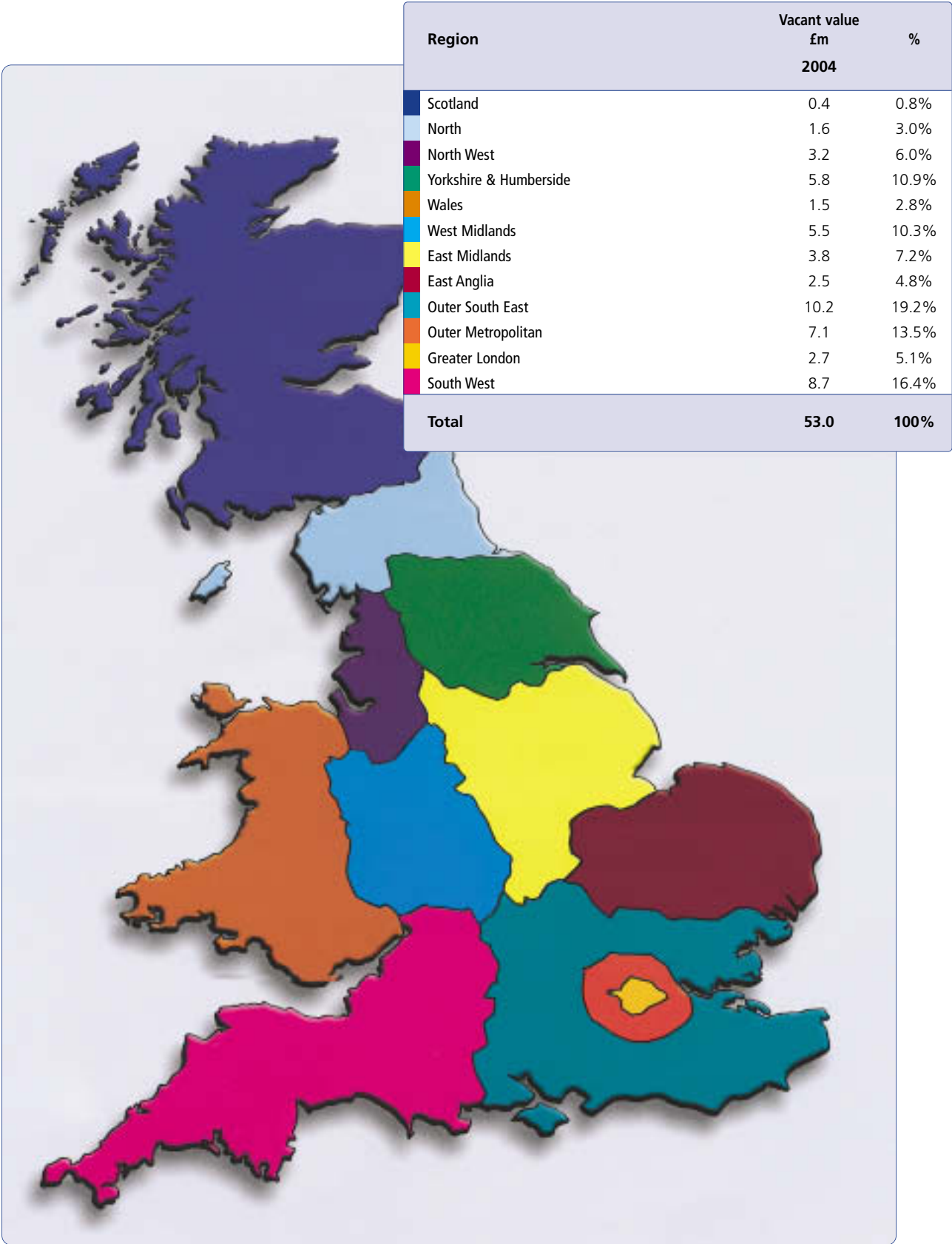


SOVEREIGN
REVERSIONS PLC

Home Reversion Portfolio



Corporate objectives

- to become a substantial investor in home reversions and life tenancies
- through our property manager, Home & Capital Trust Limited (“Home & Capital”):
 - to provide a means for elderly homeowners to release equity from their homes and thus improve their lifestyles
 - to maintain high ethical standards in our dealings with elderly homeowners
- to provide shareholders with relatively low risk capital growth derived from our investment activity.

Highlights

- Net asset value per share increased by 26.6%, prior to the capital-raising in April 2004
- Net assets increased from £16.5m to £39m
- Net cash flow from investments increased from £2m to £2.6m
- Profit after revaluation transfers and taxation increased from £669,000 to £902,000
- £17.5m raised through institutional placing and open offer to shareholders
- Company's shares listed on AIM
- Completion of acquisition of 40.9% shareholding in Home & Capital and reorganisation of corporate management since the year end

Financial record

	30 April 2000 £000	30 April 2001 £000	30 April 2002 £000	30 April 2003 £000	30 April 2004 £000
Net asset value	2,920	9,154	11,405	16,594	39,095
Embedded value ⁽¹⁾	5,007	17,605	22,539	34,477	61,434
Profit after revaluation transfers and taxation	171	153	384	669	902
Net cash flow from investments ⁽²⁾	427	500	1,238	2,025	2,588
	pence	pence	pence	pence	pence
Net asset value per share ⁽³⁾	139.9	183.8	224.4	291.5	305.3
Embedded value per share ⁽³⁾	239.9	360.7	467.2	654.8	472.8

Notes:

- (1) **Embedded value** represents net asset value adjusted to reflect home reversions at their vacant possession value and excluding the effect of taxation.
- (2) **Net cash flow from investments** represents cash proceeds from property sales less administrative expenses (excluding amortisation of goodwill), before net finance costs and taxation.
- (3) **Per share calculations** have been adjusted for the impact of the exercise of warrants, insofar as the warrant exercise price is below net asset value.

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Directors

Robert Lo (Chairman)

Aged 52, he has been a director since inception in 1992. A solicitor, he is an Executive Director of Nabarro Wells & Co, a corporate finance advisory company. He was formerly head of the Corporate Advisory Department of Johnson Fry, where he raised substantial equity funds under the Business Expansion Scheme.

Graeme Marshall (Chief Executive)

Aged 51, he has been instrumental in formulating and implementing Sovereign's strategy since his appointment in 1999. He is one of the largest shareholders in Sovereign and the largest warrant-holder. He has worked full-time in the home reversions industry since 1997 and was managing director of Home & Capital from 1998 until October 2003. He is deputy chairman of SHIP and chairman of its reversions board.

