

McCarthy & Stone (Home Equity Interests) Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year to 31 August 2012



Company registration number: 05984851

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DIRECTORS AND ADVISORS

Directors

H P S Phillips	(resigned 31 August 2012)
T L Green	(resigned 23 August 2012)
J Davies	(appointed 23 August 2012)
N W Maddock	(appointed 31 August 2012)
M J Elliott	(appointed 02 November 2012)

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 2012. 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 (Home Equity Interests) Limited. As such, and having considered the current uncertain economic environment the accounts have been prepared on a going concern basis. This Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 419(2) of the Companies Act 2006.

Principal Activity

The Company's business is holding shared equity interests in retirement apartments.

Results and Dividends

The profit on ordinary activities after taxation for this period amounted to £1,228,237 (2011 £1,578,448). No dividend has been proposed or paid in either the current or preceding year.

Directors

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

The directors H P S Phillips and T L Green resigned on 31 August 2012 and 23 August 2012 respectively, with the directors J Davies, N W Maddock and M J Elliott being appointed on 23 August 2012, 31 August 2012 and 02 November 2012 respectively.

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.

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


N W Maddock
Director

McCarthy & Stone (Home Equity Interests) Limited
Homelife House, 26-32 Oxford Road, Bournemouth, BH8 8EZ, United Kingdom

12 December 2012

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 2012 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 judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCCARTHY & STONE (HOME EQUITY INTERESTS) LIMITED

We have audited the financial statements of McCarthy & Stone (Home Equity Interests) Limited for the year ended 31 August 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. 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 2012 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 (HOME EQUITY INTERESTS) LIMITED (CONTINUED)

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
- 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
12 December 2012

PROFIT AND LOSS ACCOUNT

For the year ended 31 August 2012

	<i>Notes</i>	2012 £	2011 £
Administrative expenses		(1,200)	(1,200)
Other operating income		1,516,955	1,504,004
Operating Profit	2	1,515,755	1,502,804
Net interest (payable)/receivable	3	(223,857)	141,636
Profit on Ordinary Activities before Taxation		1,291,898	1,644,440
Taxation charge	4	(63,661)	(65,992)
Profit for the Financial Period	8	1,228,237	1,578,448

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 13 form part of these financial statements

BALANCE SHEET

As at 31 August 2012

	Notes	2012 £	2011 £
Current Assets			
Debtors amounts due after one year	5	8,883,078	8,561,684
		8,883,078,	561,684
Creditors amounts falling due within one year	6	(3,191,903)	(4,098,746)
Net Assets		5,691,175	4,462,938
Capital and Reserves			
Called up share capital	7	8,200,001	8,200,001
Profit and loss account	8	(2,508,826)	(3,737,063)
Shareholders' Funds		5,691,175,	462,938

Company registration number 05984851

Approved by the Board and authorised for issue on 12 December 2012

Signed on its behalf by



N W Maddock
Director

The notes on pages 10 to 13 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 current and prior year.

Basis of accounting

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

Going concern

McCarthy & Stone (Home Equity Interests) Limited was formed to hold shared equity interests in flats. McCarthy & Stone (Home Equity Interests) 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 (Home Equity Interests) Limited. The Directors are in receipt of a letter of support from McCarthy & Stone Limited. The Directors are satisfied despite the current uncertain economic climate that the facilities and operations of the Group are sufficient to provide the assurances held within this letter. Thus, the accounts have been prepared on the going concern basis.

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

Shared equity interests in retirement apartments in property developments arise from incentive schemes. The Company receives a proportion of the proceeds on the subsequent sale of the apartment. 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.

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, and
- 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

Corporation tax (continued)

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 income statement.

Other income

The company attracts a risk of ownership premium payable by other McCarthy & Stone Group companies, in recognition of 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 UK incorporated subsidiary. A Group consolidated Cash Flow Statement is included in the accounts of McCarthy & Stone Limited.

2. Operating profit

a. Employees

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

b. Auditors' remuneration

Auditors' remuneration of £2,000 (2011: £1,935) is borne by a fellow Group company.

c. 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 (2011: £nil).

3. Net interest (payable)/receivable

	Notes	2012 £	2011 £
Interest payable to fellow group undertakings		(1,016,741)	(1,077,061)
Interest payable		(1,016,741)	(1,077,061)
Unwind of discount on long-term receivable		792,884	1,218,697
Net interest (payable)/receivable		(223,857)	141,636

NOTES TO THE FINANCIAL STATEMENTS

4. Taxation on profit on ordinary activities

a. Analysis of tax charge for the period

	2012 £	2011 £
Current tax UK corporation tax on profits for the period	63,661	65,992
Tax on profit on ordinary activities	63,661	65,992

b. Factors affecting tax charge for the current period

	2012 £	2011 £
Profit on ordinary activities before tax	1,291,898	1,644,440
Anticipated tax charge based on profit before tax at 25 16%, (2011 27 16%)	325,091	446,658
<i>Effects of</i> Income not taxable	(261,430)	(380,666)
Current tax charge for the period	63,661	65,992

The UK corporation tax rate decreased from 26% to 24% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 and are expected to be enacted separately each year

5. Debtors: amounts falling due after one year

	2012 £	2011 £
Shared equity receivables	8,883,078	8,561,684
	8,883,078	8,561,684

6. Creditors: amounts falling due within one year

	2012 £	2011 £
Amount owed to group undertakings	3,131,431	4,038,274
Other creditors	60,472	60,472
	3,191,903	4,098,746

NOTES TO THE FINANCIAL STATEMENTS

7. Share capital

	Authorised No.	Authorised £	Allotted, called up & fully paid No.	Allotted, called up & fully paid £
Equity share capital				
Ordinary shares of £1 each	8,301,000	8,301,000	8,200,001	8,200,001

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

	Called up share capital £ 2012	Profit and loss account £ 2012	Total £ 2012	Total £ 2011
As at 1 September	8,200,001	(3,737,063)	4,462,938	2,884,490
Profit for the financial year	-	1,228,237	1,228,237	1,578,448
As at 31 August	8,200,001	(2,508,826)	5,691,175	4,462,938

9. 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

10. 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