

COMPANY REGISTRATION NUMBER 2231168

Solitaire Property Management Company Limited
Financial Statements
For
31 December 2005



Solitaire Property Management Company Limited

Financial Statements

Year ended 31 December 2005

Contents	Page
Officers and professional advisers	1
The directors' report	2
Statement of directors' responsibilities	4
Independent auditor's report to the shareholder	5
Profit and loss account	7
Balance sheet	8
Accounting policies	9
Notes to the financial statements	11
The following pages do not form part of the financial statements	
Detailed profit and loss account	19
Notes to the detailed profit and loss account	20

Solitaire Property Management Company Limited

Officers and Professional Advisers

The Board of Directors

H B Shulman
G A Shapiro
A D B Taylor
C J Burton

Company Secretary

Solitaire Secretaries Limited

Registered Office

Clinton House
High Street
Coleshill
Birmingham
B46 3BP

Auditor

MacIntyre Hudson LLP
Chartered Accountants
& Registered Auditors
Euro House
1394 High Road
Whetstone
London
N20 9YZ

Bankers

AIB Group (UK) Plc
10 Berkeley Square
London
W1X 6DN

Bank of Scotland
600 Gorgie Road
Edinburgh
EH11 3XP

Solitaire Property Management Company Limited

The Directors' Report

Year ended 31 December 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The principal activity of the company during the year was the administration and management of flats and housing estates, including the management of maintenance and reserve funds.

The directors are satisfied with the results for the year and are confident that the company will remain profitable in future years.

Future developments of the company are included within Solitaire Group Plc's consolidated financial statements.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

H B Shulman
G A Shapiro
A D B Taylor
C J Burton

The company is a wholly owned subsidiary. None of the directors held any interest in the shares of the company, or its fellow subsidiaries, at the beginning or end of the year. The shares held by the directors in the ultimate parent company, Solitaire Group Plc, are disclosed in that company's financial statements.

Solitaire Property Management Company Limited

The Directors' Report *(continued)*

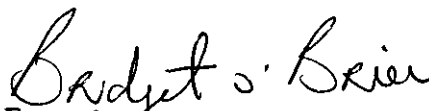
Year ended 31 December 2005

Auditor

MacIntyre Hudson became a limited liability partnership ("LLP") on 1 October 2005. A resolution to appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Clinton House
High Street
Coleshill
Birmingham
B46 3BP

Signed by order of the directors


For and on behalf of
Solitaire Secretaries Ltd

Solitaire Secretaries Limited
Company Secretary

Approved by the directors on 22/5/2006

Solitaire Property Management Company Limited

Statement of Directors' Responsibilities

Year ended 31 December 2005

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 to 10, 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; 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. The directors 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.

Solitaire Property Management Company Limited

Independent Auditor's Report to the Shareholder of Solitaire Property Management Company Limited

Year ended 31 December 2005

We have audited the financial statements of Solitaire Property Management Company Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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 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.

Solitaire Property Management Company Limited

Independent Auditor's Report to the Shareholder of Solitaire Property Management Company Limited
(continued)

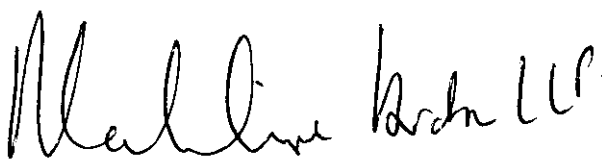
Year ended 31 December 2005

Opinion

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and

the financial statements have been properly prepared in accordance with the Companies Act 1985.



MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

Euro House
1394 High Road
Whetstone
London
N20 9YZ

31 May 2006

Solitaire Property Management Company Limited

Profit and Loss Account

Year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	1	3,485,629	2,805,494
Cost of sales		165,512	175,109
Gross profit		<u>3,320,117</u>	<u>2,630,385</u>
Administrative expenses		3,561,517	3,094,771
Other operating income		(418,128)	(36,996)
Operating profit/(loss)	2	176,728	(427,390)
Interest receivable		18,686	19,538
Interest payable and similar charges	5	(12,997)	(7,139)
Profit/(loss) on ordinary activities before taxation		<u>182,417</u>	<u>(414,991)</u>
Tax on profit/(loss) on ordinary activities	6	(13,240)	19,391
Profit/(loss) for the financial year		<u>£195,657</u>	<u>£(434,382)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The accounting policies and notes on pages 9 to 17 form part of these financial statements.

