capital                         |              | 1                     | -                         | 1                |
| Loss for the period                            |              | -                     | (285,799)                 | (285,799)        |
| <b>Total comprehensive loss for the period</b> |              | -                     | (285,799)                 | (285,799)        |
| <b>Balance as at 31 October 2020</b>           | <b>8</b>     | <b>1</b>              | <b>(285,799)</b>          | <b>(285,798)</b> |

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period 25 November 2019 to 31 October 2020

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### 1. Accounting policies

The following accounting policies have been used in dealing with items that are considered material in relation to the Company financial statements. They have been applied consistently throughout the current 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 Company is consolidated in the financial statements of its ultimate parent, McCarthy & Stone Limited (formerly McCarthy & Stone plc). 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 period 25 November 2019 to 31 October 2020

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### 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.

## 3. Operating loss

### a. Employees

The Company had 3 employees during the current period (all of which are directors).

### b. 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 £0.4m (14 month period to 31 October 2019: £0.4m).

### c. Directors' remuneration

Directors' remuneration can be seen within note 4. All employees were Directors of the company. Other Directors of the Company are paid by other Group companies and the allocation to this Company is £nil.

## 4. Employees

The average monthly number of employees (including Directors) during the year was 2. The total number of persons (including Directors) employed by the Company at 31 October 2020 was 3.

|   | 2020<br>£      |
|---|----------------|
| <i>The aggregate payroll cost was as follows:</i> |                |
| Wages and salaries                                | 289,716        |
| Social security costs                             | 30,064         |
|   | <b>320,680</b> |

## NOTES TO THE FINANCIAL STATEMENTS

For the period 25 November 2019 to 31 October 2020

### 5. Tax on loss

#### a. Analysis of tax on loss for the year

|   | 2020<br>£       |
|---|-----------------|
| Current tax:                            |                 |
| UK corporation tax on loss for the year | (65,900)        |
| <b>Tax on loss</b>                      | <b>(65,900)</b> |

#### b. Factors affecting tax credit for the current year

|   | 2020<br>£       |
|---|-----------------|
| Loss before tax                                   | (351,699)       |
| Anticipated tax based on loss before tax at 19.0% | (66,823)        |
| <i>Tax effect of:</i>                             |                 |
| Items non-allowable                               | 923             |
| <b>Tax credit for the year</b>                    | <b>(65,900)</b> |

The rate of corporation tax was 19.0% throughout the year.

### 6. Debtors: amounts falling due within after one year

|  | 2020<br>£     |
|--|---------------|
| Amounts owed by other Group undertakings | 65,900        |
|  | <b>65,900</b> |

Balances owed by Group undertakings are repayable on demand.

### 7. Creditors: amounts falling due within after one year

|  | 2020<br>£      |
|--|----------------|
| Amounts owed to other Group undertakings | 346,923        |
| Other creditors and accruals             | 4,775          |
|  | <b>351,698</b> |

Balances owed to Group undertakings are subject to interest charges at 3.7%.

## NOTES TO THE FINANCIAL STATEMENTS

For the period 25 November 2019 to 31 October 2020

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### 8. Share capital and reserves

|                              | Allotted,<br>called up &<br>fully paid<br>No. | Allotted,<br>called up &<br>fully paid<br>£ |
|------------------------------|---|---|
| <b>Equity share capital</b>  |   |   |
| Ordinary shares of £1 each   | 1   | 1   |
| <b>As at 31 October 2020</b> | <b>1</b>                                      | <b>1</b>                                    |

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.

### 9. Related parties

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

### 10. Ultimate parent undertaking and controlling party

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

McCarthy & Stone Limited, which is registered in England and Wales, is considered to be the Company's ultimate parent undertaking and controlling party.

The financial statements of McCarthy & Stone Limited can be obtained from their registered office:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period 25 November 2019 to 31 October 2020

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### 11. Post balance sheet events

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

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

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

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

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

On 4 February 2021, McCarthy & Stone Shared Ownership received confirmation from the Regulator of Social Housing that the application to become a Profit-making Private Registered Provider of Social Housing was successful.