

New Sovereign Reversions Limited
Directors' report and financial statements
for the year ended 30 September 2013

WEDNESDAY



A2ZM7KAP

A06

15/01/2014

#337

COMPANIES HOUSE

Company information

Directors	Peter Q P Couch Graham Sidwell Paul Barber
Secretary	Michael P Windle
Company number	07620195
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 89 Sandyford Road Newcastle Upon Tyne NE1 8HW
Bankers	Barclays Bank Plc Barclays House 71 Grey Street Newcastle Upon Tyne NE99 1JP
Solicitors	Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle Upon Tyne NE99 1SB

New Sovereign Reversions Limited

Directors' report and financial statements
for the year ended 30 September 2013

Contents

<u>Directors' report for the year ended 30 September 2013</u>	1
<u>Independent auditors' report to the members of New Sovereign Reversions Limited</u>	3
<u>Consolidated profit and loss account for the year ended 30 September 2013</u>	5
<u>Balance sheet as at 30 September 2013</u>	6
<u>Notes to the financial statements for the year ended 30 September 2013</u>	7

New Sovereign Reversions Limited

Directors' report for the year ended 30 September 2013

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2013

Principal activities

The principal activity of the group is investment in equity release plans

Review of the business and future developments

The results for the year are set out on page 5

The directors recommended and paid a dividend of £1,250,000 (2012 £3,800,000)

Both the level of business for the year and the year end position are as anticipated and the directors expect that the financial position of the company will be maintained during the forthcoming year

Auditors and disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and establish that the company's auditors are aware of that information

Directors

The directors who served during the year, and up to the date of signing, are as stated below

Andrew R Cunningham	(resigned 20/03/2013)
Peter Q P Couch	
Nicholas M F Jopling	(resigned 20/03/2013)
Nicholas P On	(resigned 20/03/2013)
Mark Greenwood	(resigned 20/03/2013)
Graham Sidwell	
Paul Barber	

New Sovereign Reversions Limited

Director's Report for the year ended 30 September 2013 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 are sufficient to show and explain the company's transactions and 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

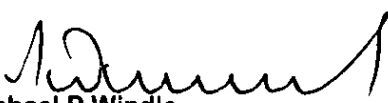
Auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and therefore no consolidated cash flow statement is included.

This report was approved by the Board on 23 December 2013 and signed on its behalf by


Michael P Windle
Company secretary



New Sovereign Reversions Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW SOVEREIGN REVERSIONS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of New Sovereign Reversions Limited for the year ended 30 September 2013 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 group's and parent 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2013 and of the group's 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.

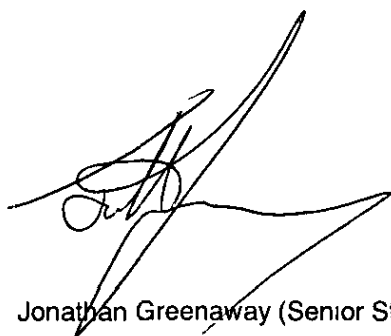


New Sovereign Reversions Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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 explanations we require for our audit



Jonathan Greenaway (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

23 December 2013

New Sovereign Reversions Limited

Consolidated profit and loss account for the year ended

30 September 2013

	Note	30 September 2013 £	3 May 2011 to 30 September 2012 £
Turnover		5,980,656	8,935,926
Cost of sales		(4,651,819)	(7,238,178)
Gross profit		1,328,837	1,697,748
Administration expenses		(837,576)	(1,310,166)
Operating profit		491,261	387,582
Interest receivable and similar items	4	18,806	12,566
Interest payable and similar charges	5	(1,347,753)	(2,018,352)
Loss on ordinary activities before taxation	3	(837,686)	(1,618,204)
Tax on Loss on ordinary activities	6	-	136,354
Loss for the financial year	14	(837,686)	(1,481,850)

All amounts relate to continuing operations

There are no recognised gains or losses other than the loss for the above year and therefore no separate statement of total recognised gains and losses has been presented

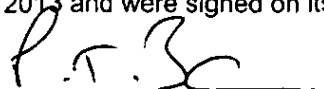
The notes on pages 7 - 14 form an integral part of these financial statements

New Sovereign Reversions Limited

Balance sheets as at 30 September 2013

	Note	2013		2012	
		Group £	Company £	Group £	Company £
Fixed assets					
Investments	8	-	6,628,285	-	8,654,976
Current assets					
Stock	9	55,318,599	-	59,542,270	-
Debtors	10	906,633	-	431,456	-
Cash		1,932,040	-	2,529,538	-
		58,157,272	-	62,503,264	-
Creditors' amounts falling due within one year	11	(2,983,874)	-	(2,935,335)	-
Net current assets		55,173,398	-	59,567,929	-
Total assets less current liabilities		55,173,398	6,628,285	59,567,929	8,654,976
Creditors' amounts falling due after more than one year	12	(23,147,193)	-	(25,454,038)	-
Net assets		32,026,205	6,628,285	34,113,891	8,654,976
Capital and reserves					
Called up equity share capital	13	5,539,185	5,539,185	8,654,976	8,654,976
Profit and loss account	14	(4,253,745)	1,089,100	(5,281,850)	-
Merger reserve	15	30,740,765	-	30,740,765	-
Shareholders' funds	15	32,026,205	6,628,285	34,113,891	8,654,976

The financial statements on pages 5 to 14 were approved by the board of directors on 23 December 2013 and were signed on its behalf by



Paul Barber
Director

Company registration number 07620195

The notes on pages 7-14 form an integral part of these financial statements

New Sovereign Reversions Limited

Notes to the financial statements for the year ended 30 September 2013

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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. 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.

