

Sovereign Retirement Capital Limited

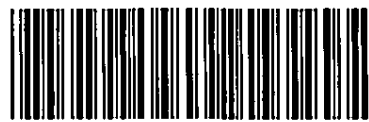
Report and Financial Statements

Year Ended

30 April 2009

Company number 05238890

SATURDAY



A8RLXHA

A13 06/02/2010 201

COMPANIES HOUSE

LD7 29/01/2010 45

COMPANIES HOUSE

Sovereign Retirement Capital Limited

Annual report and financial statements for the year ended 30 April 2009

Contents

Page:

1	Report of the directors
4	Report of the independent auditors
6	Profit and loss account, Note of historical cost profits and losses and Statement of total recognised gains and losses
7	Balance sheet
8	Notes forming part of the financial statements

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 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 2009

The directors present their report together with the audited financial statements for the year ended 30 April 2009

Principal activities and future prospects

The company's main activity is as a holder of equity release investments in shared equity loans. The company is no longer purchasing any new investments and does not intend to do so in the future. Investments will be realised over a number of years as and when the loans become redeemable.

Review of the Business

The company's results are set out on page 6, and are considered to be satisfactory. The Company disposed of its sole assured tenancy during the year. The company has no employees, and expenses incurred are mainly in relation to the costs of managing its investments.

Post Balance Sheet Events

Since the year end, terms have been agreed with the Group's bankers Allied Irish Banks plc to renew loan facilities, the renewal of £17m facility, which is being reduced through retention of a percentage of sales of properties in the banks security pool, is to be reduced to a maximum of £16m by its next review date in June 2010. There are no other post-balance sheet events.

Dividends

The company did not pay a dividend during the year (2008 - £nil)

Directors

The following directors have held office since 1 May 2008 -

G C W Marshall
R A Pearce Gould

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

Charitable and political contributions

No charitable or political contributions were made during the year

Payment of creditors

In the ordinary course of events the company does not usually incur costs from outside of another group company. As at 30 April 2009 no monies were owed to third party creditors. However where costs are incurred outside of group expenses, it is the company's policy to agree terms of payment with a supplier, ensure that the supplier is aware of these terms, and to abide by the agreed terms of payment.

Sovereign Retirement Capital Limited

Report of the directors for the year ended 30 April 2009 (*Continued*)

Risks, uncertainties and financial instruments

The main financial risks affecting the business due to being part of the Sovereign Reversions plc Group are as follows

Interest rate risk
Working capital and liquidity risk
Residential property market risk
Longevity risk

Risks and uncertainties are reviewed regularly (in line with group policies) and measures are taken to mitigate them. Regular reports from management are produced which enable reviews of the effectiveness of the processes, procedures and policies to be considered. The overall objective is to set policies that seek to reduce the risks as far as possible without unduly affecting competitiveness and flexibility in the marketplace.

The company is exposed to financial instrument risks through its parent company and the group banking arrangements. Interest is charged on the Group's borrowings at a margin over LIBOR. Hedging instruments are used to limit the exposure to increases in LIBOR.

The Company is exposed to potential risk if the value of its equity release assets falls as a result of a general decline in the residential property market. In particular this could cause breaches of group banking covenants. This is mitigated by ensuring lenders loan to value criteria is sufficient to cover declines. Investment properties are also well diversified in the UK to avoid unnecessary concentration risk.

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 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.

Sovereign Retirement Capital Limited

Report of the directors for the year ended 30 April 2009 (*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 LLP will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

By order of the Board


J E Cairns
Secretary

Date 25 January 2010

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 2009, 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. 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 2009 and of its profit 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.

Sovereign Retirement Capital Limited

Report of the independent auditors (*Continued*)

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

BDO LLP

Richard Kelly

- Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

Hatfield, Herts

United Kingdom

Date *26 January 2010*

BDO LLP is a limited liability partnership registered in England and Wales

Sovereign Retirement Capital Limited

Results for the year ended 30 April 2009

Profit and loss account

	Notes	2009 £'000	2008 £'000
Administrative expenses		(36)	(65)
Operating loss	3	<u>(36)</u>	<u>(65)</u>
Realised profit on sale of investment properties		65	86
Rental income		6	8
Profit on ordinary activities before taxation		<u>35</u>	<u>29</u>
Taxation	4	(5)	(3)
Profit on ordinary activities after taxation		<u>30</u>	<u>26</u>

Note of historical cost profit and losses

		2009 £'000	2008 £'000
Profit on ordinary activities before taxation		35	29
Realisation of property revaluation (losses)/gains of previous periods		(18)	31
Historical cost profit for the year before taxation		<u>17</u>	<u>60</u>
Taxation	4	-	(9)
Historical cost profit for the year after taxation		<u>17</u>	<u>51</u>

