

McCarthy & Stone (Home Equity Interests) Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year to 31 August 2010



Company registration number: 05984851

McCarthy & Stone (Home Equity Interests) Limited

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DIRECTORS AND ADVISORS

Directors

T L Green
H P S Phillips

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 2010, 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 retirement apartments

Results and Dividends

The profit on ordinary activities after taxation for this period amounted to £255,161 (2009 £55,892) 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

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 (Home Equity Interests) Limited
Homelife House
26-32 Oxford Road
Bournemouth BH8 8EZ
United Kingdom
21 December 2010

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 2010 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,
- state whether applicable UK Accounting Standards have been followed, 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.

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 (HOME EQUITY INTERESTS) LIMITED

We have audited the financial statements of McCarthy & Stone (Home Equity Interests) Limited for the year ended 31 August 2010 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 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 2010 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

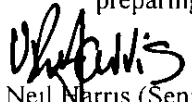
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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
21 December 2010

PROFIT AND LOSS ACCOUNT

For the year ended 31 August 2010

	<i>Notes</i>	2010 £	2009 £
Administrative expenses		(1,175)	(187,000)
Other operating income		1,419,026	1,348,217
Operating Profit		1,417,851	1,161,217
Interest payable to fellow group undertakings		(1,086,934)	(1,078,530)
Profit on Ordinary Activities before Taxation		330,917	82,687
Taxation charge	3	(75,756)	(26,795)
Profit for the Financial Period		255,161	55,892

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

McCarthy & Stone (Home Equity Interests) Limited

BALANCE SHEET


As at 31 August 2010

	<i>Notes</i>	2010 £	2009 £
Current Assets			
Debtors amounts due after one year	4	7,578,988	7,656,299
		7,578,988	7,656,299
Creditors: amounts falling due within one year	5	(4,694,498)	(5,026,970)
Net Assets		2,884,490	2,629,329
Capital and Reserves			
Called up share capital	6	8,200,001	8,200,001
Profit and loss account	7	(5,315,511)	(5,570,672)
Shareholders' Funds		2,884,490	2,629,329

Company registration number: 05984851

Approved by the Board and authorised for issue on 21 December 2010

Signed on its behalf by


H P S Phillips
Director


T 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, 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. Accordingly, 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.

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

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 £1,750 (2009 £1,500) 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

3. Taxation on profit on ordinary activities

a. Analysis of tax charge for the period

	2010 £	2009 £
Current tax UK corporation tax on profits for the period	75,756	26,795
Tax on profit on ordinary activities	75,756	26,795

NOTES TO THE FINANCIAL STATEMENTS

3. Taxation on profit on ordinary activities (continued)

b. Factors affecting tax charge for the current period

	2010 £	2009 £
Profit on ordinary activities before tax	330,917	82,687
Anticipated tax profit based on profit before tax at 28 0% (2009 28 0%)	92,657	23,152
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	52,080
Income not taxable	(16,901)	(48,437)
Current tax charge for the period	75,756	26,795

4. Debtors: amounts falling due after one year

	2010 £	2009 £
Shared equity receivables	7,578,988	7,656,299
	7,578,988	7,656,299

5. Creditors: amounts falling due within one year

	2010 £	2009 £
Amount owed to subsidiary undertakings	4,634,026	4,966,498
Other creditors	60,472	60,472
	4,694,498	5,026,970

NOTES TO THE FINANCIAL STATEMENTS

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	8,301,000	8,301,000	8,200,001	8,200,001

7. 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	8,200,000	-	8,200,000
(capitalisation of amount owed to subsidiary undertakings)			
Profit for the financial year	-	55,892	55,892
As at 31 August 2009	8,200,001	(5,570,672)	2,629,329
Profit for the financial year	-	255,161	255,161
As at 31 August 2010	8,200,001	(5,315,511)	2,884,490

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 controlling party