

REGISTRAR'S COPY

COMPANY NUMBER 2764715

**RESIDENTIAL PROPERTY
REVERSIONS LIMITED**

Directors Report and Financial Statements

Year Ended

31 December 2003



BDO

BDO Stoy Hayward LLP
Chartered Accountants

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Annual report and financial statements for the year ended 31 December 2003

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Directors

M D Adams
P J O'Gorman
P B Foster

Secretary and registered office

P J O'Gorman – The Manor, Haseley Business Centre, Warwick, Warwickshire, CV35 7LS

Company number

2764715

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent, BR1 3WA

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

The directors do not recommend the payment of a dividend for the year.

Principal activities, trading review and future developments

The principal activity of the company continued to be that of residential property investment and the letting of these properties under assured tenancies.

Directors and their interests

The directors of the company during the year were:

M D Adams
P J O'Gorman
P B Foster

No director had any interest in the shares of the company.

None of the directors had a services contract or contract for services with the company.

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Report of the directors for the year ended 31 December 2003 (*Continued*)

Directors' responsibilities

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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; 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 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.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor with effect from 1 January 2004. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board



P J O'Gorman
Secretary

Date: 28/6/2004

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Report of the independent auditors

To the shareholders of Residential Property Reversions Limited

We have audited the financial statements of Residential Property Reversions Limited for the year ended 31 December 2003 on pages 5 to 12 which have been prepared under the accounting policies set out on pages 7 and 8.

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 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 United Kingdom 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.

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
Bromley

Date : 29.6. 2004

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	385,854	521,735
Direct property expenses	3	(74,983)	(62,048)
Administrative expenses		(27,627)	(29,000)
Operating profit		283,244	430,687
Other operating income (including profit on disposal of fixed assets £566,077, 2002 - £189,187)		572,435	189,187
Interest payable		-	(635)
Profit on ordinary activities before taxation		855,679	619,239
Taxation on profit on ordinary activities	4	(178,771)	-
Retained profit for the year		676,908	619,239

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year other than as shown in the profit and loss account.

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

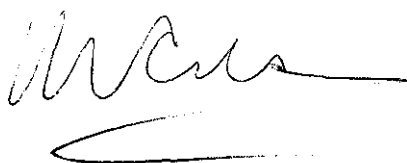
RESIDENTIAL PROPERTY REVERSIONS LIMITED

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	5		5,139,769		6,297,861
Current assets					
Debtors	6	6,658,553		4,664,647	
Creditors: amounts falling due within one year	7	(6,190,918)		(6,032,012)	
Net current assets/(liabilities)			467,635		(1,367,365)
Net assets			5,607,404		4,930,496
Capital and reserves					
Called up share capital	8		17,502,500		17,502,500
Profit and loss account	9		(11,895,096)		(12,572,004)
Equity shareholders' funds			5,607,404		4,930,496

The financial statements were approved by the Board on
and signed on its behalf by:

28/6 / 2004



M D Adams
Director

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

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group accounts

The accounts present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by Section 228 of the Companies Act 1985 as it is a subsidiary undertaking of I.M. Properties Plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

Going concern

The immediate parent company has indicated its continued intention to support the company and accordingly the financial statements have been prepared on a going concern basis.

Cashflow statement

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking.

Rental income

Turnover is the gross rental income receivable from letting residential properties under assured tenancies.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are stated at their open market values. Unrealised surpluses or deficits arising on revaluations of investment properties are transferred to or from the revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

1 Accounting policies (*Continued*)

Depreciation and amortisation

No depreciation or amortisation is provided in respect of freehold or leasehold properties held as investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No. 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt Statement of Standard Accounting Practice No. 19 in order to give a true and fair view.

If this departure from the Act had not been made, the loss for the financial year would have been increased by depreciation. The directors consider that it would be neither practicable nor of real value to determine depreciation or amortisation taken into account in arriving at open market values.

Investment in subsidiary undertakings

Investments have been valued at cost less provision for any permanent diminution in value.

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 arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

2 Turnover

Turnover is wholly attributable to the letting of residential properties and arises solely within the United Kingdom.

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

3 Direct property expenses

	2003 £	2002 £
Property manager's fees	18,354	16,411
Repairs and maintenance	47,558	35,659
Insurance	4,552	5,899
Service charges, utilities and ground rent	4,026	3,910
Other property costs	493	169
	<u>74,983</u>	<u>62,048</u>

4 Taxation on loss on ordinary activities

	2003 £	2002 £
<i>Current tax</i>		
Group relief	178,962	-
Adjustment in respect of previous periods	(191)	-
	<u>178,771</u>	<u>-</u>
Taxation on profit on ordinary activities	178,771	-

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	855,679	619,239
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	256,704	185,772
Effects of:		
Income not charged to UK corporation tax	(169,823)	-
Capital profits	122,099	-
Adjustment in respect of previous periods	(191)	-
Group relief utilised in the period	(178,961)	(185,772)
Group payments made in respect of group relief	178,961	-
Capital losses utilised	(3,444)	-
Excess management expenses brought forward utilised	(26,574)	-
	<u>178,771</u>	<u>-</u>
Current tax charge for year	178,771	-

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

5 Tangible fixed assets – investment properties

	Freehold and Leasehold Residential Properties £
<i>Cost or valuation</i>	
At 1 January 2003	6,297,861
Additions	-
Disposals	(1,158,092)
	<hr/>
At 31 December 2003	5,139,769
	<hr/>
<i>Net book value</i>	
At 31 December 2003	5,139,769
	<hr/>
At 31 December 2002	6,297,861
	<hr/>

Investment properties are stated at open market value as at 31 December 2003 as valued by the directors.

If the investment properties had been sold at the value shown in the financial statements there would not have been any corporation tax liability due to the availability of tax losses within the group.

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

6 Debtors

	2003 £	2002 £
Trade debtors	450	3,214
Amounts owed by group undertakings	6,658,103	4,661,433
	<u>6,658,553</u>	<u>4,664,647</u>

All amounts shown under debtors fall due for payment within one year.

7 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	6,180,670	6,030,708
Other creditors	10,248	1,004
Accruals and deferred income	-	300
	<u>6,190,918</u>	<u>6,032,012</u>

8 Share capital

	2003 £	2002 £
<i>Authorised:</i>		
100,000,000 Ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
<i>Allotted, called up and fully paid:</i>		
17,502,500 Ordinary shares of £1 each	<u>17,502,500</u>	<u>17,502,500</u>

9 Movement in reserves

	Profit and loss account £
At 1 January 2003	(12,572,004)
Profit for the year	<u>676,908</u>
At 31 December 2003	<u>(11,895,096)</u>

RESIDENTIAL PROPERTY REVERSIONS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

10 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 from disclosing transactions with undertakings in which 90% or more of the voting rights are controlled by I.M. Properties Plc. These undertakings' results have been included within the consolidated financial statements of I.M. Properties Plc.

11 Ultimate parent company

The company is controlled by First Residential Investment Limited which owns 100% of the issued share capital of the company. The ultimate controlling party is Mr R N Edmiston who owns 100% of the issued share capital of I.M. Properties Plc, the ultimate parent company at the year end.

The parent undertaking of the largest and smallest group to consolidate results of the company is I.M. Properties Plc, a company incorporated in Great Britain.

Copies of the consolidated financial statements for I.M. Properties Plc are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Cardiff, CF4 3UZ.