Prior to his involvement in home reversions he qualified as a chartered accountant with KPMG and spent seven years with them followed by 15 years in finance and corporate development roles.

Rupert Pearce Gould

Aged 53, he has been involved in the management of Sovereign since becoming a director in 1999 and has played a major role in implementing its acquisition and financing strategy. He has been non-executive director of Home & Capital since 1998, becoming chairman in February 1999 and executive Chairman in October 2003.

He is chief executive of Cambridge Corporate Consultants Ltd, corporate finance advisers regulated by the FSA. A Chartered Accountant, he spent six years with N.M. Rothschild & Sons Limited in corporate finance and venture capital prior to establishing his own corporate advisory company.

Chairman's Statement

The main development this year has been the placing and open offer to shareholders which completed in April 2004, following which our ordinary shares and new warrants have been admitted to AIM. This exercise has injected £17.5m of equity into the company, net of costs, more than doubling our capital base.

This equity issue has also broadened our shareholder base. Sovereign has historically been owned almost entirely by private shareholders; around 40% of our shares are now owned by institutions. This strategic shift in our shareholder base is expected to improve our options for accessing capital to take advantage of investment opportunities in excess of our immediate financing capability.

Allied to the capital-raising, we have now completed the changes in our management arrangements contemplated in our recent prospectus. Graeme Marshall has become our full-time Chief Executive and we have agreed to acquire Home Equity Limited, our corporate manager for the past five years, as well as a 40.9% holding in Home & Capital Trust Limited. The shareholding in Home & Capital gives us a direct interest in a home reversion plan provider and in a high quality specialist service provider to the equity release market.

In the last year our net assets per share (diluted for warrants) grew from 291.5 pence to 305.3 pence. Excluding the effect of the equity issue at 260 pence per share shortly before our year end, net assets grew by 26.6% to 369.1 pence. During the five year period under Home Equity's management, we have achieved compound annual growth in net assets per share of 23.6%. Over the same period, the Nationwide UK Property Index and Halifax National Index have shown compound annual growth of 16.3% and 14.9% respectively.

On a similar basis, excluding the effect of the equity issue, embedded value per share grew by 26% from 573.9 pence to 723.3 pence. Following the equity issue, embedded value has fallen to 472.8 pence per share at 30 April 2004. One of the effects of investing in further reversions will be to rebuild embedded value per share.

We again achieved a record cash flow, with proceeds from property sales rising from £2.3m to over £3m. Administrative expenses, before amortisation of goodwill, rose from £344,000 to £487,000, reflecting the costs of running a larger portfolio, plus costs associated with the move from OFEX to AIM.

Following the interim dividend of 1.25 pence per share paid in April 2004, your board is recommending a final dividend of 1.25 pence per share, maintaining the level of total dividend of 2.5 pence per share paid last year.

Sovereign continues to be the only specialist vehicle through which investors can participate in a broad-based portfolio of home reversions through shares which can be traded. We intend to use our new capital and AIM listing to build on our unique position in the equity release market.

Robert Lo

Chairman

19 July 2004

Market Overview

The equity release market

Equity release provides a means for older homeowners (typically over 65) to use their homes to generate income or lump sums, either with a mortgage repayable on death, or by selling all or part of the property but continuing to live in it during their lifetime. There are currently two basic types of plan widely available: lifetime mortgages and home reversion plans. We currently only invest in home reversion plans.

Home reversion plans

Under a home reversion plan, the homeowner sells all or part of his home to an investor in exchange for a lifetime rent-free lease. The homeowner enjoys the security of being able to continue to live at home, rent-free, for the rest of his life and benefits from a tax-free cash lump sum. The flexibility of the home reversion product allows the homeowner to raise money from his home in stages to suit his needs and maximise the value received.

In consideration for providing a rent-free tenancy of uncertain duration, the investor is able to acquire residential property at a substantial discount to its vacant possession value. It typically acquires around £2 of property per £1 invested. The investment return is provided by realising the full value of the property at the end of the tenancy.

The investor has a relatively low involvement as landlord. There is no requirement to collect rent. Tenants are responsible for maintenance and insurance. The characteristics of home reversions provide investors with a low-risk exposure to the UK residential property market.

The social role

Investment in home reversions fulfils an established and growing need for retired homeowners whose home is their major asset.

The last few years has seen erosion in the value of savings, pensions and annuities. This has caused many elderly people to seek other ways of raising capital or generating income to improve their standard of living. As UK property values have seen strong increases, the home has represented a progressively higher proportion of the wealth of people in retirement. Equity release has become a financial planning tool for improving their lifestyles and planning for contingencies, such as long-term care.

One means of raising equity from the home is simply to sell and move away to a lower cost property or area. However, most elderly people do not wish to sell their homes; they prefer to stay in the environment they are used to. Equity release provides a means for elderly homeowners to improve their financial position without having to sell and move house.

Ethical policy

We are committed to high ethical standards in our dealings with the elderly. Our property manager, Home & Capital, ensures that any new home reversion plan in which we invest has been clearly explained to the seller. Our focus on home reversions ensures that our tenants can never be exposed to negative equity.

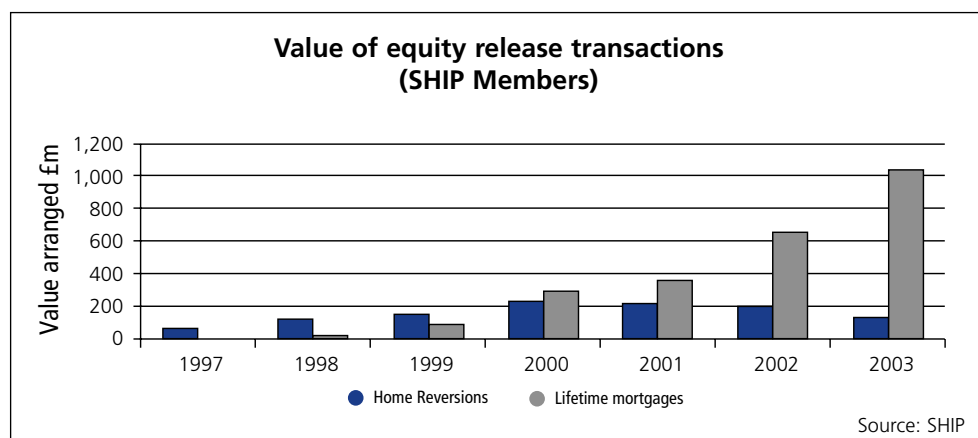
Home & Capital was a founder member of SHIP, which has set standards for best practice in the equity release industry since its formation in 1991. New home reversions are only bought if they comply with SHIP's Code of Practice.

