

05238890

Sovereign Retirement Capital Limited

Report and Financial Statements

Year Ended

30 April 2007



BDO Stoy Hayward
Chartered Accountants

Sovereign Retirement Capital Limited

Annual report and financial statements for the year ended 30 April 2007

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Directors

G C W Marshall
R A Pearce Gould

Secretary and registered office

J E Caves
31 Goldington Road
Bedford
MK40 3LH

Company number

05238890 (England & Wales)

Auditors

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

Sovereign Retirement Capital Limited

Report of the directors for the year ended 30 April 2007

The directors present their report together with the audited financial statements for the year ended 30 April 2007

PRINCIPAL ACTIVITIES

The principal activity during the year was that of investing in home reversion and similar equity release assets

REVIEW OF THE BUSINESS

The company's results are set out on page 5

During the year under review the company acquired a portfolio of shared equity loans and some have been redeemed

The company will continue to invest in home reversion and similar equity release assets as and when opportunities arise

DIVIDENDS

The directors do not recommend payment of an ordinary dividend (2006 - £Nil)

DIRECTORS

The following directors have held office since 1 May 2006 -

G C W Marshall
R A Pearce Gould

Sovereign Retirement Capital Limited

Report of the directors for the year ended 30 April 2007 (*Continued*)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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, 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 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

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

Auditors

A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the annual general meeting

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

By order of the Board


J E CAVES
Secretary

Date 5th OCTOBER 2007

Sovereign Retirement Capital Limited

Report of the independent auditors

Independent Auditors' Report To The Shareholders Of Sovereign Retirement Capital Limited

We have audited the company financial statements (the "financial statements") of Sovereign Retirement Capital Limited for the year ended 30 April 2007, which comprise the Profit and Loss Account, the Statement of Total Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Sovereign Retirement Capital Limited

Report of the independent auditors (*Continued*)

Basis of audit opinion

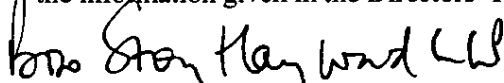
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

Hatfield

Date 19th November 2007

Sovereign Retirement Capital Limited**Results for the year ended 30 April 2007****PROFIT AND LOSS ACCOUNT**

	Notes	2007 £'000	2006 £'000
Administrative expenses		(45)	(10)
Operating loss	3	<u>(45)</u>	<u>(10)</u>
Realised profit on sale of investment properties		85	84
Profit on ordinary activities before taxation		<u>40</u>	<u>74</u>
Taxation	4	(7)	(14)
Profit for the year		<u><u>33</u></u>	<u><u>60</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Notes	2007 £'000	2006 £'000
Profit on ordinary activities before taxation		39	74
Realisation of property revaluation gains of previous periods		4	-
Historical cost profit for the year before taxation		<u>43</u>	<u>74</u>
Taxation	4	(8)	(14)
Historical cost profit for the year after taxation		<u><u>35</u></u>	<u><u>60</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2007 £	2006 £
Profit for the year		33	60
Unrealised surplus on revaluation of investment properties		513	(175)
Taxation on valuation realised on sale of properties	4	(1)	-
Total recognised gains and losses relating to the year		<u><u>545</u></u>	<u><u>(115)</u></u>

All amounts relate to continuing activities

The notes on pages 7 to 11 form part of these financial statements

Sovereign Retirement Capital Limited

Balance sheet at 30 April 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	5	4,783	1,657
Assets held for resale	6	307	47
		<u>5,090</u>	<u>1,704</u>
Creditors			
Amounts falling due with one year	7	(4,551)	(1,574)
Net current liabilities		<u>(4,551)</u>	<u>(1,574)</u>
Total assets less current liabilities		<u>539</u>	<u>130</u>
Capital and reserves			
Called up share capital	8	200	200
Revaluation reserve	9	244	(130)
Profit and loss account	9	95	60
Shareholder's funds	10	<u>539</u>	<u>130</u>

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

5th OCTOBER 2007

GCM MARSHALL
Director.



The notes on pages 7 to 11 form part of these financial statements

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention (modified to include the revaluation of investment properties) and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

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 assets

Tangible assets, comprising 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 assets should not be subject to periodic depreciation charges (unless held on short lease), but should be shown at open market value. Open market value in the case of the Company's tangible assets reflects the fact that they are subject to lifetime occupancy rights. 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 operations of the enterprise. In such a case it is the current value of these investments, and changes in that 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.

