McCarthy & Stone (Developments) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 October 2021

Company registration number: 06622183

CONTENTS

DIRECTORS AND ADVISERS

For the year ended 31 October 2021

Directors

J M Tonkiss
M Lloyd (resigned 4 June 2021)
A Batty (resigned 28 May 2021)
M J Abell

Registered Office

4th Floor
100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ

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 of the Companies Act.

Review of the business

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.

Principal activities

The Company is an intermediate holding company which also provides management services to other companies within the Group. This entity houses many of the Group's head office functions such as IT, Finance, Corporate Services, Internal Audit, Health & Safety and Legal.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2021

Performance during the year

During the year to 31 October 2021, turnover was £15.1m (2020: £18.2m).

The operating result, excluding non-underlying costs, worsened by £1.0m to a £5.8m loss (2020: £4.7m loss), resulting in an operating margin for the year, excluding non-underlying items, of negative 38% (2020: negative 26%). Non-underlying costs of £18.3m were incurred mainly in relation to sell side costs in relation to the Lone Star acquisition and the Group's strategic review (2020: £41.2m in relation to impairment of goodwill and brand, Covid-19 costs and the Group's strategic review).

The Company made a loss after tax for the year to 31 October 2021 of £19.7m (2020: loss of £37.6m). Net assets as at 31 October 2021 totalled £366.1m (2020: £385.8m).

The Directors are not proposing to pay any dividends in respect of the year (2020: £nil).

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.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2021

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.

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.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 October 2021

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

M J Abell
Director

24 June 2022

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

DIRECTORS' REPORT

For the year ended 31 October 2021

The Directors of McCarthy & Stone (Developments) Limited (the Company) (registered number 06622183) present their Annual Report and audited financial statements for the year ended 31 October 2021.

Ownership

The Company is a 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.

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 Lloyd	Chief Operating Officer	16 January 2019	4 June 2021
A D Batty	Company Secretary	20 January 2020	28 May 2021
M J Abell	Chief Financial Officer	1 August 2020	-

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.

Employees

At 31 October 2021 the Company had 148 employees (2020: 134).

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.

Dividends

No dividends were proposed or paid during the year to 31 October 2021 (2020: £nil).

Political donations

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

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

A letter of support has been obtained because McCarthy Stone do not forecast at an entity level, 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.

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 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

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2021

Going concern (continued)

- 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.

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.

Post balance sheet events

No post balance sheet events noted for the Company.

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 (Developments) Limited
4th Floor
100 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 October 2021

Directors' responsibilities statement

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 (DEVELOPMENTS) LIMITED

Opinion

We have audited the financial statements of McCarthy & Stone (Developments) Limited for the year ended 31st 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 21, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements and up until 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 company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Other information (continued)
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 12, 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 Financial Reporting Standard 102 as applied in accordance with Section 408 of the Companies Act 2006, the Companies Act 2006 and the relevant tax compliance regulations in the UK. In addition to this, the entity is part of a group which is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection, and anti-bribery and corruption.

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. Our audit procedures were designed to either corroborate or provide contrary evidence, the results of which were followed up appropriately.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, assessment of financial statement disclosures to ensure compliance with the relevant reporting frameworks, and enquiries with management and those charged with governance.

- 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.

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

- To address our identified fraud risk of incorrect revenue recognition around the period end, we tested a sample of revenue transactions recorded before and after the year end sample basis by vouching to evidence that the performance obligations are satisfied, and revenue has been recorded in the right period. We also utilised data analytics tools to analyse revenue recorded before and after year end, this helped us to identify periods where revenue was 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

	Notes	2021 Before Non-underlying Items £m	2021 Non-underlying Items £m	2021 £m	2020 Before Non-underlying Items £m	2020 Non-underlying Items £m	2020 £m
Turnover	3	**15.1**	-	**15.1**	18.2	-	18.2
Cost of sales		-	-	-	-	-	-
Gross profit		**15.1**	-	**15.1**	18.2	-	18.2
Administrative expenses	3	**(21.0)**	**(18.3)**	**(39.3)**	(23.1)	(41.2)	(64.3)
Other operating income	3	**0.1**	-	**0.1**	0.2	-	0.2
Operating (loss)	3	**(5.8)**	**(18.3)**	**(24.1)**	(4.7)	(41.2)	(45.9)
Interest receivable and similar income	6	**10.2**	-	**10.2**	0.1	-	0.1
Interest payable and similar expenses	7	**(10.1)**	-	**(10.1)**	-	-	-
(Loss) before taxation		**(5.7)**	**(18.3)**	**(24.0)**	(4.6)	(41.2)	(45.8)
Tax credit on (loss)	8	**4.3**	-	**4.3**	8.2	-	8.2
(Loss) for the financial year		**(1.4)**	**(18.3)**	**(19.7)**	3.6	(41.2)	(37.6)

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 20 to 36 form part of these financial statements.

BALANCE SHEET

As at 31 October 2021

		Notes	2021 £m	2020 £m
Non-current assets				
Intangible fixed assets:	software	*9*	**3.7**	3.4
Tangible fixed assets:	other	*10*	**0.5**	0.6
Investments		*11*	**331.6**	331.6
Deferred tax		*13*	**10.4**	7.7
			346.2	343.3
Current assets				
Debtors:	amounts due within one year	*12*	**362.4**	86.5
Cash at bank and in hand			**0.6**	0.2
			363.0	86.7
Creditors: amounts falling due within one year		*14, 15*	**(343.1)**	(44.2)
Net current assets			**19.9**	42.5
Total assets less current liabilities			**366.1**	385.8
Net assets			**366.1**	385.8
Capital and reserves				
Called up share capital		*17*	**15.7**	15.7
Profit and loss account			**350.4**	370.1
Shareholders' funds			**366.1**	385.8

Company registration number: 06622183

Approved by the Board and authorised for issue on 24 June 2022.

Signed on its behalf by:

M J Abell
Director

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2021

	Share premium £m	Profit and loss account £m	Total £m
Balance as at 1 November 2019	**15.7**	**407.7**	**423.4**
Profit for the year	-	(37.6)	(37.6)
Total comprehensive income for the year	**-**	**(37.6)**	**(37.6)**
Balance as at 31 October 2020	**15.7**	**370.1**	**385.8**
Loss for the year	-	(19.7)	(19.7)
Total comprehensive loss for the year	**-**	**(19.7)**	**(19.7)**
Balance as at 31 October 2021	**15.7**	**350.4**	**366.1**

The notes on pages 20 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2021

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 and prior year.

McCarthy & Stone (Developments) 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 Company's registered office is shown 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 preparation

The financial statements have been prepared on a going concern basis under the historical cost convention 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.
- Share-based payments disclosures.

The Company has not prepared Group financial statements as the trading results of McCarthy & Stone (Developments) Limited and those of its subsidiaries are reported as consolidated within McCarthy & Stone Limited, its 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 Company'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 at nominal interest rate, with the Group's parent company (Mastiff BidCo Limited) as borrower; and
- an undrawn £48.5m revolving credit facility.

The facility has no income statement based financial maintenance covenants, with the sole financial covenant being an LTV ratio. No measurement of this covenant is not required prior to October 2023 unless loans drawn under the revolving credit facility exceed 40% of the total facility.

In addition, the Group is funded by two loans from the parent 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;
- Quarterly sales of rental properties to a third-party investor cease once the initial contractual commitment is fully utilised;

1. Accounting Policies (continued)

Going concern (continued)

- 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 and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Internally-generated intangible assets – software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet the criteria are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised over their estimated useful lives using the straight-line method, which do not exceed 10 years.

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 at rates 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)

Investments in subsidiaries
Investments in subsidiary undertakings are included in the Balance Sheet at cost less any provision for impairment.

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 Profit and Loss Account on a straight-line basis over the lease term.

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

Government grants
Grants have been received for furlough payments under the Government's Coronavirus Job Retention Scheme. Commencing in April 2020, the Group have claimed under this scheme and recognised the income received within 'other operating income' in the period incurred. Where grant income is outstanding at the period end date, subsequent to a claim being made, the balance is shown on the Balance Sheet within 'Debtors: amounts due within one year. The total grant income in the year amounted to £0.0m (2020: £0.2m).

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 tax is recognised in the Profit and Loss Account.

Pensions and other post-retirement benefits
The Company provides a defined contribution pension scheme arrangement. Contributions to the scheme are recognised in the Profit and Loss Account in the period in which they become payable. The amount charged to the Profit and Loss Account represents contributions payable to the individual policies held by employees with independent insurance companies.

1. Accounting Policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes.

Interest receivable income

Income is recognised as interest accrues on intercompany balances.

Financial assets

Basic financial assets, including debtors 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.

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 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 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.

1. Accounting Policies (continued)

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. Non-underlying items are detailed further in note 3d.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, one critical judgement has been made in relation to non-underlying items. A judgement has been made that the items in FY21 are of significant cost, non-recurring and unusual to the normal activity of the Group and therefore a decision was made to reclassify these items separately on the face of the profit and loss account.

No other critical judgements are deemed to have been made that have a material effect on the amounts recognised in the financial statements.

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

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.

3. Operating profit

a. Turnover

Turnover is attributable to one continuing activity within the UK, being the provision of management services to companies within the McCarthy & Stone Group.

b. Profit before taxation

Profit before taxation is stated after charging:

		31 October 2021 £m	31 October 2020 £m
Depreciation of owned assets		**1.0**	0.5
Amortisation of goodwill		**-**	1.0
Amortisation of brand		**-**	1.0
Amortisation of software		**0.7**	0.7
Operating lease rentals -	plant and machinery	**0.1**	0.1
Auditor's remuneration -	audit of financial statements	**0.4**	0.4
	non-audit services		-
Non-underlying items (see note 3.d.)		**18.3**	41.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

3. Operating profit (continued)

b. Profit before taxation (continued)

The analysis of Auditor's remuneration is as follows:	31 October 2021 £m	31 October 2020 £m
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.4	0.4
Total audit fees	**0.4**	**0.4**

Remuneration of the auditor is settled by McCarthy & Stone (Developments) Limited on behalf of all companies within the Group. The total Group audit fee for the year ended 31 October 2021 was £0.5 million (31 October 2020: £0.4 million). There were no other fees payable to the Group auditor in the year.

c. Other operating income

	31 October 2021 £m	31 October 2020 £m
Other income	0.1	0.2
For the year ended 31 October 2021	**0.1**	**0.2**

d. 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:

	31 October 2021 £m	31 October 2020 £m
a) *Costs in relation to strategic review*	**2.7**	3.2
b) Goodwill and Brand impairment	-	37.7
c) Sell side costs in relation to Lone Star acquisition	**15.6**	-
d) Covid-19 costs	-	0.3
For the year ended 31 October 2021	**18.3**	41.2

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

3. Operating profit (continued)

d. Non-underlying items (continued)

b) Full impairment of goodwill and brand balances following impairment testing in the prior year.
c) Sell side costs have been incurred by the Group in relation to their acquisition by Lone Star. These costs include advisor fees, legal fees and reorganisation costs incurred as a direct result of the acquisition.
d) 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.

4. Employees

The average monthly number of employees, including Directors, during the year ended 31 October 2021 was 145 (31 October 2020: 139). All employees are categorised as 'Office and management'. The total number of persons employed by the Company at 31 October 2021 was 148 (at 31 October 2020: 134).

	31 October 2021 £m	31 October 2020 £m
The aggregate payroll cost, including Directors, was as follows:		
Wages and salaries	18.0	12.2
Social security costs	2.3	1.4
Other pension costs	1.0	0.8
For the year ended 31 October 2021	**21.3**	**14.4**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

5. Directors' remuneration

	2021 £m	2020 £m
Wages and salaries	1.7	1.6
Social security costs	0.2	0.2
Share-based payments	-	0.5
Company contributions to Group personal pension schemes	0.1	0.2
	2.0	**2.5**
Highest paid Director:		
Emoluments (excluding pension contributions)	1.2	0.8
Company contributions to Group personal pension schemes	-	-
For the year ended 31 October 2021	**1.2**	**0.8**

	2021	2020
Number of Directors in Group personal pension schemes	2	2

The emoluments disclosed above include £nil (31 October 2020: £nil) sums payable to third parties for Directors' services for the year ended 31 October 2021.