Tenants are visited regularly by professionals from Home & Capital who assist them with any problems associated with the maintenance of their homes. Visitors regularly provide advice to tenants on independent living as they grow older, including moving house, if this best suits their needs.

Market developments

A feature of the past year has been the sharp reduction in new reversion plan business against a background of burgeoning lifetime mortgage activity. Whereas lifetime mortgage business grew by 59% to exceed £1bn, home reversion business fell by 36% to its lowest level since 1998. As a result, Sovereign's market share of new home reversion plans had risen to almost 10% by the last quarter of 2003.

Market Overview



There have been a number of reasons for the sharp fall in new reversion business — in particular, the withdrawal of the largest product provider from the market in early 2003 as a result of a decision by its overseas parent. Two of the other reasons are worthy of comment, as changing circumstances are likely over the next few years to lead to greatly increased activity in the home reversions sector.

Regulation

The regulation of the selling of the home reversion product has been the focus of much debate over the past year. The Government's decision in late 2002 that the selling of (first charge) lifetime mortgages should be regulated by the FSA from 1 November 2004, but that home reversions should be excluded from FSA regulation, has caused commentators to focus on this particular aspect and conclude that this would result in home reversions becoming less "safe" than lifetime mortgages. Press commentary of this nature has reduced the appetites of consumers and financial intermediaries for the home reversion product. Sovereign shared the industry's concerns about the likely impact of the Government's decision on home reversion sales. The main concern was the potential development of a "two-tier market". As both home reversions and lifetime mortgages enable homeowners in retirement to raise cash from their homes, we felt it important that the two products be sold within the same regulatory framework. This would allow customers to make a direct comparison between the products.

The equity release industry, through the industry body, SHIP, has campaigned strenuously for the regulation of home reversions. As Chairman of the SHIP reversions board, Graeme Marshall has been active in this process. The lobbying process has yielded positive results. The Government has reversed its initial position and in May 2004 announced that the FSA would regulate the sale of home reversions.

We believe that this decision will prove to be a landmark in the development of the home reversions product, effectively representing a government endorsement of the home reversion plan as a core equity release product.

Economic factors

The last three years in particular have seen strong performance in residential property prices and low interest rates. While this situation has pertained, consumers, and their financial advisers, have generally considered that the likely benefits of house price growth outweighed the risks inherent in a lifetime mortgage. A lifetime mortgage at a fixed or capped rate of interest is likely to be advantageous in a climate of perpetual growth in house prices, outweighing the increasing effect of rolling up and compounding interest if life expectancy is exceeded.

This climate has now changed. We have seen rises in interest rates and increasing efforts to dampen the growth of the housing market. There is now sufficient uncertainty as to the direction of house prices to make the home reversion product more appealing to many potential equity release customers, as it provides the advantage of certainty. In a changed environment, equity release customers may move back towards preferring a partial sale of their homes over taking out any form of loan.

The Government's commitment to regulate the sale of home reversions, together with the possibility of increasing uncertainty in the short-term direction for property prices, should give a boost to the home reversion product, although this may take some time to materialise in terms of the volume of business transacted.

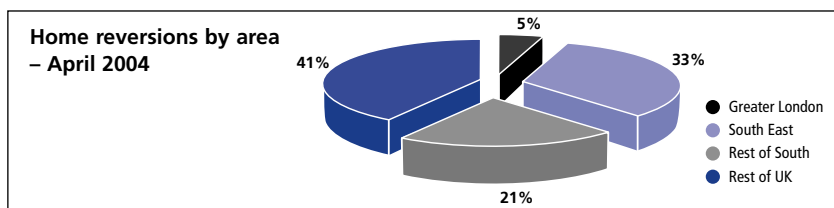
Investment and Financial Report

Changes in portfolio

	At 30 April 2003	Purchases	End of tenancies	Sales	At 30 April 2004
Home reversions	398	79	(25)	—	452
Assured tenancies	3	—	—	—	3
Properties for sale	13	—	25	(26)	12
Total	414	79	—	(26)	467

During the year we invested £4.1m in home reversions. We did not acquire any portfolios during the year. The reduction in our overall rate of investment since last year was a deliberate policy, as we were coming to the limit of our bank facilities prior to our capital-raising in April. We are buying new reversions on a regular basis and intend to continue to seek to acquire portfolios at realistic prices as and when they become available.

Our acquisition policy is to seek to maintain geographical diversification, although inevitably there is a skew in the new plans offered to us, reflecting areas of high concentration of elderly homeowners, such as the South coast. The chart below analyses our home reversion portfolio by Investment Property Databank ("IPD") area. Against this benchmark we are substantially below the IPD weighting in Greater London and well above it in the South East and Rest of South (which include counties in the South Midlands and East Anglia). We are slightly below the IPD weighting in the Midlands and North of England. A fuller analysis of our home reversion portfolio at 30 April 2004 is shown on the inside front cover.

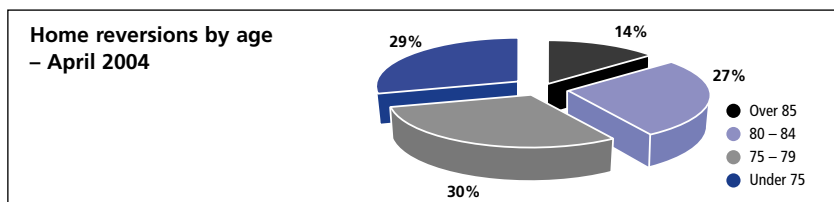


Tenancy profile

Forty per cent of our home reversions have a youngest or single tenant aged over 80. We would anticipate that these tenancies will continue to end at a steady rate, in line with our experience in the last three years:

Financial year	Number of tenancies ended
2004	25
2003	23
2002	29

Our regular programme of acquiring new plans, which we started in 2001, is designed to provide a continuation of maturing tenancies as our existing portfolio matures.



Properties for sale

At 30 April 2004 we had twelve properties for sale. Eight of these properties have either been sold, or sales have been agreed.

Valuation

Home reversions acquired prior to 31 October 2003 have been independently valued by Allsop & Co as at 30 April 2004; acquisitions since 1 November 2003 are carried at cost. One-third of these properties were inspected. Where properties were not inspected, the average increase in the Nationwide and Halifax regional indices was applied.