Details of the carrying value and historic cost information for tangible assets are disclosed in note 5 and 6.

Assets held for resale

Assets held for resale are investment properties which have become vacant and are valued in a similar way to investment properties above. These 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.

Sales of assets held for resale are recorded once an irrevocable sale contract has been entered into, provided that the sale has been legally completed by the date on which the relevant financial statements are approved by the directors.

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:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2007 (Continued)

1 Accounting policies continued

- the recognition of deferred tax assets is limited to the extent that the company anticipates to make 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 Employees and directors

There were no employees during the year apart from the directors. None of the directors received any remuneration in respect of their services to the company

3 Operating loss

	2007 £'000	2006 £'000
Operating loss is stated after charging		
Auditors' remuneration – audit service	6	4

4 Taxation on profit on ordinary activities

	2007 £'000	2006 £'000
<i>Current tax</i>		
UK corporation tax on ordinary profits for the year	7	14
UK corporation tax on realised profits transferred from revaluation reserve	1	-
Total current tax	8	14
Profit on ordinary activities before tax	39	74
Profit on ordinary activities at the small companies rate of 19% (2006 19%)	7	14
Capital gains chargeable for the year	1	-
Current tax charge for year	8	14

The company provides deferred tax on gains arising from the revaluation of properties to their market value only where there is a binding agreement to sell the asset. There were no such agreements as at 30 April 2007 and at 30 April 2006. At 30 April 2007 the amount of deferred tax unprovided on the surplus on revaluation of fixed assets is £145,356 (2006 - £Nil)

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2007 (Continued)

5 Tangible fixed assets

	Shared equity loans £'000	Assured tenancies £'000	Total £,000
<i>Cost or valuation</i>			
At 1 May 2006	1,562	95	1,657
Additions	3,235	-	3,235
Transfers to assets held for resale	(416)	-	(416)
Revaluation	307	-	307
At 30 April 2007	<u>4,688</u>	<u>95</u>	<u>4,783</u>
Independently valued	<u>4,688</u>	<u>95</u>	<u>4,783</u>

In May 2006 the company acquired a portfolio of 112 shared equity loans for a consideration of £3,235,000 paid via the parent company

Independently valued tangible assets were valued by Allsop LLP at their open market value (subject to life time occupancy rights) at 30 April 2007 in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual

The historical cost of the shared equity loans held at 30 April 2007 was £4,763,750 (2006 £1,606,514)

6 Assets held for resale

	2007 £'000
At 1 May 2006	47
Transfers from tangible fixed assets	416
Disposals	(226)
Revaluation by directors	70
At 30 April 2007	<u>307</u>

Vacant properties were valued by the directors on a net realisable value basis as at 30 April 2007 and 2006.

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2007 (Continued)

7 Creditors - Amounts falling due within one year

	2007 £'000	2006 £'000
Trade Creditors	22	-
Corporation Tax	8	14
Other creditors	20	9
Amounts owed to group undertakings	4,501	1,551
	<u>4,551</u>	<u>1,574</u>

8 Share capital

	Authorised 2007 £'000	2006 £'000
200,000 Ordinary shares of £1 each	<u>200</u>	<u>200</u>

	Allotted, called up and fully paid 2007 £'000	2006 £'000
200,000 Ordinary shares of £1 each	<u>200</u>	<u>200</u>

9 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 May 2006	(130)	60
Profit for the year	-	33
Tax on realised profits transferred from revaluation reserve	-	(1)
Revaluation in year	377	-
Transfer of realised profits	(3)	3
At 30 April 2007	<u>244</u>	<u>95</u>

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2007 (Continued)

10 Reconciliation of movement in shareholder's funds

	2007	2006
	£'000	£'000
Profit for the financial year	33	60
Tax on realised profits transferred from revaluation reserve	(1)	-
Unrealised revaluations in year	377	(175)
Shares issued in the year	-	200
Net addition to shareholder's funds	409	85
Opening shareholder's funds	130	45
Closing shareholder's funds	539	130

11 Ultimate parent company

At 30 April 2007 the company's ultimate parent company was Sovereign Reversions plc which is the parent of both the smallest and largest groups of which the company is a member

Copies of the consolidated financial statements of Sovereign Reversions plc are available from Companies House

12 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