Investments

Investments are stated at cost less provisions for any impairment in value.

Basis of consolidation

The group financial statements consolidate the financial statements of the Company and all its subsidiary companies. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company. The loss for the financial year dealt with in the financial statements of the parent Company was £776,691 (2012 profit of £3,800,000).

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover comprises gross trading property sales, management fees and sundry other income, exclusive of VAT. Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding contract.

Stock

Trading properties are shown in the financial statements at the lower of cost to the company and net realisable value. Cost to the company includes legal and surveying charges incurred during the acquisition plus improvement costs. Net realisable value is the net sale proceeds which the company expects on sale of a property with vacant possession.

Repairs are expensed in the profit and loss account as incurred. Improvement costs are capitalised.

Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issues costs. Finance charges, including premiums payable on settlement or redemption and direct issues costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.



New Sovereign Reversions Limited

2 Turnover

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report

3 Loss on ordinary activities before taxation

Group	30 September 2013 £	3 May 2011 to 30 September 2012 £
Loss on ordinary activities before taxation is stated after charging		
Auditors' fees		
The audit of the group pursuant to legislation	33,000	35,000

Audit fees are statutory audit fees only

There are no persons holding service contracts with the company or the group. None of the directors received any remuneration from the company or the group during the year, or in the previous year.

4 Interest receivable

Group	30 September 2013 £	3 May 2011 to 30 September 2012 £
Bank interest receivable	2,646	12,566
Interest from related parties	16,160	-
	18,806	12,566

5 Interest payable and similar charges

Group	30 September 2013 £	3 May 2011 to 30 September 2012 £
Interest payable on bank loans (Note 12)	1,078,299	1,713,793
Amortisation of capitalised finance costs (Note 12)	269,454	304,559
	1,347,753	2,018,352

New Sovereign Reversions Limited

6 Tax on Loss on ordinary activities

Group	30 September 2013 £	3 May 2011 to 30 September 2012 £
(a) Analysis of corporation tax credit for the year		
UK corporation tax based on the results for the year at 23.5% (2012: 25%)	-	-
Adjustment relating to prior year computations submitted by subsidiaries	-	136,354
Tax credit	-	136,354

(b) Factors affecting tax credit for the year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows

Group	30 September 2013 £	3 May 2011 to 30 September 2012 £
Loss on ordinary activities before taxation	837,686	1,618,204
Loss on ordinary activities before taxation at a rate of 23.5% (2012: 25%)	196,856	404,551
Utilisation of tax losses not previously recognised	135,098	462,218
Tax on group fair value adjustments	(239,833)	(565,015)
Non taxable income	-	54,527
Deferred tax assets not recognised	(92,121)	(356,281)
Prior year adjustment (see above)	-	136,354
Tax credit in the year	-	136,354

Deferred tax assets have not been recognised in respect of the group's trading losses and capital losses. The tax value of these assets is £722,305 (2012: £969,131) and £53,723 (2012: £61,264) respectively.

No provisions have been made for the tax that would become payable if the group's properties were to be sold at their year end carrying value of £55,318,599 (2012: £59,542,270) and replacement value of £58,503,037 (2012: £59,799,078). The total unprovided tax in respect of this is £2,123,881 (2012: £2,677,193) and £2,760,769 (2012: £2,736,259) respectively. There are no other factors that are expected to significantly affect the taxation charge in future years.

New Sovereign Reversions Limited

7 Dividends on equity shares

Company and Group	30 September 2013 £	3 May 2011 to 30 September 2012 £
Amounts recognised as distributions to equity holders in the year	1,250,000	3,800,000

8 Investments

Company	2013 £	2012 £
Cost and net book value		
At 1 October 2012	8,654,976	-
Acquired in the year	-	16,081,667
Impairment of investments	(2,026,691)	-
Capital reduction relating to Sovereign Reversions Limited	-	(7,426,691)
At 30 September 2013	6,628,285	8,654,976

The company owns 100% of the issued share capital of the companies listed below, which are incorporated in England and Wales

Name	Nature of business
Sovereign Reversions Limited	Investment in equity release assets
Sovereign Reversions Holdings Limited	Investment Company

9 Stock

Group	2013 £	2012 £
Trading Properties	55,318,599	59,542,270

Replacement value of stock (sale at market value of the property subject to occupation by a resident) is £58,503,037 (2012 £59,799,078) based on market values at 30 September 2013

Stock is stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is the net sales proceeds which the company expects on sale of a property with vacant possession. The directors have reviewed the vacant possession valuations of the properties. They have concluded that the net realisable value exceeds the book cost of the properties and therefore no provision against the carrying value of stock is required.



