

Peverel Property Investments Limited

Report and Financial Statements

31 December 2004



Peverel Property Investments Limited

Registered No. 2891085

DIRECTORS

N G Bannister
K C Rutherford
SFM Directors Limited

SECRETARY

R D F Bagley BA FSA (Scot) MIRPM

AUDITORS

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

BANKERS

Barclays Bank PLC
PO Box 378
71 Grey Street
Newcastle-Upon-Tyne
Tyne & Wear
NE99 1JP

SOLICITORS

Nabarro Nathanson
84 Theobald's Road
London
WC1X 8RW

REGISTERED OFFICE

Queensway House
11 Queensway
New Milton
Hampshire
BH25 5NR

Peveler Property Investments Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2004.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £717,732 (2003: £471,858). The directors recommend payment of a final ordinary dividend amounting to £717,732 for the year (2003: £471,858).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be that of an investment company. The directors consider the affairs of the business to be satisfactory and look forward to the year ahead with confidence.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

N G Bannister
K C Rutherford
SFM Directors Limited

No director had an interest in the ordinary share capital of the company or the ultimate parent undertaking, Holiday Retirement Corporation. The interest of N G Bannister in the share capital of Holiday Retirement UK Limited is disclosed in that company's financial statements.

The directors are not liable to retire by rotation.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



R D F Bagley
Secretary
04 April 2005

Peverel Property Investments Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those 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;
- 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEVEREL PROPERTY INVESTMENTS LIMITED

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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.

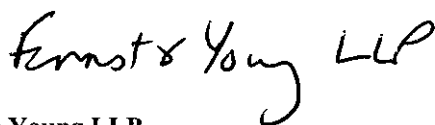
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Southampton
04 April 2005

Peverel Property Investments Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

	<i>Notes</i>	<i>2004</i> £	<i>2003</i> £
TURNOVER	2	894,523	889,272
Cost of sales		(267)	(270)
OPERATING PROFIT	3	894,256	889,002
Profit on disposal of fixed asset investments		365,036	44,448
Interest payable and similar charges	4	(263,506)	(263,506)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		995,786	669,944
Tax on profit on ordinary activities	5	(278,054)	(198,086)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		717,732	471,858
Dividends	6	(717,732)	(471,858)
RETAINED PROFIT FOR THE YEAR	13	-	-

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial years stated above, and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2004

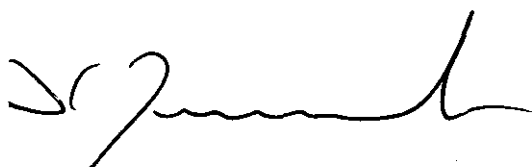
There are no recognised gains or losses other than the profit attributable to shareholders for the year ended 31 December 2004 of £717,732 (2003: £471,858).

Peverel Property Investments Limited

BALANCE SHEET at 31 December 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Investments	7	13,007,171	13,007,171
CURRENT ASSETS			
Debtors	8	1,381,548	1,058,194
CREDITORS: amounts falling due within one year	9	1,381,548 (1,122,831)	1,058,194 (799,477)
NET CURRENT ASSETS		258,717	258,717
TOTAL ASSETS LESS CURRENT LIABILITIES		13,265,888	13,265,888
CREDITORS: amounts falling due after more than one year	10	(3,513,363)	(3,513,363)
		9,752,525	9,752,525
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Revaluation reserve	13	9,493,708	9,493,708
Profit and loss account	13	258,717	258,717
SHAREHOLDERS' FUNDS - equity interests		9,752,525	9,752,525

These financial statements were approved by the board of directors on 04 April 2005 and were signed on its behalf by:



N G Bannister
Chief Executive

Peverel Property Investments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention as modified to include the revaluation of freehold and leasehold reversions and in accordance with applicable accounting standards and with the requirements of the Companies Act 1985, except as explained below.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) which the company has adopted in these financial statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related parties

Advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Holiday Retirement UK Limited or other group undertakings as the consolidated financial statements of the Holiday Retirement UK Limited group in which the company is included are publicly available.

Freehold and leasehold investment properties

In accordance with Statement of Standard Accounting Practice No.19 (as amended):

- Investment properties are revalued annually. Surpluses and deficits arising are taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year; and
- No depreciation or amortisation is provided in respect of leasehold investment properties with over 20 years to run.

This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is, therefore, necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

Deferred tax

Deferred tax is recognised in respect of 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, and gains on disposal 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 timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Peverel Property Investments Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2004

2. TURNOVER

Turnover represents the amounts derived from ground rent and transfer fees from freehold and leasehold reversionary interests, stated net of value added tax, and is entirely attributable to continuing operations generated in the UK.

