

# **Keyworker Properties Limited**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the 14 month period ended 31 October 2019**



**Company registration number: 04213618**

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## **DIRECTORS AND ADVISERS**

For the 14 month period ended 31 October 2019

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### **Directors**

G N Day  
J M Tonkiss

### **Registered Office**

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

### **Independent Auditor**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **Bankers**

HSBC Bank plc  
70 Pall Mall  
London  
SW1Y 5EZ

## DIRECTORS' REPORT

For the 14 month period ended 31 October 2019

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The Directors of Keyworker Properties Limited (the Company) (registered number 04213618) present their Annual Report and audited financial statements for the 14 month period ended 31 October 2019. All comparatives are for the 12 month period ended 31 August 2018 (2018). This Directors' Report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies' exemption. Accordingly, the Company is not required to include a Strategic Report.

### Principal activity

The Company acts as an intermediate holding company and received £49,500 for the 14 months ended 31 October 2019 (12 months ended 31 August 2018: £45,000) from its 50% interest in four joint ventures.

### Results

The profit after taxation for the 14 month period amounted to £49,618 (12 months to 31 August 2018: £45,042). No dividend has been proposed or paid in either the current 14 month period or prior year.

### Ownership

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

There has been no change to the Company's issued share capital during the 14 month period.

### Directors and Directors' interests

The Directors of the Company during the 14 month period and up to the date of signing were:

Name	Date of appointment	Date of resignation
<i>Current Directors:</i>		
G N Day	1 June 2012	-
J M Tonkiss	31 August 2018	-

No Director has any interest in the shares of the Company. There have been no changes in the Directors' interests in the share capital of the Company since 31 October 2019.

### 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 contain provisions for dealing with conflicts or potential conflicts. The procedures for dealing with conflicts of interest have operated effectively during the 14 month period under review and the Directors have concluded that there were no conflicts of interest during that time.

### Employees

During the current 14 month period and preceding financial year the Company had no employees.

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

For the 14 month period ended 31 October 2019

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### **Dividends**

No dividends were proposed or paid during the 14 month period to 31 October 2019 (12 month period to 31 August 2018: £nil).

### **Political donations**

There were no political donations during the current 14 month period or previous year.

### **Post balance sheet events**

As outlined in note 11, there were no events after the reporting period that required adjustment in the financial statements.

### **Future developments**

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

### **Director 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 14 month 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.

### **Change of auditor and financial year end**

In June 2018 the Board completed the external audit tender process in line with the ten year statutory requirement and appointed Ernst & Young LLP as the Group's statutory auditor for the period ending 31 October 2019. As part of the business transformation strategy announced on 25 September 2018, the Directors decided to change the Group's financial year end from 31 August to 31 October. Keyworker Properties Limited have also followed this change of financial year end. The comparative amounts presented in the financial statements are not directly comparable.

### **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.

### **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. Objections may be served on the Company by shareholder 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 2020.

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

For the 14 month period ended 31 October 2019

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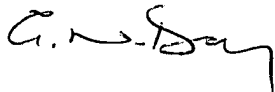
### **Statement of disclosure of information to the independent auditor**

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- 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.
- Each of the Directors have taken all the steps that he ought to have taken as a Director to make himself 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.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:



G N Day  
Director

30 July 2020

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

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

For the 14 month period ended 31 October 2019

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

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

Company law requires the Directors to prepare financial statements for each financial period / 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 its profit or loss of the Company for the 14 month period ended 31 October 2019.

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 KEYWORKER PROPERTIES LIMITED**

For the 14 month period ended 31 October 2019

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## **Opinion**

We have audited the financial statements of Keyworkers Properties Limited (the 'company') for the year ended 31 October 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 11, 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 2019 and of its profit 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 below. 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 the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, 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.

