

The Modus Alpha General Partner Limited

**Directors' report and financial
statements**

Registered number 05622821

Period from 15 November 2005 to 31
December 2006

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of The Modus Alpha General Partner Limited	4
Profit and Loss Account	6
Balance Sheet	7
Reconciliation of Movements in Shareholders' Funds	8
Notes	9

Directors' report

The directors present their directors' report and financial statements for the period from 15 November 2005 to 31 December 2006

Principal activities

The principal activity of the company during the period was serving as the general partner of a property investment partnership

Proposed dividend

The directors do not recommend the payment of a dividend

Directors and directors' interests

The directors who held office during the period were as follows

DLA Piper Rudnick Gray Cary	
UK Secretarial Services Limited	DLA (appointed 08 November 2006 resigned 06 December 2005)
Piper Rudnick Gray Cary UK Nominees Limited	(appointed 08 November 2006 resigned 06 December 2005)
D Lockhart	(appointed 06 December 2005)
B Flood	(appointed 06 December 2005)
HJ McIntyre	(appointed 31 January 2006)
A Buchan	(appointed 31 January 2006)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the Company

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the were granted to any of the directors or their immediate families, or exercised by them, during the financial period

Employees

There were no employees during the period apart from the directors

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



D Lockhart
Director

20 JUNE 2007

The Edge
Clowes Street
Manchester
M3 5NA

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of The Modus Alpha General Partner Limited

We have audited the financial statements of The Modus Alpha General Partner Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of The Modus Alpha General Partner Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

21 JUNE 2007

Profit and Loss Account

for the period from 15 November 2005 to 31 December 2006

	<i>Note</i>	Period from 15 December 2005 to 31 December 2006 £
Partnership salary		2,500
Profit on ordinary activities before taxation		<hr/> 2,500
Tax on profit on ordinary activities	5	(317) <hr/>
Profit for the financial period		<hr/> 2,183 <hr/>

All transactions relate to continuing operations

The notes on pages 9 to 13 form part of these financial statements

Balance Sheet
at 31 December 2006

	<i>Note</i>	31 December 2006 £
Called up share capital not paid		100
Current assets		
Debtors	6	2,500
		<hr/>
		2,500
Creditors: amounts falling due within one year	7	(317)
		<hr/>
Net current assets		2,183
		<hr/>
Net assets		2,283
		<hr/>
Capital and reserves		
Called up share capital	8	100
Profit and loss account	9	2,183
		<hr/>
Shareholders' funds		2,283
		<hr/>

The notes on pages 9 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 20 June 2007 and were signed on its behalf by



D Lockhart
 Director

Reconciliation of Movements in Shareholders' Funds
for the period from 15 November 2005 to 31 December 2006

	31 December 2006 £
Profit for the financial period	2,183
New share capital subscribed (net of issue costs)	100
	<hr/>
Net addition to shareholders' funds	2,283
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	2,283
	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The corresponding amounts in these financial statements are restated in accordance with the new policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company

As the Company is a joint venture 50% owned by Royal Bank of Scotland and 50% owned by Modus (Property Services) Ltd 50% of the Company's voting rights are controlled within the group headed by Modus Alpha Property Partner Limited Partnership ("The Partnership"), the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

Turnover

Turnover represents amounts receivable for services, net of VAT and trade discounts

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

Notes (continued)

1 Accounting policies (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2 Notes to the profit and loss account

Auditors remuneration of £1,250 is borne by Modus Alpha Property Partners Limited Partnership.

3 Remuneration of directors

The directors did not receive any emoluments during the current period.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees Period from 15 December 2005 to 31 December 2006
Directors	4

The aggregate payroll costs of these persons for the period was £nil.

Notes (continued)

5 Taxation

Analysis of charge in period

	Period from 15 December 2005 to 31 December 2006 £
<i>UK corporation tax</i>	
Current tax on income for the period	317
Adjustments in respect of prior periods	-
Total current tax	317
Total deferred tax	-
Tax on profit on ordinary activities	317

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below

	Period from 15 December 2005 to 31 December 2006 £
<i>Current tax reconciliation</i>	
Profit on ordinary activities before tax	2,500
Current tax at 19%	475
<i>Effects of</i>	
Timing of tax relief	(158)
Total current tax charge (see above)	317

Factors that may affect future current and total tax charges

On 21 March 2007 the UK Government announced that it proposed to reduce corporation tax from 30% to 28%. It is expected that this will be substantively enacted during 2007. It is not expected that this will have a significant effect on the company's current or deferred tax.

Notes (continued)

6 Debtors

	31 December 2006 £
Amounts owed by group undertakings	2,500
	<u>2,500</u>

7 Creditors: amounts falling due within one year

	31 December 2006 £
Corporation tax	217
	<u>217</u>

8 Called up share capital

	31 December 2006 £
<i>Authorised</i> 1,000 ordinary shares of £1 each	1,000
<i>Allotted, called up and fully paid</i> 100 ordinary shares of £1 each	100

During the period the Company issued 100 £1 ordinary shares for a consideration of £100, settled in cash

9 Reserves

	Profit and loss account £
At beginning of period	-
Profit for the period	2,183
	<u>2,183</u>
At end of period	<u>2,183</u>

Notes *(continued)*

10 Related party disclosures

Being a joint venture of KUC Properties Limited and Modus (Property Services) Limited, the company has no parent company or controlling party

During the period the company earned a fixed profit share of £2,500 from Modus Alpha Property Partners Limited Partnership, and English partnership of which it is the Limited Partner

11 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is not part of a group