

# **McCarthy & Stone (Home Equity Interests) Limited**

## **Annual Report and Accounts**

31 August 2008



**Registration number 5984851**

**McCarthy & Stone (Home Equity Interests) Limited**  
**Directors and Officers**

**DIRECTORS**

T L Green (appointed 01/10/07)  
HPS Phillips (appointed 22/4/09)  
McCarthy & Stone (Group Services) Limited (resigned 22/4/09)  
McCarthy & Stone Corporate Services Limited (resigned 22/4/09)

**REGISTERED OFFICE**

Homelife House  
26 - 32 Oxford Road  
Bournemouth  
Dorset

**INDEPENDENT AUDITORS**

Deloitte LLP, Chartered Accountants & Registered Auditors  
Crawley, United Kingdom

**BANKERS**

HBOS plc

**SOLICITORS**

Travers Smith  
Freshfields

## **McCarthy & Stone (Home Equity Interests) Limited**

### **Directors' Report**

The directors present their annual report and accounts for year ended 31 August 2008.

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

#### **Principal activity**

The company's business is holding shared equity interests in flats.

#### **Directors**

A list of the present directors is shown on page 1. All directors served throughout the period with the exception of T L Green who was appointed on 01/10/07.

The company 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/directors at the date of approval of this report confirms that:

- So far as the director 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 ought to have been taken as a director in order to make itself 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 s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP.

Deloitte LLP have expressed their willingness to continue in office as auditors. A resolution to re-appoint Deloitte LLP as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 13<sup>th</sup> JULY 2009



T.L. Green  
Director

## **McCarthy & Stone (Home Equity Interests) Limited**

### **Statement of Directors' Responsibilities**

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). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## **McCarthy & Stone (Home Equity Interests) Limited**

### **Independent Auditors' Report**

#### **Independent Auditors' Report**

#### **To The Members of McCarthy & Stone (Home Equity Interests) Limited**

We have audited the company's financial statements for the year ended 31 August 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**McCarthy & Stone (Home Equity Interests) Limited**  
**Independent Auditors' Report (continued)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 August 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte LLP*

Deloitte LLP, Chartered Accountants & Registered Auditors  
Crawley, United Kingdom

*21 July 2009*

**McCarthy & Stone (Home Equity Interests) Limited**  
**Profit and Loss Account**  
**for the year ended 31 August 2008**

	Notes	2008 £	2007 £
<i>Administrative expenses</i>			
Exceptional impairment of shared equity debtors	3	(2,616,378)	-
Other administrative expenses		<u>(3,146,413)</u>	<u>-</u>
Total administrative expenses		(5,762,791)	-
Other operating income		<u>897,931</u>	<u>112,416</u>
<b>Operating (loss)/profit</b>		<b>(4,864,860)</b>	<b>112,416</b>
Interest payable to fellow group undertakings		(718,345)	(90,733)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(5,583,205)</b>	<b>21,683</b>
Tax charge on ordinary activities	2	(58,537)	(6,505)
<b>(Loss)/profit for the financial year</b>		<b><u>(5,641,742)</u></b>	<b><u>15,178</u></b>

**Statement of total recognised gains and losses**

The company has no recognised gains or losses other than the profit for the above financial period. Accordingly no statement of total recognised gains and losses is presented, a reconciliation of shareholders funds and movements on reserves is given at note 9 to the accounts.

**Continuing operations**

All of the company's activities are continuing.

**McCarthy & Stone (Home Equity Interests) Limited**  
**Balance Sheet**  
**as at 31 August 2008**

	Notes	2008 £	2007 £
<b>Current assets</b>			
Debtors due after one year	3	7,379,719	4,705,540
Debtors due within one year	4	<u>920,627</u>	<u>21,684</u>
		8,300,346	4,727,224
<b>Creditors: amounts falling due within one year</b>	5	<u>(13,926,909)</u>	<u>(4,712,045)</u>
<b>Total assets less current liabilities</b>		<u>(5,626,563)</u>	<u>15,179</u>
<b>Capital and reserves</b>			
Called up share capital	6	1	1
Profit and loss account	8	<u>(5,626,564)</u>	<u>15,178</u>
<b>Shareholders' (deficit)/funds</b>	9	<u>(5,626,563)</u>	<u>15,179</u>



H P S Phillips  
 Director

Approved by the board on 13<sup>th</sup> JULY 2009



**McCarthy & Stone (Home Equity Interests) Limited**  
**Notes to the Accounts**  
**at 31 August 2008**

**1 Accounting policies**

The following accounting policies have been used in dealing with items which are considered material in relation to the company accounts. They have been applied consistently throughout the period.

**Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

McCarthy & Stone (Home Equity Interests) Ltd was formed to hold shared equity interests in flats. As a result McCarthy & Stone (Home Equity Interests) Ltd's finance is provided through intercompany balances. As referred to in note 12, the existing McCarthy & Stone Group was placed into administration on 23 April 2009. At this point in time a new group was formed which acquired the trade and assets of the old trading group. As a result all intercompany balances held with the previous group have been transferred into the new McCarthy & Stone group. The new group is headed by McCarthy & Stone Ltd which is funded by new banking facilities agreed at the time of the transaction. The new group has confirmed that it will not seek repayment of intercompany balances within 12 months of signing the statutory accounts of McCarthy & Stone (Home Equity Interests) Ltd. The directors are in receipt of a letter of support from McCarthy and Stone Ltd. The directors are satisfied that the facilities and operations of the group are sufficient to provide the assurances held within this letter. On this basis the accounts have been prepared on the going concern basis.