## **Emphasis of matter – Effects of COVID-19**

We draw attention to Note 1 and Note 11 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting consumer demand, and the company's responses to the disruption. Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYWORKER PROPERTIES LIMITED (CONTINUED)**

For the 14 month period ended 31 October 2019

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## **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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYWORKER PROPERTIES LIMITED (CONTINUED)**

For the 14 month period ended 31 October 2019

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## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

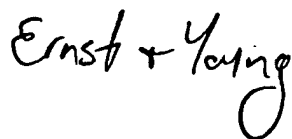
## **Auditor's responsibilities for the audit of the financial statements**

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.

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.



Peter McIver (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
31 July 2020

## PROFIT AND LOSS ACCOUNT

For the 14 month period ended 31 October 2019

	Notes	14 month period ended 31 October 2019 £	12 month period ended 31 August 2018 £
Administrative expenses		-	(22)
Other operating income	3	49,500	45,000
<b>Operating profit</b>	3	<b>49,500</b>	<b>44,978</b>
Interest receivable and similar income		144	74
<b>Profit before taxation</b>		<b>49,644</b>	<b>45,052</b>
Tax on profit	4	(26)	(10)
<b>Profit for the financial year</b>		<b>49,618</b>	<b>45,042</b>

All of the figures above relate to continuing operations.

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

The notes on pages 13 to 21 form part of these financial statements.

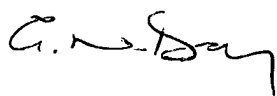
## BALANCE SHEET

As at 31 October 2019

	Notes	As at 31 October 2019 £	As at 31 August 2018 £
<b>Non-current assets</b>			
Investments	5	2,000	2,000
<b>Current assets</b>			
Cash at bank and in hand		9,599	49,956
Debtors: amounts due within one year	6	277,000	187,000
<b>Total current assets</b>		<b>286,599</b>	236,956
<b>Creditors: amounts falling due within one year</b>	7	<b>(1,516)</b>	(1,491)
<b>Net current assets</b>		<b>285,083</b>	235,465
<b>Total assets less current liabilities; being net assets</b>		<b>287,083</b>	237,465
<b>Capital and reserves</b>			
Called up share capital	8	2	2
Profit and loss account		287,081	237,465
<b>Shareholders' funds</b>		<b>287,083</b>	237,465

The notes on pages 13 to 21 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 July 2020 and were signed on its behalf by:



G N Day  
Director

Company registration number: 04213618

## STATEMENT OF CHANGES IN EQUITY

For the 14 month period ended 31 October 2019

	<i>Notes</i>	Share capital £	Profit and loss account £	Total £
Balance as at 31 August 2017	8	2	192,421	193,423
Profit for the year		-	45,042	45,042
Total comprehensive income for the year		-	45,042	45,042
<b>Balance as at 31 August 2018</b>	8	2	237,463	237,465
Profit for the 14 month period		-	49,618	49,644
<b>Total comprehensive income for the period</b>		-	49,618	49,644
<b>Balance as at 31 October</b>	8	2	287,081	287,083

The notes on pages 13 to 21 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the 14 month period ended 31 October 2019

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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 14 month period and prior year.

Keyworker Properties Limited (the Company) is a private company limited by shares and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 2.

#### Basis of accounting

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

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

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 plc 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.

#### Going concern

The financial statements have been prepared on a going concern basis. In making the assessment as to the Company's ability to continue as a going concern, we have considered the Company's position within the Group, given the high level of intercompany transactions with the Company.

As a result of future economic uncertainty created by Covid-19, the Group has carefully considered its liquidity position. To preserve the liquidity of the business and maintain a strong cash position, several cash optimisation measures have been put in place.

On 18 March 2020, the Board announced the withdrawal of the final dividend payment of 3.5p per ordinary share, resulting in a cash saving of c.£19m. In addition, the Group has taken action to fully draw down its £200m Revolving Credit Facility (RCF).