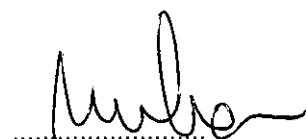
Solitaire Property Management Company Limited

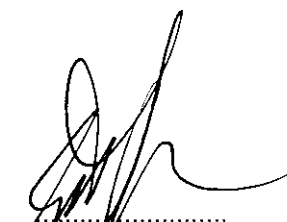
Balance Sheet

31 December 2005

	Note	2005 £	£	2004 £
Fixed assets				
Intangible assets	7		—	67,667
Tangible assets	8		469,098	462,571
			<u>469,098</u>	<u>530,238</u>
Current assets				
Debtors	9	2,433,103		1,213,900
Cash at bank and in hand		25,691		43,972
		<u>2,458,794</u>		<u>1,257,872</u>
Creditors: amounts falling due within one year	10	<u>1,748,565</u>		<u>1,837,129</u>
Net current assets/(liabilities)			<u>710,229</u>	<u>(579,257)</u>
Total assets less current liabilities			<u>1,179,327</u>	<u>(49,019)</u>
Creditors: amounts falling due after more than one year	11		<u>1,050,000</u>	<u>—</u>
			<u>129,327</u>	<u>(49,019)</u>
Provisions for liabilities				
Deferred taxation	13		<u>2,080</u>	<u>19,391</u>
			<u>£127,247</u>	<u>£(68,410)</u>
Capital and reserves				
Called-up equity share capital	17		12,000	12,000
Profit and loss account	18		<u>115,247</u>	<u>(80,410)</u>
Shareholder's funds/(deficit)	19		<u>£127,247</u>	<u>£(68,410)</u>

These financial statements were approved by the directors on the 22/5/06 and are signed on their behalf by:


H B Shulman


G A Shapiro

The accounting policies and notes on pages 9 to 17 form part of these financial statements.

Solitaire Property Management Company Limited

Accounting Policies

Year ended 31 December 2005

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover is recognised to the extent that the company has obtained the right to consideration through its performance. Where payment is received in advance of performance, the company recognises a liability equal to the amount received, representing its obligations under the contract. That liability is reduced and reported as revenue as the services are performed.

Turnover consists of ground rents, management fees, surveyors' fees, registration fees receivable and other related receivables, net of Value Added Tax.

The company collects and disburses service charges and rents on behalf of clients, through client trustee bank accounts. In the opinion of the directors, this turnover and these bank accounts are not part of the company's own operations and are therefore excluded from these financial statements.

Goodwill

Goodwill arising on acquisitions is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - over 10 years

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Equipment - over 3 to 5 years

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The annual contributions payable are charged to the profit and loss account.

Solitaire Property Management Company Limited

Accounting Policies *(continued)*

Year ended 31 December 2005

Deferred taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Pre-contract costs

In accordance with Urgent Issues Task Force Abstract 34, pre contract costs incurred prior to an award of a contract are written off in the year in which they are incurred. Pre contract costs incurred following the award of a contract are deferred and charged to the profit and loss account upon commencement of the contract.

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

1. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2005 £	2004 £
United Kingdom	<u>3,485,629</u>	<u>2,805,494</u>

2. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2005 £	2004 £
Amortisation	14,500	14,500
Exceptional item (note 7)	53,167	
Depreciation of owned fixed assets	258,897	194,355
Auditor's remuneration		
- as auditor	9,005	10,500
- for other services	4,600	-
Operating lease costs:		
- Land and buildings	104,680	52,000
- Plant and machinery	<u>160,430</u>	<u>113,785</u>

3. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2005 No	2004 No
Number of administrative staff	<u>81</u>	<u>69</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	1,933,033	1,528,455
Social security costs	213,147	161,980
Other pension costs	4,153	4,143
	<u>£2,150,333</u>	<u>£1,694,578</u>

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2005 £	2004 £
Emoluments receivable	<u>134,000</u>	<u>195,000</u>

5. Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank borrowing	<u>12,997</u>	<u>7,139</u>