New Sovereign Reversions Limited

10 Debtors

Group	2013 £	2012 £
Trade Debtors	153,036	68,036
Other Debtors	2,789	313,807
Owed by Related Parties	716,159	-
Prepayments and accrued income	34,649	49,613
	906,633	431,456

11 Creditors: amounts falling due within one year

Group	2013 £	2012 £
Bank loans and overdrafts	2,339,894	2,280,000
Trade creditors	1,270	81,941
Other taxation and social security	4,190	3,764
Accruals and deferred income	638,520	569,630
	2,983,874	2,935,335



New Sovereign Reversions Limited

12 Creditors amounts falling due after more than one year

Group	2013 £	2012 £
Bank loan	23,147,193	25,454,038

The bank loan is repayable over 5 years from its inception in July 2011. Interest is charged at a floating rate of 2.35% above LIBOR. The bank loan is secured on the property portfolio.

The repayment profile of the bank loan has been calculated by actuaries, based on tenant profiles, on the assumption that repayments are made on tenant vacancy and subsequent property sale.

Group	2013 £	2012 £
Within one year	2,339,894	2,280,000
One to two years	2,441,857	2,290,379
Two to five years	21,468,790	24,196,620
Gross repayments	26,250,541	28,766,999
Less finance costs	(763,454)	(1,032,960)
Net repayments	25,487,087	27,734,039

13 Called up equity share capital

	2013		2012	
	Group £	Company £	Group £	Company £
Authorised, allotted, called up and fully paid				
8,654,976 A shares and 8,654,977 B shares of £0.32 (2012: £0.50)	5,539,185	5,539,185	8,654,976	8,654,976

New Sovereign Reversions Limited

14 Profit and loss account

	2013		2012	
	Group £	Company £	Group £	Company £
At 1 October 2012	(5,281,850)	-	-	-
(Loss)/profit for the financial year	(837,686)	(776,691)	(1,481,850)	3,800,000
Reduction in share capital	3,115,791	3,115,791		
Equity dividends paid	(1,250,000)	(1,250,000)	(3,800,000)	(3,800,000)
At 30 September 2013	(4,253,745)	1,089,100	(5,281,850)	-

15 Reconciliation of movements in group shareholders' funds

	2013		2012	
	Group £	Company £	Group £	Company £
Opening shareholders' funds	34,113,891	8,654,976	-	-
(Loss)/profit for the financial year	(837,686)	(776,691)	(1,481,850)	3,800,000
Equity shares issued during the year	-	-	8,654,976	8,654,976
Equity dividends paid	(1,250,000)	(1,250,000)	(3,800,000)	(3,800,000)
Transfer to merger reserve	-	-	30,740,765	-
Closing shareholders' funds	32,026,205	6,628,285	34,113,891	8,654,976

On 25 July 2011 the Company acquired 100% of the issued share capital of Sovereign Reversions Limited and Sovereign Reversions Holdings Limited. In accordance with 'Section 612 – Merger Relief' of the Companies Act 2006, the Company has taken no account of any premium on the shares issued and has recorded the cost of the investment at the nominal value of the shares issued. The resulting difference on consolidation has been credited to other reserves.

New Sovereign Reversions Limited

16 Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the New Sovereign Reversions Limited group

During the period the group has received interest totalling £8,080 (2012 £nil) from Grainger Equity Release Limited in relation to a loan with a balance at 30 September 2013 of £358,080 (2012 £nil) and received interest totalling £8,080 (2012 £nil) from MREF II Equity Release Limited in relation to a loan with a balance at 30 September 2013 of £358,080 (2012 £nil) Interest is charged at LIBOR + 2.35% The companies are deemed to be related parties as defined by FRS8 by virtue of their ultimate parent companies, Grainger plc, Moorfield Real Estate Fund II A Limited Partnership and Moorfield Real Estate Fund II B Limited Partnership, holding a 50% interest in New Sovereign Reversions Limited

During the year the group was charged management fees totalling £1,217,907 (2012 £1,547,992) by Grainger Equity Release Management Limited, which is deemed to be a related party as defined by FRS8 by virtue of Grainger Equity Release Management Limited's ultimate parent company, Grainger plc, holding a 50% interest in New Sovereign Reversions Limited's immediate parent company, Grainger Equity Release Limited At 30 September 2013 £351,022 (2012 £166,276) was outstanding in relation to these management fees

17 Parent undertaking

New Sovereign Reversions Limited is a 50/50 joint venture between MREF II Equity Release Limited ("Moorfield", a company registered in Jersey) and Grainger Equity Release Limited ("GERL" a company registered in England and Wales) The ultimate controlling party of GERL is Grainger plc, a company registered in England and Wales The ultimate controlling parties of MREF II Equity Release Limited are Moorfield Real Estate Fund II A Limited Partnership and Moorfield Real Estate Fund II B Limited Partnership which are qualifying partnerships registered in England and Wales



2
3

