

Sovereign Retirement Capital Limited

Report and Financial Statements

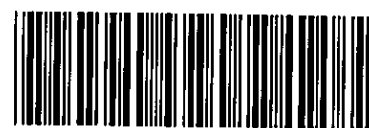
Year Ended

30 April 2008

Company number: 05238890

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BDO Stoy Hayward
Chartered Accountants

Sovereign Retirement Capital Limited

Annual report and financial statements for the year ended 30 April 2008

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Directors

G C W Marshall
R A Pearce Gould
S A Burgess
S Little
N T Hare-Scott

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 2008

The directors present their report together with the audited financial statements for the year ended 30 April 2008.

Principal Activities and Results

The principal activity during the year was that of investing in equity release assets.

The company's results are set out on page 5.

Dividends

The directors do not recommend payment of an ordinary dividend (2007 - £Nil).

Directors

The following directors have held office since 1 May 2007: -

G C W Marshall
R A Pearce Gould

S A Burgess, S Little and N T Hare-Scott were appointed directors of the company on 19 January 2009.

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.

Sovereign Retirement Capital Limited

Report of the directors for the year ended 30 April 2008 (Continued)

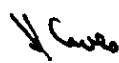
Auditors

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.

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 27th FEBRUARY 2009

Sovereign Retirement Capital Limited

Report of the independent auditors

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

We have audited the financial statements of Sovereign Retirement Capital Limited for the year ended 30 April 2008, 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.

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.

Sovereign Retirement Capital Limited

Report of the independent auditors (*Continued*)

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 2008 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on the continuing support of the Group's bankers. The current loan facility expires shortly and, although the directors expect to be able to renew the facility on similar terms, they have as yet no binding agreement from the bank. These conditions along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.


BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

Hatfield

Date: 27th February 2009

Sovereign Retirement Capital Limited

Results for the year ended 30 April 2008

Profit and loss account

	Notes	2008 £'000	2007 £'000
Administrative expenses		(65)	(45)
Operating loss	3	(65)	(45)
Realised profit on sale of investment properties		86	85
Rental income		8	-
Profit on ordinary activities before taxation		29	40
Taxation	4	(3)	(7)
Profit for the year		26	33

Note of historical cost profit and losses

		2008 £'000	2007 £'000
Profit on ordinary activities before taxation		29	39
Realisation of property revaluation gains of previous periods		31	4
Historical cost profit for the year before taxation		60	43
Taxation	4	(9)	(8)
Historical cost profit for the year after taxation		51	35

Statement of total recognised gains and losses

		2008 £000	2007 £000
Profit for the year		26	33
Unrealised (loss)/gain on revaluation of investment properties		(313)	513
Taxation on valuation realised on sale of properties	4	(6)	(1)
Total recognised gains and losses relating to the year		(293)	545

All amounts relate to continuing activities.

The notes on pages 7 to 12 form part of these financial statements.

Sovereign Retirement Capital Limited

Balance sheet at 30 April 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	5	4,160	4,783
Assets held for resale	6	328	307
		<u>4,488</u>	<u>5,090</u>
Creditors			
Amounts falling due with one year	7	(4,242)	(4,551)
Net current liabilities		<u>(4,242)</u>	<u>(4,551)</u>
Total assets less current liabilities		<u>246</u>	<u>539</u>
Capital and reserves			
Called up share capital	8	200	200
Revaluation reserve	9	(100)	244
Profit and loss account	9	146	95
Shareholder's funds	10	<u>246</u>	<u>539</u>

The financial statements were approved by the Board and authorised for issue on 27th Feb 2009

Director.....

S. A. BURGESS

The notes on pages 7 to 12 form part of these financial statements

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2008

1 Accounting policies

Basis of preparation

The company is financed through group company funds and is indirectly dependant on group bank facilities. The company's assets are provided as security to the Sovereign Group banking facilities.

Certain of these bank facilities are currently in the process of renewal. The Group has received confirmation from its bankers of their intention to renew facilities but it is noted that this has not yet been formalised and is subject to credit committee approval.

The Group is also dependent on the successful sale of vacant properties to generate cash inflows.