Sovereign's home reversions are carried in the company's accounts at an average of 58% of their vacant possession value. We continue to adopt a conservative basis for discounting the vacant possession value of properties to allow for tenants' lifetime occupancy; the majority of the capital gain from our investments is only reflected in asset values when the tenancies end.

Investment and Financial Report

Capital Reversions PLC (“CR”)

We have had a 29.5% shareholding in CR for four years, which at 29 August 2003 owned 42 home reversions. During the year we decided to become a more active shareholder in CR in order to achieve better value from this investment. Accordingly, we appointed Graeme Marshall as a director of CR at the company's AGM on 1 October 2003, since which date we have treated our shareholding in CR as an associated company in the accounts. We are encouraging the board of CR to seek an exit route for shareholders in the near future.

Financial Performance

Profits from investment activity

Our main activity is to acquire properties at a substantial discount in return for granting lifelong rent-free leases. We make our financial return on these investments by selling the properties at their vacant value at the end of their tenancies. The table below shows the result of our investment activity over the last five years:

	2000 £'000	2001 £'000	2002 £'000	2003 £'000	2004 £'000
Sale of investment properties:					
Realised profit	49	220	493	640	853
Revaluation released	183	135	195	858	1,024
Profit on original cost	232	355	688	1,498	1,877
Rental income	6	5	23	25	28
Administrative expenses	(80)	(135)	(259)	(344)	(487)
Profit before finance costs and taxation	158	225	452	1,179	1,418

The above figures are derived from the consolidated profit and loss account, but are presented differently in our statutory accounts in the following respects:

- the realised return from property sales is allocated between “realised profit on sale of investment properties”, which shows the surplus over the last valuation of the properties sold, and “realised profit transferred from revaluation reserve”; and
- administrative expenses are shown net of amortisation of intangible assets.

Administrative expenses

	2003 £'000	2004 £'000
Management fees	170	240
Property expenses	25	36
Directors' fees	30	30
Audit fees	14	14
Other professional fees	28	40
OFEX/AIM costs	14	10
Other items	13	53
Irrecoverable VAT	50	64
Total expenses	344	487
Less: goodwill amortisation	(191)	(299)
Per Profit and Loss Account	153	188
% of average gross assets	1.69%	1.93%

The management fee is based on a percentage of gross assets, so the increase in expenses relates almost entirely to other costs. The main reason for the increase is costs connected with the company's capital-raising and move to AIM. Following the changes in our management arrangements, there will be a number of changes in the constituent parts of Sovereign's cost structure in the financial year to April 2005, including salary costs. Costs are expected to increase in the current year, incorporating the incremental expenses of administering an AIM-listed company.

Investment and Financial Report

Taxation

As in 2003, the tax provision exceeds the profit before taxation shown in the statutory accounts. The reason for the apparently high percentage tax charge is that the transfer from the revaluation reserve, being part of the profit on sale of properties, is also subject to tax. When this is taken into account, the pre-tax profit increases to £1,181,000 (2003: £889,000), of which the tax provision relating to the current year is £279,000, equivalent to 23.6% of those profits (2003: 21.6%).

Cash flow

The table below shows the pattern of cash generation from our investments. These cash flows are deployed in meeting finance costs, taxation, further investments and payments to shareholders.

	2000 £'000	2001 £'000	2002 £'000	2003 £'000	2004 £000
Proceeds from sale of properties	501	630	1,474	2,344	3,047
Rental income	6	5	23	25	28
Administrative expenses	(80)	(135)	(259)	(344)	(487)
Net cash flow from investments	427	500	1,238	2,025	2,588

In the light of the value of vacant properties on the market at the year end (of which the majority have already either been sold or are have sales agreed), we are confident that we will continue to generate a positive net cash flow from investments this year.

Financing

Bank funding

The new banking facility reported in last year's Annual Report was completed in September 2003, following which we had available facilities of £12m; £10.5m of these facilities had been drawn down prior to our equity injection in April.

We have deployed some of our new equity initially to repay borrowings. We continue to have facilities immediately available and are confident that our banking relationships will give us access to further funding as required.

Potential future equity issues

One of our corporate objectives is the expansion of our investment portfolio. We are now sufficiently well capitalised to maintain our regular investment programme in new reversions and acquire some smaller portfolios. However, it is possible that larger portfolios in excess of our immediate financing capability may become available; we may therefore require access to additional finance at short notice, particularly where competitive bids are involved. There may also be occasions where it is advantageous for us to provide some consideration in the form of equity. We are therefore again seeking from shareholders at the forthcoming Annual General Meeting a renewal of our annual mandate for the board to issue shares for cash and disapply pre-emption rights.

Corporate Administration

Reflecting our increase in size, we have centralised our corporate and financial administration at Home & Capital's offices in Bedford, from where our property administration has been conducted for five years. Nigel Hare-Scott, an assistant director of Home & Capital, who is also a chartered accountant, has become our company secretary and we have changed our registered office to the same address. Our new website provides new contact numbers for shareholders and potential investors.

Outlook

At the beginning of the past financial year we could anticipate becoming fully invested in home reversions, which would impose some quite tight limitations on taking advantage of future opportunities. We have addressed this by increasing our equity base materially, which, supported by the availability of long-term bank funding, now gives us substantial investment capacity. Although, as explained elsewhere, demand for new reversion plans may not pick up for some time, we are confident in our ability to put our new capacity to profitable use.

Graeme Marshall

Chief Executive
19 July 2004

Directors' Report

Substantial interests

As at 16 July 2004 the company is aware that the following shareholders (other than directors) held or were beneficially interested in ordinary shares amounting to 3% or more of the issued ordinary share capital of the company.

	No. of shares	% of issued share capital
Ferlim Nominees Ltd	1,151,388	9.13%
Britel Nominees Ltd	851,313	6.75%
The Fleming Mercantile Investment Trust plc	725,000	5.75%
Possfund Nominees Ltd	578,687	4.59%

Management and administration

Throughout the year Home Equity Limited ("Home Equity") acted as the company's manager under an agreement dated 20 May 1999, terminable at twelve months' notice. For its services Home Equity received monthly a corporate management fee of 0.0625% based on total assets less trade creditors and an administration fee of £2,083.33 (both plus VAT). Home Equity paid property management fees to Home & Capital, a related company, to which the property management function is subcontracted. Home & Capital also provides the company with a source of reversion investment opportunities.