Statement of total recognised gains and losses

		2009 £'000	2008 £'000
Profit on ordinary activities after taxation		30	26
Unrealised loss on revaluation of investment properties		(259)	(313)
Taxation on valuation realised on sale of properties	4	5	(6)
Total recognised gains and losses relating to the year		<u>(224)</u>	<u>(293)</u>

All amounts relate to continuing activities

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

Sovereign Retirement Capital Limited

Company Number: 05238890

Balance sheet at 30 April 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	5	4,086	4,488
		<u>4,086</u>	<u>4,488</u>
Creditors			
Amounts falling due within one year	6	(4,064)	(4,242)
Net current liabilities		<u>(4,064)</u>	<u>(4,242)</u>
Total assets less current liabilities		<u>22</u>	<u>246</u>
Capital and reserves			
Called up share capital	7	200	200
Revaluation reserve	8	(342)	(100)
Profit and loss account	8	164	146
Shareholders funds	9	<u>22</u>	<u>246</u>

The financial statements were approved by the Board and authorised for issue on 25 January 2010

Director

S A Burgess



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

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2009

1 Accounting policies

Basis of preparation

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:

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.

Tangible assets

Tangible assets, comprising shared equity loans and an assured tenancy, 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 2006, which states that, subject to any provision for depreciation or impairment 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. The effect of this departure from Companies Act 2006 has not been quantified because it is inappropriate and in the opinion of the directors would be misleading. The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

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

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2009 (*Continued*)

Accounting policies (continued)

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

Deferred tax balances are not discounted

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Interim equity dividends are recognised when paid.

Reclassification

The prior year assets held resale that were previously shown on the face of the balance sheet have been reclassified to tangible assets.

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

	2009 £'000	2008 £'000
Operating loss is stated after charging		
Auditors' remuneration – audit services	6	6

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2009 (Continued)

4 Taxation on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax		
UK corporation tax on ordinary profits for the year	5	3
UK corporation tax on realised profits transferred from revaluation reserve	(5)	6
	<u>-</u>	<u>9</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

Profit on ordinary activities before tax	35	29
	<u> </u>	<u> </u>
Profit on ordinary activities at 28.0% (2008: 20.08%)	10	6
Capital gains chargeable for the year	14	6
Indexation allowance	(19)	-
Group relief claimed	(5)	(3)
	<u> </u>	<u> </u>
Current tax charge for year	<u>-</u>	<u>9</u>

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 2009 and at 30 April 2008. At 30 April 2009 the amount of deferred tax unprovided on the surplus on revaluation of fixed assets is £nil (2008 - £nil).

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2009 (*Continued*)

5 Tangible fixed assets

	Shared equity loans £'000	Assured tenancies £'000	Assets held for resale £'000	Total £'000
<i>Cost or valuation</i>				
At 1 May 2008	4,065	95	328	4,488
Additions	134	-	-	134
Transfers to assets held for resale	(402)	(95)	497	-
Disposals	-	-	(277)	(277)
Revaluation	(271)	-	12	(259)
At 30 April 2009	<u>3,526</u>	<u>-</u>	<u>560</u>	<u>4,086</u>
Independently valued	<u>3,526</u>	<u>-</u>	<u>-</u>	<u>3,526</u>

Independently valued tangible assets were valued by Allsop LLP at their open market value (subject to life time occupancy rights) at 30 April 2009 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 2009 was £3,961,155 (2008 £4,335,249)

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.

Shared equity loans in the course of redemption were valued by the directors on a net realisable value basis as at 30 April 2009 and 2008.

6 Creditors - Amounts falling due within one year

	2009 £'000	2008 £'000
Corporation tax	11	8
Other creditors	7	8
Amounts owed to group undertakings	4,046	4,226
	<u>4,064</u>	<u>4,242</u>

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2009 (Continued)

7 Share capital	Authorised	
	2009	2008
	£'000	£'000
200,000 ordinary shares of £1 each	200	200
	=====	=====
	Allotted, called up and fully paid	
	2009	2008
	£'000	£'000
200,000 ordinary shares of £1 each	200	200
	=====	=====
8 Reserves	Revaluation reserve	Profit and loss account
	£'000	£'000
At 1 May 2008	(100)	146
Profit for the year	-	30
Tax on realised profits transferred from revaluation reserve	-	5
Revaluation in year	(259)	-
Transfer of realised losses	17	(17)
At 30 April 2009	(342)	164
	=====	=====

Sovereign Retirement Capital Limited

Notes forming part of the financial statements for the year ended 30 April 2009 (Continued)

9 Reconciliation of movement in shareholder's funds

	2009	2008
	£'000	£'000
Profit for the financial year	30	26
Tax credit/(charge) on realised profits transferred from revaluation reserve	5	(6)
Unrealised revaluations in year	(259)	(313)
Net addition to shareholder's funds	(224)	(293)
Opening shareholder's funds	246	539
Closing shareholder's funds	22	246

10 Ultimate parent company

At 30 April 2009 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

11 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