As announced on 25 March 2020, from mid-March the Group paused all build activity across its entire development programme. We also paused our land spend and contractually committed land spend has been reviewed and minimised where possible. All marketing activity was paused and on-site sales offices were closed.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 14 month period ended 31 October 2019

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### 1. Accounting policies (continued)

#### Going concern (continued)

Employees impacted by these actions were either redeployed to support our homeowners as the additional demand for our services significantly increased or placed on furlough as they qualified for support under the Government's Coronavirus Job Retention Scheme. c.640 staff across sales, construction and head office functions were furloughed since April 2020 (a proportion of which have now returned), while all members of the Board and wider leadership team have taken a voluntary 20% salary reduction.

On 30 April 2020, the Group completed a portfolio sale of 135 apartments to Waverstone LLP, generating c.£13m cash.

On 2 June 2020, the Group secured access to the HM Treasury and Bank of England Covid Corporate Financing Facility ('CCFF') and has put in place a £300m commercial paper programme under this scheme. This facility, which is a 12 month instrument from the point of draw down, can be drawn at any time until 23 March 2021.

The Group holds a £200m Revolving Credit Facility provided by Barclays, HSBC and RBS, which expires in March 2023. This facility includes financial covenants which test the Group's interest cover, gearing, tangible net asset value and restrictions on the value of rental, shared ownership and part-exchange properties held on the balance sheet.

On 7 July 2020, the Group secured a waiver of the interest cover banking covenant until April 2021 and a relaxation in this covenant test for October 2021.

On 2 June 2020, we announced a phased return to construction and sales activity from 8 June 2020. As part of this remobilisation planning, management have undertaken a detailed review of the previous business plan to allow for a gradual re-opening of sales offices and construction sites together with a phased reintroduction of marketing activity and land purchasing ensuring that the Group is able to maintain sufficient cash headroom in order to navigate through a prolonged impact from a possible second wave of Covid-19.

In stress testing the cash flows of the business, management has modelled a single combined downside scenario demonstrating a prolonged impact of Covid-19 with a further 16% volume reduction together with a further 7% house price deflation and normal sales conditions not returning until June 2021. As part of the systematic remobilisation of the Group's sales, we are seeing this activity gradually increasing in line with a phased ramp up plan reflecting vulnerability of our customer base.

The single combined downside scenario also reflects the impact of an increased build cost inflation and its continuation into FY22. In addition, management have modelled a delay of the sale of the first rental tranche to June 2021 and lower FRI multiples. Principal mitigation actions have been modelled such as curtailing land purchasing, delaying build starts and a reduction in bonuses, marketing costs and staff levels. As already demonstrated in March 2020 such mitigating actions are within management's control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation impact.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 14 month period ended 31 October 2019

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### 1. Accounting policies (continued)

#### Going concern (continued)

Despite the combined impact of the above downside assumptions, the stress testing model demonstrates that the business is able to maintain a positive cash headroom and that the Group does not envisage taking advantage of the CCFF facility throughout the going concern assessment period. The facility could be used to provide standby liquidity should it be required, however to date it remains undrawn and management do not currently envisage the need to drawdown.

The remobilisation plan and the stress testing models also support sufficient headroom for compliance with the RCF covenants throughout the going concern assessment period, except for the interest cover covenant.

To ensure no breach of the interest cover covenant the Group has secured an interest cover waiver until April 2021 and a relaxation of the interest cover covenant as at October 2021.

Through a combination of transactions with other Group entities and access to intra-group financing where appropriate, the Directors have reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements for this entity.

#### Investments

Investments are recorded at cost less any impairment. Provisions are made against carrying value when the Directors consider that there has been a permanent diminution in value.

The Company has a number of contractual arrangements with other parties which represent joint ventures as an agreement is made to share control of certain entities. These investments are recorded at cost less any impairment. Provisions are made against carrying value when the Directors consider that there has been a permanent diminution in value.

#### Corporation tax

Corporation tax comprises current tax. Current tax is based on taxable profits for the 14 month period. 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.

#### Financial assets

Financial assets are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 14 month period ended 31 October 2019

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### 1. Accounting policies (continued)

#### Financial liabilities and equity

Basic financial liabilities, including other payables 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.

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.