As a result of the group's expansion and admission to AIM, the board considered that the increase in the scale of the company's business made it appropriate for the group to exercise control over its corporate affairs and to have a direct contractual relationship with Home & Capital. The company therefore entered into an Option Agreement ("the Option") to acquire Home Equity Holdings Limited, a newly incorporated company which has itself entered into conditional agreements which if completed would result in Home Equity Holdings Limited acquiring the entire issued share capital of Home Equity and 40.9% of the issued share capital of Home & Capital.

On 16 July 2004 the board resolved to exercise the Option, which will be completed on 31 July 2004. The consideration payable is £760,000, satisfied by the issue of 292,307 new Ordinary Shares and 58,461 listed warrants. To meet the requirements of the 1999 warrant deed, a further 58,453 listed warrants will be distributed pro rata to the holders of the company's unlisted warrants.

Prior to the exercise of the Option, GCW Marshall was the controlling shareholder and chief executive of Home Equity and the controlling shareholder of Drummond Reversions Limited, which had a 40.9% shareholding in Home & Capital. RA Pearce Gould was a shareholder in and a director of Home Equity and executive chairman of Home & Capital. In view of their respective interests, neither GCW Marshall nor RA Pearce Gould participated in any of the board's decisions in relation to these transactions. RA Lo, being the only director independent of Home Equity and Home & Capital, acted under advice from the company's Nominated Adviser, Charles Stanley.

As a result of the exercise of the Option, the corporate management and administration of the company is being brought within the enlarged group. As part of these arrangements, Graeme Marshall has entered into a service contract with the company and Rupert Pearce Gould, through Cambridge Corporate Consultants Limited, has entered into a consultancy agreement with the company, which will replace the management arrangements with Home Equity. The enlarged group will have a direct contractual relationship with Home & Capital. The company will be Home & Capital's largest shareholder and have the benefit of certain provisions contained in a shareholders' agreement entered into by the shareholders of Home & Capital.

Directors' Report

Corporate governance

As an investment company with no other activities, the directors do not consider it appropriate to adopt all the requirements of the Combined Code, including the Code of Best Practice. However, the directors have ensured that:

- they meet regularly to review the overall business of the company, to monitor investment performance and to formulate policy for the company's future development;
- they maintain full authority for setting the company's investment, acquisition and financing policy;
- the manager is required to maintain a reserve of cash or bank facilities to meet ongoing expenses;
- all payments require the signature of a director; and
- no director participates in any decision of the company in which he also has an interest.

The directors believe that these procedures enable it to exercise adequate control over the company's activities.

Statement of directors' responsibilities

Company law requires directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the requirements of 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.

Tax status

The company is in discussion with the Inland Revenue about its tax status. Although for accounting purposes the company is an investment company, there is a possibility that for tax purposes it may be treated as a trading company. In the event that it is regarded as a trading company for tax purposes then:

- it will not be entitled to indexation relief on capital gains;
- the shares in the company will be treated as Business Assets for taper relief purposes.

Payment of creditors

The company's policy is to agree terms of payment when entering into major business transactions, to ensure that the supplier is aware of these terms, and to abide by the agreed terms of payment. No amounts for which invoices had been received were due to suppliers at 30 April 2004 or at 30 April 2003.

Auditors

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

By order of the board

GCW Marshall

Director

19 July 2004

Independent Auditors' Report to the Members of Sovereign Reversions plc

We have audited the financial statements on pages 13 to 26.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 opinion we have formed.

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 and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, Financial Highlights and the Investment and Financial Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 April 2004 and of group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor
Chartered Accountants
City Plaza
Temple Row
Birmingham
B2 5AF
19 July 2004

Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention (modified to include the revaluation of investment properties) in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate those of Sovereign Reversions plc and of its subsidiary undertakings. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date control passes. All financial statements are made up to 30 April 2004. Associates are consolidated using the equity method from the date the company has significant influence. The group's share of the results of associates is included when financial information is available.

Intangible assets

Where the cost of acquiring subsidiaries exceeds the fair value of the assets acquired, goodwill is recognised on consolidation, is capitalised and written off to the profit and loss account over the period over which, in the opinion of the directors, the goodwill is effective. Where the fair value of the assets acquired exceeds the purchase consideration, negative goodwill is recognised on consolidation, is capitalised and is written back to the profit and loss account over an equivalent period.

Freehold investment properties

Investment properties, with the exception of vacant properties, are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on short lease), but should be shown at open market value. 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 investment properties under the Companies Act would not, in the opinion of the directors, give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading 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 investment properties.

Vacant investment properties are included by the directors at their estimated net realisable value (being the expected sales value less a provision for costs of disposal) as they are in the process of being disposed of. This is not in accordance with SSAP 19 which requires that investment properties should be shown at open market value or FRS 12 which requires that provisions are only recognised when an entity has a present obligation as a result of a past event. It is also contrary to the Companies Act 1985, which states that fixed assets are to be stated at purchase price or production cost less provision for depreciation or diminution in value. The directors believe that valuing vacant properties at net realisable value is the most appropriate treatment for accounting purposes.

Investment properties are included in the financial statements once an irrevocable purchase contract has been entered into. Sales of investment properties are recorded once an irrevocable sale contract has been entered into, provided that sale has been legally completed by the date on which the relevant financial statements are approved by the directors.

Details of the carrying value and historic cost information for investment properties are disclosed in Note 10.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where contractual transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents rental income, exclusive of value added tax.

Profit and Loss Account FOR THE YEAR ENDED 30 APRIL 2004

	Notes	2004 £'000	2003 £'000
Turnover	1	28	25
Administrative expenses	2	(188)	(153)
Operating loss		(160)	(128)
Realised profit on sale of investment properties		853	640
Bank interest receivable		31	8
Interest payable and similar charges	4	(567)	(490)
Profit on ordinary activities before taxation	3	157	30
Taxation	6	(279)	(219)
Loss for the year	17	(122)	(189)
Realised profits transferred from revaluation reserve		1,024	858
Profit after revaluation transfers and taxation		902	669
Dividend	7	(220)	(132)
Increase in profit and loss account for the year		682	537
Balance brought forward		1,321	784
Balance carried forward	17	2,003	1,321
Earnings per share			
Basic	8	15.4p	13.5p
Diluted		15.4p	12.9p

The operating loss for the year arises from the group's continuing operations.

Balance Sheet AS AT 30 APRIL 2004

	Notes	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Fixed assets					
Intangible assets	9	(333)	(526)	—	—
Tangible assets	10	32,173	24,997	32,173	24,997
Investments:					
Shares in group companies	11	—	—	9,154	9,152
Other investment	12	—	433	433	433
Share of associate	12	542	—	—	—
		32,382	24,904	41,760	34,582
Current assets					
Debtors	13	116	774	116	774
Cash at bank and in hand		11,243	18	11,243	18
		11,359	792	11,359	792
Creditors: Amounts falling due within one year	14	(678)	(569)	(678)	(569)
Net current assets		10,681	223	10,681	223
Total assets less current liabilities		43,063	25,127	52,441	34,805
Creditors: Amounts falling due after more than one year	14	(4,058)	(8,533)	(13,210)	(17,685)
		39,005	16,594	39,231	17,120
Capital and reserves					
Called up share capital	16	6,160	2,633	6,160	2,633
Share premium account	17	17,771	3,777	17,771	3,777
Capital redemption reserve	17	28	28	28	28
Revaluation reserve	17	13,043	8,835	13,043	8,835
Profit and loss account	17	2,003	1,321	2,229	1,847
Shareholders' funds	18	39,005	16,594	39,231	17,120

Approved by the board on 19 July 2004

RA Lo
GCW Marshall

Chairman
Director

Cash Flow Statement FOR THE YEAR ENDED 30 APRIL 2004

	Notes	2004 £'000	2003 £'000
Operating loss		(160)	(128)
(Increase)/decrease in debtors		(32)	11
(Decrease)/increase in creditors		(24)	43
Amortisation of negative goodwill		(299)	(191)
Net cash absorbed by operating activities		(515)	(265)
Interest received		31	8
Interest paid		(536)	(484)
Dividends paid		(202)	—
Returns on investments and servicing of finance		(707)	(476)
Taxation		(175)	(21)
Additions to investment properties		(4,138)	(6,272)
Sale of investment properties		3,047	2,344
Net cash flow from capital expenditure and financial investment		(1,091)	(3,928)
Issue of ordinary share capital		18,188	259
New debt raised		4,697	5,982
Debt repaid		(9,172)	(1,634)
Net cash flow from financing		13,713	4,607
Increase/(decrease) in cash	20	11,225	(83)

Statement of Total Recognised Gains and Losses FOR THE YEAR ENDED 30 APRIL 2004

	2004 £'000	2003 £'000
Loss for the financial year	(122)	(189)
Unrealised surplus on revaluation of investment properties	5,232	4,553
Total recognised gains and losses relating to year	5,110	4,364

Note of Historical Cost Profits and Losses FOR THE YEAR ENDED 30 APRIL 2004

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	157	30
Historical cost depreciation charge	(383)	(323)
Realisation of property revaluation gains of previous periods	1,124	900
Historical cost profit for the year before taxation	898	607
Historical cost profit for the year after taxation	619	388

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

1 Turnover

The group's turnover was derived from its principal activity within the United Kingdom.

2 Administrative expenses

	2004 £'000	2003 £'000
Total expenses	487	344
Less: goodwill amortised		
— Subsidiaries	(191)	(191)
— Associate	(108)	—
	188	153

3 Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
This is stated after charging:		
Auditors' remuneration:		
Audit services	14	14
Non-audit services	9	7
	23	21

Further amounts totalling £64,170 were paid to the auditors during the year in respect of their assistance with the company's admission to AIM. As permitted, these amounts have been netted off against the share premium account.

4 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on bank and building society loans	543	454
Fees	24	36
	567	490

5 Remuneration of directors

	2004 £'000	2003 £'000
The emoluments of directors were:		
Fees	30	30
	30	30

The group had no other employees during the year.

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

6 Taxation

	2004 £'000	2003 £'000
Current tax		
UK corporation tax on profits of the year	279	208
Adjustments in respect of previous periods	—	11
	279	219
	2004 £'000	2003 £'000
Factors affecting tax charge for period:		
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	157	30
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	47	9
Effects of:		
Amortisation not allowable	(90)	(57)
Profit on disposal of properties	(256)	(192)
Capital gains chargeable for the year	594	457
Expenses allowed in the tax computation and capitalised in accounts	(5)	11
Expenses not allowable	3	—
Adjustments in respect of prior periods	—	11
Effect of marginal rates	(14)	(20)
Current tax charge for period	279	219

The group provides for deferred tax on gains arising on the revaluation of properties to their market value only where there is a binding agreement to sell the asset. At 30 April 2004 there were no such agreements.

At 30 April 2004 the amount of deferred tax unprovided on the surplus on revaluation of fixed assets is £3,909,968 (2003: £2,647,967).

7 Dividends

	2004 £'000	2003 £'000
Interim dividend: 1.25 pence per share (2003: 2.5 pence)	66	132
Proposed final dividend: 1.25 pence per share	154	—
	220	132

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

8 Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares

	2004 £'000	2003 £'000	2004 £'000	2003 £'000
	Basic	Basic	Diluted	Diluted
Profit for the financial year	902	669	902	669
Weighted average number of shares			2004 No. of shares	2003 No. of shares
For basic earnings per share			5,853,452	4,951,266
Conversion of warrants			—	224,783
			5,853,452	5,176,049

9 Intangible assets

— Group	Cost £'000	Amortisation £'000	Net book value £'000
1 May 2003	(957)	431	(526)
Adjustment	2	—	2
Written back during the year	—	191	191
30 April 2004	(955)	622	(333)

Intangible assets represent the negative goodwill arising on consolidation following the acquisition of the companies referred to in Note 11. Negative goodwill is being amortised over five years from the date of acquisition.

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

10 Tangible assets

— Group and company
Investment properties

	2004 £'000	2003 £'000
Valuation		
1 May 2003	24,997	15,876
Additions	4,138	6,272
Disposals	(2,194)	(1,704)
Revaluation	5,232	4,553
30 April 2004	32,173	24,997

Reversionary interests acquired prior to 31 October 2003 were valued at their open market value at 30 April 2004 in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual by Allsop & Co, the valuation amounting to £28,890,170.

Reversionary interests acquired since 1 November 2003 were valued by the directors at their acquisition cost of £1,686,700. Vacant properties were valued by the directors as at 30 April 2004 on a net realisable value basis and are included in these financial statements at £1,267,000 (2003: £1,187,500). This is net of provisions and estimated disposal expenses of £110,000 (2003: £60,000).

Two tenanted properties were valued by Allsop & Co as at 30 April 2004 on the basis of their tenanted value and included in the financial statements at £224,640. A further tenanted property was valued by the directors as at 30 April 2004 on the basis of the expected net sale value of this property and included in the financial statements at £105,000.

No depreciation is provided in respect of freehold investment properties.

