

McCarthy & Stone (Home Equity Interests) Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year to 31 August 2009



Company registration number: 05984851

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DIRECTORS AND ADVISORS

Directors

T L Green

H P S Phillips

(appointed 22 April 2009)

Registered Office

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

Independent Auditors

Deloitte LLP
Chartered Accountants
Crawley
RH10 1DL

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 2009, prepared on a going concern basis (refer note 1). 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 holding shared equity interests in flats.

Results and Dividends

The profit on ordinary activities after taxation for this period amounted to £55,892 (2008: £5,641,742 loss). No dividend has been proposed or paid.

Issue of Share Capital

The Directors resolved to release a portion of debt through the capitalisation of the inter company creditor with McCarthy & Stone Retirement Lifestyles Limited held at 23 April 2009. As a result, 8,200,000 £1 shares were issued to McCarthy & Stone Retirement Lifestyles Limited in exchange for the release of £8,200,000 of inter company debt.

Directors

A list of the present Directors of the Company is reported on page 3. Those Directors who served and resigned during the period are shown below.

Monarch Realisations 12 Limited (formerly McCarthy & Stone (Group Services) Limited)
(resigned 24 April 2009)

Monarch Realisations 11 Limited (formerly McCarthy & Stone Corporate Services Limited)
(resigned 24 April 2009)

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

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

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) 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.

On 1 December 2008 Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors.

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



T L Green
Secretary

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 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; 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 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 McCarthy & Stone 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 (HOME EQUITY INTERESTS) LIMITED

We have audited the financial statements of McCarthy & Stone (Home Equity Interests) Limited for the year ended 31 August 2009 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 sections 495 and 496 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 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.

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 2009 and of its profit for the period 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

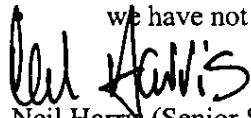
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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.



Neil Harris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Crawley, United Kingdom
22 December 2009

PROFIT AND LOSS ACCOUNT

For the year ended 31 August 2009

	<i>Notes</i>	2009	2008
		£	£
Exceptional impairment of shared equity debtors		-	(2,616,378)
Other administrative expenses		(187,000)	(3,146,413)
Total administrative expenses		(187,000)	(5,762,791)
Other operating income		1,348,217	897,931
Operating Profit/(Loss)		1,161,217	(4,864,860)
Interest payable to fellow group undertakings		(1,078,530)	(718,345)
Profit/(Loss) on Ordinary Activities before Taxation		82,687	(5,583,205)
Taxation charge	3	(26,795)	(58,537)
Profit/(Loss) for the Financial Period		55,892	(5,641,742)

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.

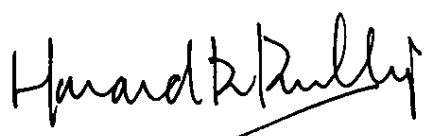
BALANCE SHEET

As at 31 August 2009

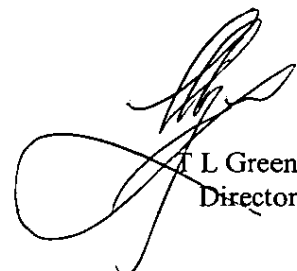
	Notes	2009 £	2008 £
Current Assets			
Debtors: amounts due within one year	4	-	920,627
Debtors: amounts due after one year	5	7,656,299	7,379,719
		7,656,299	8,300,346
Creditors: amounts falling due within one year	6	(5,026,970)	(13,926,909)
Net Assets/ (Liabilities)		2,629,329	(5,626,563)
Capital and Reserves			
Called up share capital	7	8,200,001	1
Profit and loss account	8	(5,570,672)	(5,626,564)
Shareholders' Funds/ (Deficit)		2,629,329	(5,626,563)

Company registration number: 05984851

Approved by the Board
and authorised for issue on 21 December 2009
Signed on its behalf by:



H P S Phillips
Director



J L Green
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, modified by the revaluation of certain investment properties, and in accordance with applicable United Kingdom accounting standards.

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 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.

The accounts have been prepared on the going concern basis. For further details please refer to the Directors Report.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

- 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.

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.

Cash flow statement

No cash flow 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 McCarthy & Stone Limited.

2. Operating income

a. Employees

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

b. Auditors' remuneration

Auditors' remuneration of £1,000 (2008: £1,000) is borne by a fellow group company.

c. Directors' remuneration

There was no Directors' remuneration during the period.

3. Taxation on profit on ordinary activities

a. Analysis of tax charge for the period

	2009 £	2008 £
Current tax: UK corporation tax on profits for the period	26,795	52,032
Adjustment in respect of previous periods	-	6,505
Tax on profit on ordinary activities	26,795	58,537

NOTES TO THE FINANCIAL STATEMENTS

3. Taxation on profit on ordinary activities (continued)

b. Factors affecting tax charge for the current period

	2009 £	2008 £
Profit/(Loss) on ordinary activities before tax	82,687	(5,583,205)
Anticipated tax profit based on profit before tax at 28.0% (29.0%)	23,152	(1,628,282)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	52,080	1,680,314
Utilisation of tax losses	(48,437)	-
Adjustment in respect of previous periods	-	6,505
Current tax charge for the period	26,795	58,537

4. Debtors: amounts falling due within one year

	2009 £	2008 £
Amounts owed by subsidiary undertakings	-	920,627
	-	920,627

5. Debtors: amounts falling due after one year

	2009 £	2008 £
Shared equity receivables	7,656,299	7,379,719
	7,656,299	7,379,719

6. Creditors: amounts falling due within one year

	2009 £	2008 £
Amount owed to subsidiary undertakings	4,966,498	13,926,909
External Creditors	60,472	-
	5,026,970	13,926,909

NOTES TO THE FINANCIAL STATEMENTS

7. 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	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 £	Profit and loss account £	Total £
At 1 September 2008	1	(5,626,564)	(5,626,563)
Shares issued (capitalisation of amount owed to subsidiary undertakings)	8,200,000	-	8,200,000
Profit for the financial year	-	55,892	55,892
As at 31 August 2009	8,200,001	(5,570,672)	2,629,329

Due to the long term nature of the investment in McCarthy & Stone (Home Equity Interests) Limited by McCarthy & Stone Retirement Lifestyles Limited, the Directors resolved to release a portion of debt through the capitalisation of the inter company creditor with McCarthy & Stone Retirement Lifestyles Limited held at 23 April 2009. Interest is no longer charged on the balance.

9. Related parties

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

10. Ultimate parent undertaking and controlling party

On 24 April 2009, the Company was acquired by McCarthy & Stone Retirement Lifestyles Limited (formerly Hackremco (no. 2581) Limited). Mandarin 1 Limited is considered to be the Company's ultimate controlling party, which is registered in England and Wales.