The Board acknowledge that at present there is significant economic turmoil in the UK property market and accordingly there is greater uncertainty surrounding the timing of completion and the realisable value of properties for sale.

The directors expect that forecast disposal proceeds will be achieved and bank facilities will be renewed. Were they not to be achieved, the directors would seek alternative sources of funding or seek to realise assets, as required.

Financial projections have been prepared for the Group using current expectations for the timing and proceeds from the sale of these properties. On the basis of these projections, the directors have concluded that the company is a going concern and will be able to meet its liabilities as they fall due for at least the next twelve months. Accordingly these financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2008 (Continued)

1 Accounting policies continued

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 shared equity loans which are being redeemed and are valued in a similar way to tangible assets 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
- 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.

Sovereign Retirement Capital Limited**Notes forming part of the financial statements for the year ended 30 April 2008 (Continued)****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

	2008 £'000	2007 £'000
Operating loss is stated after charging:		
Auditors' remuneration – audit services	6	6

4 Taxation on profit on ordinary activities

	2008 £'000	2007 £'000
Current tax		
UK corporation tax on ordinary profits for the year	3	7
UK corporation tax on realised profits transferred from revaluation reserve	6	1
	9	8

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:

Profit on ordinary activities before tax	29	39
Profit on ordinary activities at 20.08% (2007: 19%)	6	7
Capital gains chargeable for the year	6	1
Group relief claimed	(3)	-
Current tax charge for year	9	8

The company provides deferred tax on gains arising from the revaluation of tangible assets to their market value only where there is a binding agreement to sell the asset. There were no such agreements as at 30 April 2008 and at 30 April 2007. At 30 April 2008 the amount of deferred tax unprovided on the surplus on revaluation of fixed assets is £nil (2007 - £145,356).

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2008 (Continued)

5 Tangible fixed assets

	Shared equity loans £'000	Assured tenancies £'000	Total £'000
<i>Cost or valuation</i>			
At 1 May 2007	4,688	95	4,783
Additions	63	-	63
Transfers to assets held for resale	(340)	-	(340)
Revaluation	(346)	-	(346)
At 30 April 2008	<u>4,065</u>	<u>95</u>	<u>4,160</u>
Independently valued	<u>4,065</u>	<u>95</u>	<u>4,160</u>

Independently valued tangible assets were valued by Allsop LLP at their open market value (subject to life time occupancy rights) at 30 April 2008 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 2008 was £4,335,249 (2007: £4,763,750).

6 Assets held for resale

	2008 £'000
At 1 May 2007	307
Transfers from tangible fixed assets	340
Disposals	(352)
Revaluation by directors	33
At 30 April 2008	<u>328</u>

Shared equity loans in the course of redemption were valued by the directors on a net realisable value basis as at 30 April 2008 and 2007.

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2008 *(Continued)*

7 Creditors - Amounts falling due within one year

	2008	2007
	£'000	£'000
Trade creditors	51	22
Corporation tax	8	8
Other creditors	8	20
Amounts owed to group undertakings	4,175	4,501
	<u>4,242</u>	<u>4,551</u>

8 Share capital

	Authorised	
	2008	2007
	£'000	£'000
200,000 ordinary shares of £1 each	<u>200</u>	<u>200</u>

	Allotted, called up and fully paid	
	2008	2007
	£'000	£'000
200,000 ordinary shares of £1 each	<u>200</u>	<u>200</u>

9 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
At 1 May 2007	244	95
Profit for the year	-	26
Tax on realised profits transferred from revaluation reserve	-	(6)
Revaluation in year	(313)	-
Transfer of realised profits	(31)	31
At 30 April 2008	<u>(100)</u>	<u>146</u>

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2008 (Continued)

10 Reconciliation of movement in shareholder's funds

	2008 £'000	2007 £'000
Profit for the financial year	26	33
Tax on realised profits transferred from revaluation reserve	(6)	(1)
Unrealised revaluations in year	(313)	377
Net addition to shareholder's funds	(293)	409
Opening shareholder's funds	539	130
Closing shareholder's funds	246	539

11 Ultimate parent company

At 30 April 2008 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.