The historic cost of the company's properties was £19,139,845 (2003: £16,170,819). On a historic cost basis, the properties would have been depreciated and stated at net book value of £17,887,192 (2003: £15,381,577).

11 Shares in group companies

— Company

	2004 £'000
Cost	
1 May 2003	12,215
Adjustments	2
30 April 2004	12,217
Provision	
1 May 2003 and 30 April 2004	(3,063)
Net book value at 30 April 2004	9,154
Net book value at 30 April 2003	9,152

The company's subsidiaries are:

Company	Class of share
Reversionary Gains I Ltd	Ordinary
Reversionary Gains II Ltd	Ordinary
Reversionary Gains III Ltd	Ordinary
Reversionary Gains IV Ltd	Ordinary
Unchained Reversions Ltd	Ordinary

The companies listed above are all incorporated in Scotland and are 100% owned. They were all property investment companies until 30 April 2001, when they became dormant. All have been included in the consolidated accounts.

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

12 Associated company

— Company

	£'000
Cost	
As at 1 May 2003 and 30 April 2004	433
— Group	
Share of net assets, other than goodwill	805
Goodwill arising on consolidation	(371)
Amortised in year	108
As at 30 April 2004	(263)
Net book value	
As at 30 April 2004	542
As at 30 April 2003	—

The company owns 373,862 ordinary shares in Capital Reversions PLC, representing 29.5% of that company's issued shares. Capital Reversions PLC invests in residential property subject to life tenancies. The latest accounts for this company are for the year to 31 March 2003. At this date the company had net assets of £2,942,792.

The consolidated profit and loss account does not include the group's share of the results of Capital Reversions PLC for the period 1 April 2003 to 31 March 2004 because the information is unpublished and price sensitive.

Up and to including the year ended 30 April 2003 the investment was not treated as an associated undertaking as the group was not in a position to exercise significant influence over its management. On 1 October 2003, GCW Marshall was appointed a director of Capital Reversions PLC. As a result of this appointment the group now has a significant influence and the investment is now treated as an associated undertaking.

At 31 March 2004 the group's interest in Capital Reversions PLC is stated at the group's share of its net assets, diluted for share options, net of negative goodwill of £262,927, based on the latest available audited accounts of Capital Reversions PLC, being for the year ended 31 March 2003. The negative goodwill is being amortised over two years from October 2003, the directors' estimate of its useful economic life.

13 Debtors

— Group and company

	2004 £'000	2003 £'000
Other debtors	91	69
Called up share capital not paid	7	698
Prepayments	18	7
	116	774

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

14 Creditors

	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Amounts falling due within one year				
Proposed dividend	154	132	154	132
Corporation tax	337	233	337	233
Accruals and deferred income	187	204	187	204
	678	569	678	569
Amounts falling due in more than one year				
Secured loans	4,058	8,533	4,058	8,533
Amounts owed to group undertakings	—	—	9,152	9,152
	4,058	8,533	13,210	17,685
	2004 Group £'000	2003 Group £'000	2004 Company £'000	2003 Company £'000
Amounts repayable by instalments.				
Due in more than one but not more than 2 years	—	375	—	375
Due in more than two years but not more than 5 years	—	5,856	—	3,356
Due in 5 years or more	4,058	2,302	13,210	13,954
	4,058	8,533	13,210	17,685

The loans comprise:

- a £5m fixed term loan repayable by 30 May 2011, of which £2.5m remained outstanding at the 30 April 2004 (2003: £2.5m). Interest on this loan has been fixed until 11 October 2007 at a rate of 5.46% plus margin;
- a £5m revolving credit facility expiring on 30 May 2006, which was undrawn at 30 April 2004 (2003: £4.48m);
- a £2m loan facility, repayable by 28 February 2010, of which £1.56m had been drawn at 30 April 2004 (2003: £1.55m). Interest on the loan facility is payable at a rate of LIBOR plus margin.

The company has entered into a hedging agreement with HBOS to the effect that the interest rate on £2.5m of borrowings is capped at 5.48% plus margin until 30 May 2008, but the interest rate paid shall not be less than 3.5% plus margin.

The company has placed a collateral deposit of £2.5m as an additional Security for the Term Loan.

The company will also bear agreed costs of the lender in complying with liquidity and other regulatory requirements.

The loans are secured by legal or equitable charges over the company's properties and assignment of realisation proceeds.

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

15 Financial instruments

The group's financial instruments at 30 April 2004 comprised cash and bank and building society loans. The main purpose of these financial instruments is to finance the group's acquisition of property and to enable the settlement of ongoing debts.

Short-term debtors and creditors have been omitted from the disclosures in this note.

The main risk arising from the group's financial instruments is interest rate risk.

The fair value of the group's financial instruments is deemed to be equal to book value.

Interest rate risk profile:

The group finances its operations through shareholder equity, and loans from banks and building societies.

	Total £'000	Floating rate £'000	Fixed rate £'000
At 30 April 2004			
Financial assets	11,243	11,243	—
Financial liabilities	(4,058)	(1,558)	(2,500)
At 30 April 2003			
Financial assets	18	18	—
Financial liabilities	(8,533)	(6,033)	(2,500)

The maturity profile of the financial liabilities is detailed in note 14 above.

Details of the interest rate payable on the fixed rate liability and number of years to maturity are shown in note 14 above.

The floating rate liabilities pay interest based on rates ruling in the London inter-bank market.

16 Share capital

	2004 £'000	2003 £'000
Authorised:		
30,000,000 (2003: 20,000,000) ordinary shares of 50p each	15,000	10,000
Allotted, issued and fully paid:		
12,320,748 (2003: 5,265,516) Ordinary shares of 50p each	6,160	2,633

The company issued 7,053,455 shares at 260 pence per share in April 2004.

An adjustment of 1,777 shares at £1.225 per share was also made in respect of the exchange for shares in Reversionary Gains I Limited, Reversionary Gains II Limited, Reversionary Gains III Limited, Reversionary Gains IV Limited and Unchained Reversions Limited.

The company has the following warrants in issue:

	Exercise Price	
Unlisted:		
At 1 May 2003	976,519	165 pence
	26,990	250 pence
	61,186	287.5 pence
Listed:		
Issued in April 2004	2,821,370	325 pence
At 30 April 2004	3,886,065	

The warrants are convertible into ordinary shares on or before 30 April 2009.

