

**The Home & Capital Trust Group  
Limited**

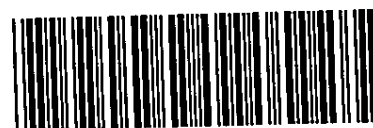
**Report and Financial Statements**

**Year Ended**

**30 April 2010**

**Company number 05067884**

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# **The Home & Capital Trust Group Limited**

## **Annual report and financial statements for the year ended 30 April 2010**

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### **Directors**

G C W Marshall  
R A Pearce Gould  
S Little  
S A Burgess  
P Barber  
P Couch  
G Sidwell

### **Secretary and registered office**

M Windle  
Citygate  
St James Boulevard  
Newcastle Upon Tyne  
NE1 4JE

### **Company number**

05067884 (England & Wales)

### **Auditors**

BDO LLP  
Prospect Place  
85 Great North Road  
Hatfield  
Hertfordshire  
AL9 5BS

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## **The Home & Capital Trust Group Limited**

### **Report of the directors for the year ended 30 April 2010**

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The directors present their report together with the audited financial statements for the year ended 30 April 2010

#### **Principal activities, review of the business and results**

The company provides management services to group companies

The directors are satisfied with the functions that the business performs within the group structure

The company's results are set out on page 6

#### **Post Balance Sheet events**

##### **Change of Ownership**

On 9 August 2010 the company's parent Sovereign Reversions Limited (formerly Sovereign Reversions plc) was acquired by Grainger Equity Release Ltd ("GERL"), a wholly owned subsidiary of Grainger plc. Grainger plc is the UK's largest listed specialist residential landlord, and whose business includes a large retirement solutions business.

On 23 August 2010 Grainger announced that it intended to form a 50/50 joint venture for Sovereign Reversions between Moorfield Real Estate Fund II Limited ("Moorfield"), and GERL, subject to obtaining the necessary regulatory approvals. The joint venture agreement completed on 13 October 2010. Full details of the joint venture are provided in the financial statements of Sovereign Reversions Limited.

Following the change of ownership, representative directors from GERL and Moorfield have been appointed to the board of The Home & Capital Trust Group Limited.

##### **Financing**

In July 2010, Sovereign Reversions Limited agreed refinancing terms for the Sovereign Group with Allied Irish Banks plc (AIB) for a £15m loan for a two year term. Proceeds on the sale of assets secured to AIB are to be split whereby 60% of the proceeds of individual sales will be applied as loan repayments. The loan was to be reduced by a minimum of £1.0m in year one and £1.25m in year two.

However, on the change of control in August 2010, both of the Group's principal bankers invoked a change of control clause in their loan agreements, with the parent company being obliged to repay its loans by 31 October 2010. Extensions have been subsequently granted to 31 January 2011. Indicative alternative financing arrangements have been established for a five year term expiring in October 2015. Reversionary assets will be provided as security against this facility and the legal work required for this to take place is currently being completed. Should this refinancing not be achieved the joint venture partners have agreed to provide funding sufficient for the business to continue trading for at least 12 months from the approval of these financial statements.

##### **Investments**

Following the post year-end acquisition by GERL in August 2010 and the subsequent sale of 50% to Moorfield in October 2010, the provision of advisory services within the group has been reviewed by the board. This review is currently underway and dependent on the outcome of this review, the investment of £1.4m in Home & Capital Trust Limited may be fully impaired at the next balance sheet date. At the date of approval of these financial statements the Directors consider the most likely outcome to be an impairment of up to the full carrying value. The investment balance was assessed at the year ended 30 April 2010, based on the best estimate by management of future performance and the financing in place by completing a value in use calculation and no impairment was identified.

## **The Home & Capital Trust Group Limited**

### **Report of the directors for the year ended 30 April 2010 (continued)**

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#### **Change of Accounting Reference Date**

The accounting reference date has been changed to 30 September to bring into line with Grainger plc. The next financial statements will be prepared to the period ending 30 September 2011

#### **Going Concern**

The directors have reviewed the cash flow projections for the company and the group and have considered the financial resources available including bank finance. Due to the uncertainty noted above in relation to the timing of the refinancing the joint venture partners have agreed to provide financial support as necessary for a period of no less than one year from the approval of the financial statements and accordingly the directors have an expectation that the company and the group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

#### **Dividends**

The company did not pay a dividend during the year (2009 nil)

#### **Directors**

The directors who have held office during the year were -

G C W Marshall  
R A Pearce Gould  
N T Hare-Scott (resigned 18 November 2010)  
S Little  
S A Burgess  
P Barber (appointed 18 November 2010)  
P Couch (appointed 18 November 2010)  
G Sidwell (appointed 25 November 2010)

#### **Charitable and political contributions**

No charitable or political contributions were made during the year

#### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 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, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

## **The Home & Capital Trust Group Limited**

### **Report of the directors for the year ended 30 April 2010 (continued)**

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#### **Directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that show and explain the company's transactions, 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

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware

In preparing this directors' report advantage has been taken of the small companies' exemption

#### **On behalf of the Board**



**S Burgess**  
**Director**

Date 21 January 2011

## **The Home & Capital Trust Group Limited**

### **Report of the independent auditors**

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#### **Independent auditors' report to the members of Home & Capital Trust Group Limited**

We have audited the financial statements of The Home & Capital Trust Group Limited for the year ended 30 April 2010 which comprise the profit and loss account, the balance sheet, and the related notes. 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 auditor's 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 statement of directors' responsibilities, 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 30 April 2010 and of its loss 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.

**The Home & Capital Trust Group Limited**

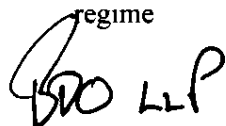
**Report of the independent auditors (*Continued*)**

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**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 explanation we require for our audit, or
- the directors were not entitled to prepare the directors' report in accordance with the small companies' regime

A handwritten signature in black ink, appearing to read 'BDO LLP', is written over the word 'regime' in the list above.

Richard Kelly  
- Senior Statutory Auditor  
For and on behalf of BDO LLP, statutory auditor  
Hatfield, Herts  
United Kingdom  
Date 21 January 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC 305127)

**The Home & Capital Trust Group Limited**

**Profit and loss account for the year ended 30 April 2010**

	Notes	2010 £000	2009 £000
<b>Turnover</b>	2	<b>1,296</b>	2,223
Administrative expenses		<b>(1,299)</b>	(2,245)
<b>Operating loss</b>	5	<b>(3)</b>	(22)
Interest receivable		-	6
<b>Loss on ordinary activities before taxation</b>		<b>(3)</b>	(16)
Taxation credit	6	-	1
<b>Loss on ordinary activities after taxation</b>		<b>(3)</b>	(15)

All amounts relate to continuing activities

The company has no recognised gains in the current or prior year other than the loss for the year

There are no movements in shareholder's funds in the current and prior year apart from the loss for the year


The notes on pages 8 to 13 form part of these financial statements



**The Home & Capital Trust Group Limited***Company number: 05067884***Balance sheet at 30 April 2010**

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	7	107	51
Investments	8	1,682	1,672
Intangible assets	9	39	48
		<u>1,828</u>	<u>1,771</u>
<b>Current assets</b>			
Debtors	10	765	2,986
Cash at bank and in hand		38	40
		<u>803</u>	<u>3,026</u>
<b>Creditors: amounts falling due within one year</b>	11	(171)	(2,334)
<b>Net current assets</b>		<u>632</u>	<u>692</u>
<b>Net assets</b>		<u>2,460</u>	<u>2,463</u>
<b>Capital and reserves</b>			
Called up share capital	12	7	7
Share premium account	13	2,477	2,477
Profit and loss account	13	(24)	(21)
<b>Shareholder's funds</b>		<u>2,460</u>	<u>2,463</u>

The financial statements were approved by the Board and authorised for issue on 21 January 2011

  
S A Burgess  
Director

The notes on pages 8 to 13 form part of these financial statements

## The Home & Capital Trust Group Limited

### Notes forming part of the financial statements for the year ended 30 April 2010

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#### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

##### *Cash flow statement*

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

##### *Turnover*

Turnover represents the value of group expenses recorded in the company invoiced to other group companies as management fees and are accounted for on an accruals basis based on services provided.

##### *Tangible assets*

Items of plant and equipment are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates -

Plant and equipment      17 to 33% per annum straight line

##### *Intangible assets*

Intangible assets of the company represent goodwill arising on acquisition, and is amortised over the estimated useful life. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full year following acquisition, and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### *Investments*

The investments of the company are stated at the net holding cost of acquiring subsidiaries net of any permanent impairment in value.

##### *Group Accounts*

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirements to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Sovereign Reversions Limited (formerly Sovereign Reversions plc), a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

##### *Impairment of fixed assets*

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and the value in use.

# The Home & Capital Trust Group Limited

## Notes forming part of the financial statements for the year ended 30 April 2010 (Continued)

### 1 Accounting policies (continued)

#### *Pension costs*

Contributions to the Company's defined contribution stakeholder pension scheme are charged to the profit and loss account in the year in which they become payable. In addition the Company also makes contributions to individual's personal pension schemes. The assets of all schemes are held separately in independently administered funds.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are accounted for on a non-discounted basis.

### 2 Turnover

Turnover is wholly attributable to the company's principal activity and arises solely within the United Kingdom.

### 3 Employees and directors

Staff costs (including directors) consist of	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	615	1,083
Social security costs	74	103
Other pension costs	34	52
	<u>723</u>	<u>1,238</u>
Average number of employees was as follows		
Administration	<u>22</u>	<u>24</u>

# The Home & Capital Trust Group Limited

## Notes forming part of the financial statements for the year ended 30 April 2010 (Continued)

<b>4 Directors' remuneration</b>	<b>2010 £000</b>	<b>2009 £000</b>
Directors' remuneration	253	574
Contributions to pension schemes	26	52
	<u>279</u>	<u>626</u>

During the year there was no directors (2009 1) who were in the Company Stakeholder Pension Scheme

All employees and Directors are employed by the company. The total amount payable to the highest paid director in respect of emoluments was £87,425 (2009 £205,000). Company pension contributions of £18,300 (2009 £24,000) were made to a money purchase scheme on their behalf.

<b>5 Operating loss</b>	<b>2010 £000</b>	<b>2009 £000</b>
This is arrived at after charging		
Depreciation	35	40
Amortisation	9	13
	<u>          </u>	<u>          </u>

Auditors' remuneration for both the current and prior year was incurred in a fellow subsidiary company.

<b>6 Taxation</b>	<b>2010 £000</b>	<b>2009 £000</b>
UK corporation tax		
Taxation on losses on ordinary activities	-	(1)
	<u>          </u>	<u>          </u>
The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows		
	<b>2010 £000</b>	<b>2009 £000</b>
Loss on ordinary activities before tax	(3)	(16)
	<u>          </u>	<u>          </u>
Loss at 28.0% (2009 – 28.0%)	(1)	(4)
Expenses not deductible for tax purposes	11	3
Group relief claimed	(10)	-
	<u>          </u>	<u>          </u>
Current tax credit	-	(1)
	<u>          </u>	<u>          </u>

# The Home & Capital Trust Group Limited

Notes forming part of the financial statements for the year ended 30 April 2010 (*Continued*)

<b>7 Tangible Fixed Assets</b>	<b>Plant &amp; equipment £000</b>
<b>Cost</b>	
At 1 May 2009	384
Additions	91
At 30 April 2010	<u>475</u>
<b>Depreciation</b>	
At 1 May 2009	333
Charge for year	35
At 30 April 2010	<u>368</u>
<b>Net book value at 30 April 2010</b>	<u><u>107</u></u>
Net book value at 30 April 2009	<u><u>51</u></u>

<b>8 Fixed Asset Investments</b>	<b>Shares in group undertakings £000</b>
<b>Cost</b>	
At 1 May 2009	1,672
Additions	10
<b>As at 30 April 2010</b>	<u><u>1,682</u></u>

During the year the Company increased its investment in its subsidiary Home & Capital Advisers Limited through the issue of 10,000 ordinary shares

The Company's subsidiaries, all of which are 100% owned, are

<i>Company Registered in England and Wales</i>	<i>Class of share</i>	<i>Nature of business</i>
<i>Home &amp; Capital Trust Limited</i>	<i>Ordinary</i>	<i>Arranges and manages home reversion plans</i>
<i>Home &amp; Capital Advisers Limited</i>	<i>Ordinary</i>	<i>FSA regulated adviser and arranger of equity release plans</i>
<i>Home &amp; Capital Nominees Limited</i>	<i>Ordinary</i>	<i>Nominee company</i>
<i>Home &amp; Capital Trust Partners Limited</i>	<i>Ordinary</i>	<i>Non trading</i>
<i>Home Equity Limited</i>	<i>Ordinary</i>	<i>Dormant</i>

## The Home & Capital Trust Group Limited

### Notes forming part of the financial statements for the year ended 30 April 2010 (Continued)

#### 9 Intangible assets

	2010 £000
At 1 May 2009	48
Amortisation in the year	(9)
At 30 April 2010	<u>39</u>

During the year to 30 April 2008 the Company purchased the equity release activities of Hinton and Wild (Home Plans) Limited, which is registered in the United Kingdom. As part of the acquisition the company obtained goodwill and the client management database.

Goodwill is being amortised over its useful economic life estimated to be seven years.

#### 10 Debtors

	2010 £000	2009 £000
Amounts due from group companies	710	2,945
Prepayments	54	40
Corporation tax	1	1
	<u>765</u>	<u>2,192</u>

All amounts shown under debtors fall due for payment within one year.

#### 11 Creditors: amounts fall due within one year

	2010 £000	2009 £000
Trade creditors	79	99
Taxation and social security	26	30
Amounts owed to parent company	-	53
Amounts due to other group companies	36	2,026
Accruals and other creditors	30	126
	<u>171</u>	<u>2,334</u>

## The Home & Capital Trust Group Limited

Notes forming part of the financial statements for the year ended 30 April 2010 (*Continued*)

### 12 Share capital

	Allotted, called up and fully paid	
	2010	2009
	£	£
13,800 ordinary shares of 50p each	<u>6,900</u>	<u>6,900</u>

### 13 Reserves

	Share Premium	Profit and loss account
	£000	£000
At 1 May 2009	2,477	(21)
Loss for the year	-	(3)
At 30 April 2010	<u>2,477</u>	<u>(24)</u>

### 14 Ultimate parent company

As at 30 April 2010 the company's ultimate parent company was Sovereign Reversions Limited (formerly Sovereign Reversions plc). Copies of the consolidated financial statements are available from Companies House.

Post year-end on 9 August 2010 Sovereign Reversions Limited and its subsidiaries ("The Sovereign Group") was acquired by Grainger Equity Release Limited, a subsidiary of Grainger plc. On 13 October 2010 Grainger Equity Release Limited disposed of 50% of the Sovereign Group and entered into a joint venture agreement with The Moorfield Real Estate Fund II Limited a subsidiary of Moorfield Group Limited.

### 15 Related Party Transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make certain disclosures concerning related parties.