#### Dividend income

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

### 2. Critical accounting judgements and estimation uncertainty

There are no specific critical judgements or key assumptions that 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 within the next financial year to the carrying amounts of assets at the year end.

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

For the 14 month period ended 31 October 2019

**3. Operating profit****a. Employees**

During the current and preceding year the Company had no employees.

**b. Auditor's remuneration**

Remuneration of the auditor is settled by McCarthy & Stone (Developments) Limited on behalf of all companies within the McCarthy & Stone plc Group, and was not recharged in the current or prior year. The total Group audit fee for audit of the financial statements for the 14 month period was £0.4m (12 months ended 31 August 2018: £0.2m). There have been no other fees payable to the Company's auditor relating to the Company.

**c. Directors' remuneration**

The Directors received no remuneration from the Company in the current 14 month period or prior year. The Directors are paid by the other Group companies and the allocation to this company is £nil for the 14 month period ended 31 October 2019 (12 month period 31 August 2018: £nil).

**d. Other operating income**

	14 month period ended 31 October 2019 £	12 month period ended 31 August 2018 £
Dividends received	49,500	45,000

**4. Tax on profit****a. Analysis of tax charge for the period**

	14 month period ended 31 October 2019 £	12 month period ended 31 August 2018 £
<i>Current tax:</i>		
UK corporation tax charge on profit for the period	26	10
<b>Total tax charge</b>	<b>26</b>	<b>10</b>

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

For the 14 month period ended 31 October 2019

**4. Tax on profit (continued)****b. Factors affecting tax charge for the period**

	14 month period ended 31 October 2019 £	12 month period ended 31 August 2018 £
Profit before tax	49,644	45,052
Anticipated tax charge based on profit before tax at 19.00% (2018: 19.00%)	9,432	8,560
<i>Effects of:</i>		
Income not taxable (dividends received)	(9,406)	(8,550)
<b>Total tax charge for the year</b>	<b>26</b>	<b>10</b>

As at the balance sheet date, a reduction in the rate of corporation tax to 17% from 1 April 2020 was substantively enacted and this rate has been applied to the calculation of deferred tax balances. On 17 March 2020 a resolution was passed to reverse this rate reduction and maintain a corporation tax rate of 19%. The impact of this change in rate will be accounted for in future periods.

**5. Investments**

Investments in Joint Ventures	£
<i>Cost and net book value:</i>	
At 1 September 2018	2,000
<b>At 31 October 2019</b>	<b>2,000</b>

Investments in joint ventures represent the following:

50% interest in the issued ordinary share capital of Kindle Housing Limited, a company registered in England and Wales. The principal activity of Kindle Housing Limited is property management. The registered office is Easterbrook Eaton Limited Chartered Accountants, Cosmopolitan House, Old Fore Street, Sidmouth, Devon EX10 8LS. At 31 August 2019, Kindle Housing Ltd had total issued ordinary share capital of £1,000 (2018: £1,000), retained earnings of £1,061 (2018: £1,061), made a profit of £6,488 for the year ended 31 August 2019 (2018: £6,488) and paid a dividend of £20,000 (2018: £20,000).

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

For the 14 month period ended 31 October 2019

**5. Investments (continued)**

50% interest in the issued ordinary share capital of Kindle Housing (Worthing) Ltd, a company registered in England and Wales. The principal activity of Kindle Housing Limited is property management. The registered office is Easterbrook Eaton Limited Chartered Accountants, Cosmopolitan House, Old Fore Street, Sidmouth, Devon EX10 8LS. At 31 August 2019, Kindle Housing (Worthing) Ltd had total issued ordinary share capital of £1,000 (2018: £1,000), retained earnings of £269,357 (2018: £256,280) and made a profit of £76,486 for the year ended 31 August 2019 (2018: £37,760) and paid a dividend of £26,000 (2018: £24,000).