**Employees**

During the current and preceding financial year the company had no employees.

**Auditors' remuneration**

Auditors' remuneration of £1,000 (2007: £1,000) is borne by a fellow group company.

**Directors' remuneration**

There was no directors' remuneration during the period (2007: £nil).

**Debtors: amounts falling due after more than one year - Shared Equity**

Shared equity interests in units in property developments, arise from incentive schemes. The company receives a proportion of the proceeds on subsequent sale of the unit. Assets are carried in the balance sheet at fair value on acquisition, which is measured using discounted cash flow models.

The carrying values of shared equity interests are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. This impairment is based on the recoverable amount, which is the fair value of the shared equity interests.

When assets are transferred into the company any initial write downs to bring to fair value are presented as admin expense. Any subsequent impairments to fair value are shown as exceptional items.

**McCarthy & Stone (Home Equity Interests) Limited**  
**Notes to the Accounts**  
**at 31 August 2008**

**1 Accounting policies (continued)**

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Cashflow statement**

No cashflow statement has been prepared for the company as it is itself a wholly owned subsidiary. A group consolidated cashflow statement is included in the accounts of the ultimate parent undertaking, McCarthy & Stone Group Limited.

**2 Tax on profit on ordinary activities**

**a) Analysis of tax charge for the period**

	2008 £	2007 £
Current tax on income for the period	(52,032)	(6,505)
Prior year tax adjustment	(6,505)	-
Tax charge per accounts	<u>(58,537)</u>	<u>(6,505)</u>

**b) Factors affecting tax charge for the period**

The differences between the total current tax shown above and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

(Loss)/ profit on ordinary activities before tax	<u>(5,583,205)</u>	<u>21,683</u>
Tax on ordinary activities at standard UK corporation tax rate of 29% (2007: 30%)	1,628,282	(6,505)
Effects of:		
Expenses not deductible for tax purposes	(1,680,314)	-
Adjustments to tax charge in respect of previous periods	(6,505)	-
Current tax charge for the period	<u>(58,537)</u>	<u>(6,505)</u>

**McCarthy & Stone (Home Equity Interests) Limited**  
**Notes to the Accounts**  
**at 31 August 2008**

<b>3 Debtors: amounts falling due after more than one year</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Shared equity	<u>7,379,719</u>	<u>4,705,540</u>
Due to a significant downturn in market conditions the value of debtors has been impaired and a proportion written off as an exceptional cost in the Profit and Loss Account.		
<b>4 Debtors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Amounts owed by fellow group undertakings	<u>920,627</u>	<u>21,684</u>
<b>5 Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Amounts owed to fellow group undertakings	<u>13,926,909</u>	<u>4,712,045</u>
<b>6 Share capital</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Authorised: Ordinary shares of £1	<u>1</u>	<u>1</u>
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Allotted, called up and fully paid: Ordinary shares of £1 each	<u>1</u>	<u>1</u>
<b>7 Movement in share capital</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
At 1 September	1	-
Share issued	-	1
At 31 August	<u>1</u>	<u>1</u>
<b>8 Profit and loss account</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
At 1 September	15,178	-
(Loss)/profit for the financial year	(5,641,742)	15,178
At 31 August	<u>(5,626,564)</u>	<u>15,178</u>
<b>9 Reconciliation of movements in shareholders' funds</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
At 1 September	15,179	-
Share issued	-	1
(Loss)/profit for the financial year	(5,641,742)	15,178
At 31 August	<u>(5,626,563)</u>	<u>15,179</u>

**McCarthy & Stone (Home Equity Interests) Limited**  
**Notes to the Accounts**  
**at 31 August 2008**

**10 Ultimate parent undertaking and controlling party**

At 31 August 2008, the company's ultimate parent undertaking was McCarthy & Stone Group Ltd, which is registered in England and Wales. At 31 August 2008, the consolidated accounts of McCarthy & Stone Group Ltd were those of both the smallest and largest group of which the company was a member and for which group accounts were prepared. Copies of the group accounts can be obtained from the Company Secretary, Homelife House, 26-32 Oxford Road, Bournemouth.

As referred to in note 12, on 23 April 2009 the ultimate parent undertaking became McCarthy & Stone Ltd, which is registered in England and Wales.

**11 Related Parties**

The company has taken advantage, as a 100% subsidiary, of the exemption available under FRS 8 para 3(c) from disclosing transactions with members of the McCarthy & Stone Group Ltd group.

**12 Post balance sheet events**

On 23 April 2009 the McCarthy & Stone Group headed by Mother Topco Ltd was placed into administration. On the same day a newly established group headed by McCarthy & Stone Ltd acquired the trade and assets of the main trading entities, being McCarthy & Stone Developments and McCarthy & Stone PLC. As a result of this transaction the ultimate holding company of McCarthy & Stone (Home Equity Interests) Ltd is McCarthy & Stone Ltd. In addition, the immediate parent company has also changed from McCarthy & Stone Developments Ltd to McCarthy and Stone Retirement Lifestyles Ltd. All intercompany balances previously held with the old group have been transferred to the new group as a result of the trade and asset deal. The group has been financed by new banking facilities.