3. OPERATING PROFIT

The auditors are remunerated by a fellow subsidiary undertaking, Peverel Limited. The total audit fee for the UK group, of which Peverel Property Investments Limited is a member, amounted to £87,500 (2003: £72,500).

The directors were paid by a fellow subsidiary undertaking, Peverel Limited, of which they are also directors, except for SFM Directors Limited, who are contracted under a Directors Services agreement between Structured Finance Management Limited and Peverel Limited. The fees to Structured Finance Management Limited are paid by Peverel Properties Limited in respect of services provided to a number of group companies and amounted to £15,276 (2003: £15,276).

The directors' remuneration for the UK group amounted to £474,318 (2003: £500,288). The directors are unable to quantify the allocation of these amounts between individual companies within the group.

There were no staff employed during the year or the previous year.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
On loans from fellow subsidiary undertakings:		
Repayable after more than one year	263,506	263,506
	<u>263,506</u>	<u>263,506</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004	2003
	£	£
<i>Current tax</i>		
UK Corporation tax	278,054	-
Group relief payable	-	198,086
Total current tax	<u>278,054</u>	<u>198,086</u>

Peverel Property Investments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2004

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before tax	995,786	669,944
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 30% (2003: 30%)	298,736	200,983
Indexation on capital gains	(3,813)	(390)
Accounting profit on chargeable assets	(16,869)	(2,507)
Current tax charge	278,054	198,086

The tax charge is prepared on the assumption that available group relief is paid for in full. The tax charge includes £88,829 (2003: £10,437) in respect of the profit realised on disposal of fixed asset investments.

6. DIVIDENDS

	2004 £	2003 £
Ordinary - final proposed	717,732	471,858

7. FIXED ASSET INVESTMENTS

	<i>Freehold and Leasehold Reversions £</i>
Valuation: At 1 January 2004 and 31 December 2004	13,007,171

The company's freehold and leasehold developments have been revalued by the directors at open market value (based upon a multiple of relevant income streams) in accordance with external professional advice.

The historical cost of investment properties included at valuation is as follows:

	£
At 31 December 2003 and 31 December 2004	3,513,463

The company's fixed asset investments have been secured in favour of a fellow subsidiary undertaking as disclosed in note 14.

Peverel Property Investments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2004

8. DEBTORS

	2004	2003
	£	£
Trade debtors	39,052	40,802
Amounts due from fellow subsidiary undertaking	1,342,400	1,017,389
Prepayments and accrued income	96	3
	<u>1,381,548</u>	<u>1,058,194</u>

9. CREDITORS: amounts falling due within one year

	2004	2003
	£	£
Group relief payable	-	198,086
Current corporation tax	277,979	-
Dividends payable	717,732	471,858
Accruals and deferred income	127,120	129,533
	<u>1,122,831</u>	<u>799,477</u>

10. CREDITORS: amounts falling due after more than one year

	2004	2003
	£	£
Amounts due to fellow subsidiary undertakings	3,513,363	3,513,363
	<u>3,513,363</u>	<u>3,513,363</u>

Interest is payable at the rate of 7.5% p.a. and the loan is repayable on demand at least one year from the balance sheet date.

11. DEFERRED TAX

In accordance with the stated accounting policy, no deferred tax is provided on the revaluation of properties where there is no intention of disposal.

The potential deferred tax upon such properties, which has not been provided in these financial statements amounts to £2,848,112.

12. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2004	2003	2004	2003
	No.	No.	£	£
Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Peverel Property Investments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2004

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i> £	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £	<i>Total share- holders' funds</i> £
At 1 January 2003	100	9,493,708	258,717	9,752,525
Profit for the year	-	-	471,858	471,858
Dividends	-	-	(471,858)	(471,858)
At 31 December 2003	100	9,493,708	258,717	9,752,525
Profit for the year	-	-	717,732	717,732
Dividends	-	-	(717,732)	(717,732)
At 31 December 2004	100	9,493,708	258,717	9,752,525

14. CONTINGENT LIABILITIES

Under a Deed of Charge, along with a number of other fellow subsidiary undertakings of Holiday Retirement UK Limited, the company has unconditionally and irrevocably guaranteed the due and punctual payment of all sums due by Peverel Funding Limited, a fellow subsidiary undertaking, associated with the £103,000,000 Secured Notes issued by that company.

Furthermore, this guarantee is supported by a fixed charge in favour of the Note Trustee, granted over all the company's Fixed Asset Investments (see Note 7), both present and future.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking and controlling party is Holiday Retirement Corporation, a company registered in Oregon USA. Holiday Retirement UK Limited is the smallest and largest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff.