

Sovereign Retirement Capital Limited

FINANCIAL STATEMENTS

for the period ended

30 April 2005



Company Registration No. 05238890

Sovereign Retirement Capital Limited

DIRECTORS AND OFFICERS

DIRECTORS

RA Pearce Gould
GCW Marshall

SECRETARY

M O Thomas

COMPANY NUMBER

05238890 (England and Wales)

REGISTERED OFFICE

31 Goldington Road
Bedford
MK40 3LH

AUDITORS

Baker Tilly
City Plaza, Temple Row
Birmingham
B2 5AF

Sovereign Retirement Capital Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Sovereign Retirement Capital Limited for the period ended 30 April 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was that of investing in home reversions and similar equity release assets.

REVIEW OF THE BUSINESS

The company was incorporated on 22 September 2004.

During the period the company acquired a portfolio of shared equity loans. Other than this transaction it has not traded during the period under review.

RESULTS AND DIVIDENDS

The directors do not recommend payment of an ordinary dividend.

DIRECTORS

The following directors have held office since 22 September 2004:

Company Directors Limited	(Appointed 22 September 2004 and resigned 22 September 2004)
RA Pearce Gould	(Appointed 22 September 2004)
GCW Marshall	(Appointed 24 January 2005)

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

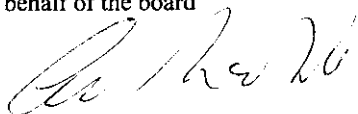
	<i>Ordinary shares of £ 1 each</i>	
	30.4.05	22.9.04
RA Pearce Gould	-	-
GCW Marshall	-	-

The holdings of the directors in the parent company, Sovereign Reversions plc, are disclosed in the accounts of that company.

AUDITORS

Baker Tilly were appointed auditors to the company.

On behalf of the board


GCW Marshall
Director

20/2/06

Sovereign Retirement Capital Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 AUDITOR'S REPORT TO THE MEMBERS OF SOVEREIGN RETIREMENT CAPITAL LIMITED

We have audited the financial statements on pages 5 to 10.

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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

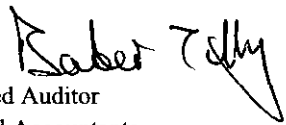
Basis of opinion

We conducted our audit in accordance with 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 the company's affairs as at 30 April 2005 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Chartered Accountants
Birmingham
B2 5AF

21 February 2006

Sovereign Retirement Capital Limited

PROFIT AND LOSS ACCOUNT

for the period ended 30 April 2005

		Period ended 30 April 2005 £
	<i>Notes</i>	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-
Taxation	2	-
PROFIT AFTER TAXATION	7	-

Sovereign Retirement Capital Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period ended 30 April 2005

	Period ended 30 April 2005 £
Unrealised surplus on revaluation of shared equity loans	44,680

Total gains and losses recognised since last financial statements	44,680

Sovereign Retirement Capital Limited

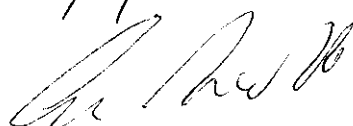
BALANCE SHEET

30 April 2005

	Notes	2005 £
FIXED ASSETS		
Tangible assets	3	2,003,788
CREDITORS: Amounts falling due within one year	4	1,959,008
TOTAL ASSETS LESS CURRENT LIABILITIES		44,780
CAPITAL AND RESERVES		
Called up share capital	5	100
Revaluation reserve	6	44,680
SHAREHOLDERS' FUNDS	7	44,780

Approved by the board on 20/02/06

GCW Marshall



Director

Sovereign Retirement Capital Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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.

TANGIBLE FIXED ASSETS

Shared equity loans are included in the financial statements once an irrevocable purchase contract has been entered into. They are accounted for in accordance with SSAP 19 "Accounting for investment properties", which provides that these should not be subject to periodic depreciation charges (unless held on short lease), but should be shown at open market value. This is contrary to the Companies Act 1985, which states that subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost.

The treatment of these assets under the Companies Act would not, in the opinion of the directors, give a true and fair view as they are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments and changes in the current value which are of prime importance. Consequently for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered by the directors to be appropriate for the company's tangible assets.

No depreciation is provided in respect of tangible assets.

Vacant properties are valued by the directors at the year end and are included in the financial statements on the basis of their net realisable value. This is net of provisions and estimated disposal expenses.

DEFERRED TAXATION

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

Sovereign Retirement Capital Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 April 2005

1. EMPLOYEES

There were no employees during the period apart from the directors

2. TAXATION

2005

£

Current tax charge

-
.....

The company provides for deferred tax on gains arising from revaluation of properties to their market value only where there is a binding agreement to sell the asset. There were no such agreements at 30 April 2005. At 30 April 2005 the amount of deferred tax unprovided on the surplus on revaluation of fixed assets is £8,489.

3. TANGIBLE FIXED ASSETS

	<i>Shared equity loans</i>	<i>Vacant properties</i>	<i>Total</i>
	£	£	£
Cost or valuation			
22 September 2004	-	-	-
Additions	1,853,652	105,456	1,959,108
Revaluation surplus	-	44,680	44,680

30 April 2005	1,853,652	150,136	2,003,788

Shared equity loans, which were acquired in January 2005, were valued by the directors at their acquisition cost.

Vacant properties were valued by the directors on a net realisable value basis as at 30 April 2005.

No depreciation is provided in respect of tangible assets.

4. CREDITORS: Amounts falling due within one year

2005

£

Amounts owed to group undertakings

1,959,008
.....

5. SHARE CAPITAL

2005

£

Authorised:

1,000 Ordinary shares of £1 each

1,000
.....

Allotted, issued and fully paid:

100 Ordinary shares of £1 each

100
.....

On incorporation the company issued one ordinary share of £1 at par. Subsequently, on 22 September 2004 the company issued a further 99 ordinary shares of £1 each at par.

Sovereign Retirement Capital Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 30 April 2005

6. STATEMENT OF MOVEMENT ON RESERVES

	<i>Revaluation reserve</i>	<i>Profit and loss account</i>
	£	£
Revaluation during the period	44,680	-

30 April 2005	44,680	-

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005
	£
Profit for the financial period	-
Other recognised gains and losses	44,680
Proceeds from issue of shares	100

Net addition to shareholders' funds	44,780
Opening shareholders' funds	-

Closing shareholders' funds	44,780

8. CONTROL

The ultimate parent company is Sovereign Reversions plc, a company registered in England and Wales.

9. RELATED PARTY TRANSACTIONS

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