6. *Interest receivable and similar income*

	2021 £m	2020 £m
Interest receivable from other Group companies	10.2	0.1
For the year ended 31 October 2021	**10.2**	**0.1**

Interest receivable from other Group companies relates primarily to a £200m interest bearing loan, accruing interest at 7% per annum.

7. Interest payable and similar expenses

	2021 £m	2020 £m
Interest payable to other Group companies	10.1	-
For the year ended 31 October 2021	**10.1**	**-**

Interest payable to other Group companies relates to a £200m interest bearing loan, accruing interest at 7% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

8. Tax on (loss)

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

	2021 £m	2020 £m
Current tax:		
UK corporation tax in year	(1.4)	(0.8)
Adjustment in respect of previous years	(0.2)	-
Deferred tax:		
Current year movement	(2.8)	(7.4)
Adjustments in respect of previous years	0.1	-
Total tax (credit) for the year	**(4.3)**	**(8.2)**

b. Factors affecting the tax (credit) for the current year

	2021 £m	2020 £m
(Loss) before taxation	(23.9)	(45.8)
Anticipated tax (credit) based on (loss) before tax at 19.00% (2020: 19.00%)	(4.5)	(8.7)
Effects of:		
Expenses not deductible for tax purposes	2.7	0.1
Share scheme	0.1	-
Adjustments in respect of previous years	(0.1)	
Not provided	-	0.4
Effects of tax rate changes	(2.5)	-
Total tax (credit) for the year	**(4.3)**	**(8.2)**

The Finance Act 2021, enacted on 24 May 2021 and effective from 1 April 2023 increased the main rate of UK corporation tax to 25%. The rate of corporation tax was 19.0% throughout the year (2020: 19.0%). The UK deferred tax assets/liabilities at 31 October 2021 have been calculated based on the expected rate at which the asset/liability will unwind.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

8. Tax on (loss) (continued)

c. Deferred tax movements

	2021 £m	2020 £m
Deferred tax asset		
At 1 November	7.7	0.3
Current year movement	2.8	7.4
Adjustments in respect of previous periods	(0.1)	-
At 31 October 2021	**10.4**	**7.7**

d. Deferred tax reflected in the financial statements

	2021 £m	2020 £m
Short-term timing differences	0.4	0.7
Losses	10.1	7.0
Accelerated tax depreciation	(0.1)	-
For the year ended 31 October 2021	**10.4**	**7.7**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

9. Intangible fixed assets

	Software intangibles £m	Total £m
Cost:		
At 1 November 2020	**6.2**	**89.6**
Additions	1.0	1.0
At 31 October 2021	**7.2**	**90.6**
Amortisation:		
At 1 November 2020	(2.8)	(86.2)
Charge for the period	(0.7)	(0.7)
At 31 October 2021	**(3.5)**	**(86.9)**
Net book value at 31 October 2021	**3.7**	**3.7**
Net book value at 31 October 2020	3.4	3.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

10. Tangible fixed assets

	Fixtures, fittings and equipment £m
Cost:	
At 1 November 2020	2.9
Additions	0.3
At 31 October 2021	**3.2**
Depreciation:	
At 1 November 2020	(2.3)
Charged during the year	(0.4)
At 31 October 2021	**(2.7)**
Net book value at 31 October 2021	**0.5**
Net book value at 31 October 2020	0.6

11. Investments

	Investments £m
Shares in unlisted subsidiary undertakings	
Cost:	
At 1 November 2020 and 31 October 2021	331.6
Impairment:	
At 1 November 2020 and 31 October 2021	-
Net book value at 31 October 2021	**331.6**
Net book value at 31 October 2020	331.6

11. Investments (continued)

The Company's subsidiary undertakings 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:

Name	Country of incorporation	Principal activity	Class of shares	2021 %	2020 %
McCarthy & Stone Retirement Lifestyles Limited*	England	Developer	Ordinary	100	100
McCarthy & Stone (Equity Interests) Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone (Home Equity Interests) Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone Investment Properties No. 23 Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone (Total Care Living) Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone (Extra Care Living) Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone Rental Properties Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone Rental Properties No. 2 Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone Rental Properties No. 3 Limited	England	Property Investment	Ordinary	100	n/a
McCarthy & Stone Rental Properties No. 4 Limited	England	Property Investment	Ordinary	100	n/a
McCarthy & Stone Shared Ownership Limited	England	Property Investment	Ordinary	100	n/a
McCarthy & Stone Total Care Management Limited	England	Property Investment	Ordinary	100	100
McCarthy & Stone Management Services Limited	England	Development management	Ordinary	100	100
McCarthy & Stone Lifestyle Services Limited*	England	Holding Company	Ordinary	100	100
Waverstone LLP	England	Property Investment	Ordinary	100	-
Waverstone Investments Holdings Limited	England	Property investment holding	Ordinary	100	-
Waverstone Investments Limited	England	Property investment holding	Ordinary	100	-
Keyworker Properties Limited	England	Property Investment	Ordinary	100	100
YourLife Management Services Limited	England	Development Management	Ordinary	100	100
The Planning Bureau Limited*	England	Dormant	Ordinary	100	100
McCarthy & Stone Resales Limited	England	Property resales	Ordinary	100	100
Kindle Housing (Christchurch) Limited**	England	Affordable housing rental	Ordinary	50	50
Kindle Housing (Exeter) Limited**	England	Affordable housing rental	Ordinary	50	50
Kindle Housing (Worthing) Limited**	England	Affordable housing rental	Ordinary	50	50
Kindle Housing Limited**	England	Affordable housing mgmt	Ordinary	50	50
Advantage Apartments Limited**	England	Dormant	Ordinary	50	50
Advantage Housing Limited**	England	Dormant	Ordinary	50	50
Advantage Homes Limited**	England	Dormant	Ordinary	50	50

* Held directly by McCarthy & Stone (Developments) Limited

** Registered office: Cosmopolitan House, Old Fore Street, Sidmouth, Devon, EX10 8LS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 October 2021

12. Trade and other receivables

Debtors: amounts due within one year	2021 £m	2020 £m
Other debtors and prepayments	12.1	1.7
UK corporation tax	1.6	6.4
Amounts owed by subsidiary undertakings	148.7	78.4
Intercompany loan	200.0	-
At 31 October 2021	**362.4**	**86.5**

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.

Intercompany loans represent an interest-bearing loan repayable from McCarthy & Stone Retirement Lifestyles Limited. The loan is repayable on demand and accrues interest at 7% per annum.

13. Deferred tax

	Notes	2021 £m	2020 £m
Deferred tax	*7*	10.4	7.7
At 31 October 2021		**10.4**	**7.7**

14. Trade and other payables

Creditors: amounts due within one year	2021 £m	2020 £m
Trade creditors	0.2	-
Amount owed to subsidiary undertakings	125.3	38.2
Other taxes and social security costs	2.3	1.7
Other creditors	15.3	4.3
At 31 October 2021	**143.1**	**44.2**

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.

15. Borrowings

Short term borrowings	2021 £m	2020 £m
Loan from ultimate parent company	200.0	-
At 31 October 2021	**200.0**	-

Loans from parent company represents an interest-bearing loan repayable to Mastiff BidCo Limited. The loan is repayable on demand and accrues interest at 7% per annum.

16. Operating lease commitments

At year end the Group 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
Payments due:				
In less than one year	**0.3**	**0.1**	0.3	0.1
In one to five years	-	-	0.3	0.1
At 31 October 2021	**0.3**	**0.1**	0.6	0.2

17. 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	87,839	17,568	78,389	15,678
Total share capital as at 31 October 2021 and 2020	**87,839**	**17,568**	**78,389**	**15,678**

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.

17. Share capital and reserves (continued)

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

18. 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 year ended 31 October 2021 was £1.0m (31 October 2020: £0.8m). The unpaid contributions outstanding at 31 October 2021 are £0.4m (31 October 2020: £0.4m).

19. 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.

20. Ultimate parent undertaking and controlling party

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

21. Post balance sheet events

No post balance sheet events noted for the Company.