50% interest in the issued ordinary share capital of Kindle Housing (Christchurch) Ltd, a company registered in England and Wales. The principal activity of Kindle Housing Limited is property management. The registered office is Easterbrook Eaton Limited Chartered Accountants, Cosmopolitan House, Old Fore Street, Sidmouth, Devon EX10 8LS. At 31 August 2019, Kindle Housing (Christchurch) Ltd had total issued ordinary share capital of £1,000 (2018: £1,000), retained earnings of £226,522 (2018: £218,076) and made a profit of £29,446 for the year ended 31 August 2019 (2018: £37,001) and paid a dividend of £21,000 (2018: £24,000).

50% interest in the issued ordinary share capital of Kindle Housing (Exeter) Ltd, a company registered in England and Wales. The principal activity of Kindle Housing Limited is property management. The registered office is Easterbrook Eaton Limited Chartered Accountants, Cosmopolitan House, Old Fore Street, Sidmouth, Devon EX10 8LS. At 31 August 2019, Kindle Housing (Exeter) Ltd had total issued ordinary share capital of £1,000 (2018: £1,000), retained earnings of £84,308 (2018: £74,958) and made a profit of £21,350 for the year ended 31 August 2019 (2018: £28,207) and paid a dividend of £12,000 (2018: £22,000).

**6. Debtors: amounts due within one year**

	As at 31 October 2019 £	As at 31 August 2018 £
Amounts owed by Group undertakings	277,000	187,000
	<b>277,000</b>	<b>187,000</b>

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

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

For the 14 month period ended 31 October 2019

**7. Creditors: amounts falling due within one year**

	As at 31 October 2019 £	As at 31 August 2018 £
Amounts owed to Group undertakings	1,516	1,491
	<b>1,516</b>	<b>1,491</b>

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

**8. Share capital**

	Authorised No.	Authorised £	Allotted, called up & fully paid No.	Allotted, called up & fully paid £
<b>Equity share capital</b>				
Ordinary shares of £1 each				
<b>As at 31 August 2018 and 31 October 2019</b>	<b>1,000</b>	<b>1,000</b>	<b>2</b>	<b>2</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.

Dividends have been received from the Company's joint ventures, totalling £49,500 (2018: £45,000). Amounts owed to/from joint ventures as at 31 October 2019 is £nil (at 31 August 2018: £nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 14 month period ended 31 October 2019

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### 10. Ultimate parent undertaking and controlling party

McCarthy & Stone plc, 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 plc can be obtained from the registered office:

4th 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 plc.

### 11. Post balance sheet events

#### Coronavirus

The outbreak of the COVID-19 pandemic in March 2020 has had a large impact on the McCarthy & Stone Group. Closure of sales offices and sites under construction from mid-March, typically one of our busiest sales and construction seasons, resulted in a significant decrease in our sales volumes and caused disruption to build activities in the first half of FY20.

The Covid-19 pandemic continues to impact on our people, business model, business performance and the economic environment in which we operate and has led the Group to invoke a number of business continuity procedures to manage the immediate impact of the pandemic and maximize liquidity. The Group has also undertaken a detailed review of the future plans for the business with detailed scenario modelling to ensure the business can adapt to government guidelines and continue to operate through a period of economic downturn and uncertainty.

#### Borrowings

On 2 June 2020, the Group secured access to the HM Treasury and Bank of England Covid Corporate Financing Facility ('CCFF') and has put in place a £300m commercial paper programme under this scheme. The facility will be used to provide additional liquidity should it be required, however it remains currently undrawn.

On 7 July the Group secured a waiver of the interest cover banking covenant until April 2021 and a relaxation in this covenant test for October 2021.

This has ensured that the Group is well positioned to navigate through a period of downturn and continue investment in land and build to work towards future growth targets.

Whilst the pandemic has had a significant impact on the business there are no adjustments required to the FY19 financial statements of this entity. The detailed modelling carried out by the Group shows that the business can continue to operate for the foreseeable future and therefore the accounts of this entity have been prepared on a Going Concern basis. Management will continue to assess the impact of the pandemic and manage risks to the business as they arise.