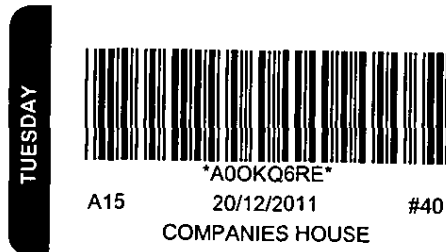


McCarthy & Stone Rental Interests No.1 Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year to 31 August 2011



Company registration number: 06897272

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DIRECTORS AND ADVISORS

Directors

H P S Phillips
T L Green

Registered Office

Homelife House
26-32 Oxford Road
Bournemouth
Dorset
BH8 8EZ

Independent Auditors

Deloitte LLP
Crawley

Bankers

The Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Solicitors

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 August 2011. The Directors are in receipt of a letter of support from McCarthy & Stone Limited, to the extent that it will not seek repayment of the outstanding intercompany balances within 12 months of signing the statutory accounts of McCarthy & Stone Rental Interests No 1 Limited. As such, the accounts have been prepared on a going concern basis. This Director's Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption per s419(2) of the Companies Act 2006.

Principal Activity

The Company's business is property investment.

Results and Dividends

The profit on ordinary activities after taxation for the year amounted to £24,946 (2010: £40,266). No dividend has been proposed or paid.

Directors

A list of the present Directors of the Company is reported on page 3.

The Group to which this Company belongs carries appropriate insurance cover in respect of possible legal action being taken by third parties against its Directors and senior employees.

Independent Auditors

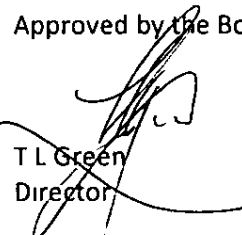
Each of the persons who is a Director at the date of approval of this report confirms that

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has 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 auditors are aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board by



T L Green
Director

McCarthy & Stone Rental Interests No 1 Limited

Homelife House, 26-32 Oxford Road, Bournemouth, BH8 8EZ, United Kingdom

16 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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). 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 the Company's affairs as at 31 August 2011 and of its profit for the year then ended. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on 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 AUDITORS' REPORT TO THE MEMBERS OF MCCARTHY & STONE RENTAL INTERESTS NO.1 LIMITED

We have audited the financial statements of McCarthy & Stone Rental Interests No 1 Limited for the year ended 31 August 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 9. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCCARTHY & STONE RENTAL INTERESTS NO.1 LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report



Neil Harris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Crawley, United Kingdom
16 December 2011

PROFIT AND LOSS ACCOUNT

For the year ended 31 August 2011

	<i>Notes</i>	2011 £	2010 £
Administrative expenses		(1,000)	(1,990)
Other operating income	2	767,449	438,971
Operating Profit		766,449	436,981
Interest payable to fellow group undertakings		(732,200)	(380,170)
Profit on Ordinary Activities before Taxation		34,249	56,811
Taxation charge	3	(9,303)	(16,545)
Profit for the Financial Period		24,946	40,266

The Company has no material gains or losses other than those included in the Profit and Loss Account above, and therefore no separate Statement of Total Recognised Gains and Losses has been presented

There is no material difference between the result as disclosed in the Profit and Loss Account and the result on an unmodified historical cost basis

All of the figures above relate to continuing operations

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

BALANCE SHEET


As at 31 August 2011

	Notes	2011 £	2010 £
Fixed Assets			
Investment properties	4	12,130,811	7,225,218
		12,130,811	7,225,218
Creditors' amounts falling due within one year	5	(12,064,573)	(7,183,926)
Net Assets		66,238	41,292
Capital and Reserves			
Called up share capital	6	1	1
Profit and loss account	7	66,237	41,291
Shareholders' Funds		66,238	41,292

Company registration number 06897272

Approved by the Board and authorised for issue on 16 December 2011

Signed on its behalf by



H P S Phillips
Director



T L Green
Director

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

NOTES TO THE FINANCIAL STATEMENTS

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 period.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain investment properties, and in accordance with applicable United Kingdom accounting standards.