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

17 Reserves

	Group & company Share premium account £'000	Group & company Capital redemption reserve £'000	Group & company Revaluation reserve £'000	Group Profit and loss account £'000	Company Profit and loss account £'000
1 May 2003	3,777	28	8,835	1,321	1,847
Loss for the year	—	—	—	(122)	(422)
Revaluations in year	—	—	5,232	—	—
Transfer of realised profits	—	—	(1,024)	1,024	1,024
Dividends	—	—	—	(220)	(220)
Premium on shares issued	14,812	—	—	—	—
Issue costs	(818)	—	—	—	—
30 April 2004	17,771	28	13,043	2,003	2,229

18 Reconciliation of movement in shareholders' funds

	2004 £'000	2003 £'000
Loss for the financial year	(122)	(189)
Dividends	(220)	(132)
Unrealised revaluations in year	5,232	4,553
Shares issued during the year	17,521	957
Net addition to shareholders' funds	22,411	5,189
Opening shareholders' funds	16,594	11,405
Closing shareholders' funds	39,005	16,594

19 Directors' interests in transactions

- The company is managed by Home Equity Limited. GCW Marshall and RA Pearce Gould are shareholders in, and directors of, Home Equity Limited. During the year, Home Equity Limited charged fees for these services of £220,000 (2003: £170,000). Directors' fees of £10,000 payable to each of GCW Marshall and RA Pearce Gould were also paid to Home Equity Limited.
- The company also acquired and sold a number of properties through Home & Capital Trust Limited in which GCW Marshall is a shareholder and of which RA Pearce Gould is a director. Fees payable to Home & Capital Trust Limited for these services amounted to £318,782 (2003: £317,000).
- Cambridge Corporate Consultants Limited is the company's corporate adviser. RA Pearce Gould is a shareholder in and a director of Cambridge Corporate Consultants Limited, which charged fees of £7,000 (2003: £20,000) for its services during the year.

All of the above arrangements were on a normal commercial basis and at arm's length. Amounts disclosed are exclusive of VAT.

Notes to the Financial Statements FOR THE YEAR ENDED 30 APRIL 2004

20 Analysis of net debt

	At 1 May 2003 £'000	Cash flow £'000	At 30 April 2004 £'000
Cash at bank and in hand	18	11,225	11,243
Loans repayable in more than one year	(8,533)	4,475	(4,058)
	(8,515)	15,700	7,185

21 Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	11,225	(83)
Cash inflow/(outflow) from increase in debt	4,475	(4,348)
Change in net debt resulting from cash flows	15,700	(4,431)
Opening net debt	(8,515)	(4,084)
Closing net debt	7,185	(8,515)

22 Profit and loss

The company has relied upon the exemption contained in the Companies Act 1985 section 230(3) not to present its own profit and loss account. The company made a loss after tax of £422,023 for the year to 30 April 2004 (2003: loss of £380,835).

23 Post-balance sheet event

On 16 July 2004 the company resolved to exercise its option to acquire Home Equity Holdings Limited for a consideration of £760,000, to be settled through the issue of 292,307 shares and 58,461 warrants at a price of £13 per unit of five shares and one warrant. As a result of this transaction, holders of the unlisted warrants will also be issued with 58,453 listed warrants in proportion to their warrant holdings. All listed warrants are exercisable on the same terms as the listed warrants already in issue.

Following this transaction, Graeme Marshall will be interested in a further 291,346 shares and 96,899 warrants and Rupert Pearce Gould will be interested in a further 961 shares and 12,488 warrants.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the company will be held at 35 Vine Street, London EC3N 2AA on Wednesday 18 August 2004 at 11.00 a.m. for the following purposes, namely:

Ordinary business

1. To receive and adopt the accounts for the year ended 30 April 2004 and the reports of the directors and auditors thereon.
2. To declare a final dividend of 1.25 pence per ordinary share.
3. To reappoint Baker Tilly, Chartered Accountants, as auditors until the conclusion of the next Annual General Meeting at which accounts are laid before the members and to authorise the directors to fix their remuneration.
4. To re-elect RA Lo as a director.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5. That the directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985, as amended ("Act") to exercise all of the powers of the Company to allot relevant securities (as defined in the said Section) up to an aggregate nominal amount of £2,053,458 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the directors pursuant to Section 80 of the Act.
6. That the directors be and they are hereby generally empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by Resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be in substitution for any previous powers conferred on the directors pursuant to the said Section 95 and shall be limited to:
 - (i) the allotment of equity securities in connection with an issue or offer in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders or to be offered to such shareholders are proportionate (as nearly as may be practicable) to the respective number of ordinary shares held by them on the record date for such allotment or offer, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory; and
 - (ii) the allotment for cash (otherwise than pursuant to subparagraph (i) above) of further equity securities up to an aggregate nominal amount of £616,037.40; provided that the power in this sub paragraph (ii) shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted otherwise than in accordance with Section 89 of the Act after such expiry and the directors may allot equity securities pursuant thereto as if the power conferred hereby had not expired.
7. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Act to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 50p each in the capital of the Company provided that:
 - (i) the maximum aggregate number of shares hereby authorised to be purchased is 1,232,074 ordinary shares of 50p each representing 10 per cent of the Company's issued share capital;
 - (ii) the minimum price which may be paid for such shares is 50p per share (exclusive of expenses);
 - (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 105 per cent of the closing middle market quotation for an ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
 - (iv) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting;

Notice of Meeting

- (v) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts;
- (vi) any shares which as a result of the exercise of this authority are undesignated shares in the authorised capital of the Company shall immediately following such exercise be re-designated as ordinary shares of 50 pence each of the Company.

By order of the board

Nigel Hare Scott

Company Secretary

19 July 2004

Registered Office

31 Goldington Road

Bedford, MK40 3LH

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. A form of proxy is enclosed.
2. To be effective, completed forms of proxy and the power of attorney or other authority (if any) under which they are signed or a copy of that power or authority, certified notarially or in accordance with the Powers of Attorney Act 1971, must be lodged in accordance with the instructions printed thereon, not later than 48 hours before the time appointed for the meeting or any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he wish to do so.
4. The company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the company as at 11 a.m. on Monday 16 August 2004 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at this meeting.

Shareholder Information

Company address (and registered office)

31 Goldington Road
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MK40 3LH
Tel 01234 340511
Fax 01234 271547
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Company secretary

Nigel Hare-Scott FCA
Company number 269624 (England and Wales)

Website

www.sovereign-reversions.co.uk

Share trading information

Our shares are listed on AIM
SEDOL 0846743
ISIN number GB008467432
Daily share price information can be obtained from our website

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