McCarthy & Stone Rental Interests No 1 Limited was formed to invest in property. McCarthy & Stone Rental Interests No 1 Limited's finance is provided through intercompany balances. The Group is headed by McCarthy & Stone Limited which is funded by banking facilities. The Group has confirmed that it will not seek repayment of intercompany balances within 12 months of signing the statutory accounts of McCarthy & Stone Rental Interests No 1 Limited. The Directors are in receipt of a letter of support from McCarthy & Stone Limited. The Directors are satisfied that the facilities and operations of the Group are sufficient to provide the assurances held within this letter. Accordingly, the accounts have been prepared on the going concern basis.

Investment properties

Investment properties represent rental properties and are valued at a multiple of the rent receivable.

In accordance with Statement of Standard Accounting Practice 19 investment properties are normally revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the Directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Income tax

Income 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, and
- Deferred income 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

Deferred income 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

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

Other Income

The company attracts a risk of ownership premium payable by other McCarthy & Stone Group companies, in recognition of the those scheme assets which the Company holds. This is reported as other income to reflect the nature of the inter Group transaction

Cash flow statement

No Cash Flow Statement has been prepared for the Company as it is itself a wholly owned subsidiary. A Group consolidated Cash Flow Statement is included in the accounts of McCarthy & Stone Limited

2 Operating profit

a. Other income

	2011 £	2010 £
Net rental income	439,770	272,647
Other income	327,679	166,324
	767,449	438,971

b. Employees

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

c. Auditors' remuneration

Auditors' remuneration of £1,630 (2010: £1,750) is borne by a fellow Group company

d. Directors' remuneration

There was no Directors' remuneration during the current year or prior period. The Directors are paid by the other Group companies and the allocation to this company is nil

NOTES TO THE FINANCIAL STATEMENTS

3. Taxation on profit on ordinary activities

a. Analysis of tax charge for the period

	2011 £	2010 £
Current tax UK corporation tax on profits for the period	9,303	15,907
Adjustment in respect of previous periods	-	638
Tax on profit on ordinary activities	9,303	16,545

b. Factors affecting tax charge for the current period

	2011 £	2010 £
Profit on ordinary activities before tax	34,249	56,811
Anticipated tax charge based on profit before tax at 27 16% (28%)	9,303	15,907
<i>Difference between current and anticipated tax charge explained as</i> Adjustments to tax charge in respect of previous periods	-	638
Current tax charge for the period	9,303	16,545

The UK corporation tax rate decreased from 28% to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 and are expected to be enacted separately each year.

NOTES TO THE FINANCIAL STATEMENTS

4. Tangible fixed assets

	Freehold investment properties £
At 1st September 2010	7,225,218
Additions	4,905,593
At 31 August 2011	12,130,811

Investment properties, which are all freehold, were valued on the basis of a multiple of the annual rent receivable at 31 August 2011 by the Board of Directors. The revaluation exercise led to no change in the valuation. These properties have not been depreciated.

During the year, freehold investment property additions were made on 15 developments which were transferred to the Company for a consideration of £4,906,593.

5. Creditors: amounts falling due within one year

	2011 £	2010 £
Amounts owed to subsidiary undertakings	12,064,573	7,183,926
	12,064,573	7,183,926

6. Share capital and reserves

	Authorised No.	Authorised £	Allotted, called up & fully paid No.	Allotted, called up & fully paid £
Equity share capital				
Ordinary shares of £1 each	100	100	1	1

NOTES TO THE FINANCIAL STATEMENTS

7. Combined reconciliation of shareholders' funds and statement of movement on reserves

	Called up share capital £	Profit and loss account £	Total £
As at 31 August 2009	1	1,025	1,026
Profit for the financial year	-	40,266	40,266
As at 31 August 2010	1	41,291	41,292
Profit for the financial year	-	24,946	24,946
As at 31 August 2011	1	66,237	66,238

8. Related parties

The Company has taken advantage of the exemption available under FRS 8 paragraph 3(c) from disclosing the transactions between members of the McCarthy & Stone Limited Group of companies

9. Ultimate parent undertaking and controlling party

Mandarin 1 Limited, which is registered in England and Wales, is considered to be the Company's ultimate parent undertaking and controlling party. The accounts of Mandarin 1 Limited can be obtained from its registered office

Homelife House
26-32 Oxford Road
Bournemouth
Dorset
BH8 8EZ

The smallest Group in which this Company's accounts are consolidated is McCarthy & Stone Ltd, and the largest Group in which this Company's accounts are consolidated is Mandarin 1 Ltd