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2004 - --%)	<u>4,071</u>	-
Total current tax	<u>£4,071</u>	-
Deferred tax:		
Origination and reversal of timing differences (note 13)		
Capital allowances	<u>(17,311)</u>	<u>19,391</u>
Tax on profit/(loss) on ordinary activities	<u>£(13,240)</u>	<u>£19,391</u>

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

6. Taxation on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2004 - -%).

	2005 £	2004 £
Profit/(loss) on ordinary activities before taxation	182,417	(414,991)
Tax on profit on ordinary activities at 19% (2004: -%)	34,659	-
Expenses not deductible for tax purposes	1,083	-
Depreciation in excess of capital allowances	13,962	-
Unrelieved losses brought forward	(22,933)	-
Group loss relief	(32,802)	-
Goodwill write down - exceptional item	10,102	-
Total current tax (note 6(a))	£4,071	-

7. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2005 and 31 December 2005	145,000
Amortisation	
At 1 January 2005	77,333
Charge for the year	14,500
Revaluation adjustment	53,167
At 31 December 2005	£145,000
Net book value	
At 31 December 2005	-
At 31 December 2004	67,667

The contract in relation to the goodwill was cancelled in January 2006. A write down of £53,167 was made at the year end and is shown as an exceptional item in administrative expenses.

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

8. Tangible fixed assets

	Office Equipment £
Cost	
At 1 January 2005	1,083,242
Additions	265,424
At 31 December 2005	<u>£1,348,666</u>
Depreciation	
At 1 January 2005	620,671
Charge for the year	258,897
At 31 December 2005	<u>£879,568</u>
Net book value	
At 31 December 2005	<u>469,098</u>
At 31 December 2004	<u>462,571</u>

9. Debtors

	2005 £	2004 £
Trade debtors	112,858	69,542
Amounts owed by group undertakings	1,391,991	455,638
Other debtors	303,280	262,834
Prepayments and accrued income	624,974	425,886
	<u>£2,433,103</u>	<u>£1,213,900</u>

The debtors above include the following amounts falling due after more than one year:

	2005 £	2004 £
Amounts owed by group undertakings	<u>650,000</u>	<u>—</u>

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

10. Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	57,161	124,801
Trade creditors	117,009	37,848
Amounts owed to group undertakings	1,271,080	1,427,152
Corporation tax	4,071	—
PAYE and social security	207,674	168,333
Other creditors	53,000	40,000
Accruals and deferred income	38,570	38,995
	<u>£1,748,565</u>	<u>£1,837,129</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2005 £	2004 £
Bank loans and overdrafts	<u>57,161</u>	<u>124,801</u>

The bank overdraft is secured by way of a fixed and floating charge over the assets of the company.

11. Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group undertakings	<u>1,050,000</u>	<u>—</u>

12. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost of £4,153 (2004: £4,143) represents contributions payable by the company to the fund.

13. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2005 £	2004 £
Provision brought forward	19,391	—
Profit and loss account movement arising during the year	(17,311)	19,391
Provision carried forward	<u>£2,080</u>	<u>£19,391</u>

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

13. Deferred taxation (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005 £	2004 £
Excess of taxation allowances over depreciation on fixed assets	2,080	19,391
	<u>£2,080</u>	<u>£19,391</u>

14. Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005 Land & Buildings £	Other Items £	2004 Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	42,240	22,185	-	24,953
Within 2 to 5 years	-	156,380	-	120,480
After more than 5 years	107,500	-	66,500	-
	<u>£149,740</u>	<u>£178,565</u>	<u>£66,500</u>	<u>£145,433</u>

15. Contingencies

On the 7 April 2004 the company agreed an unlimited cross guarantee in favour of Allied Irish Bank (GB) over its assets and those of its fellow group companies Solitaire Group Plc, Holding & Management (Solitaire) Limited, Pembertons Residential Limited, Morbury Limited and Freehold Managers Plc. Loans in certain group companies are secured by an unlimited omnibus guarantee over the assets of the company.

16. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with group undertakings on the grounds that it is a subsidiary of a UK company which has produced consolidated financial statements which are publicly available. Year end balances with group undertakings are disclosed in debtors and creditors as appropriate.

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2005

17. Share capital

Authorised share capital:

	2005 £	2004 £
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

Allotted, called up and fully paid:

	No.	2005 £	No.	2004 £
Equity shares				
Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

18. Profit and loss account

	2005 £	2004 £
Balance brought forward	(80,410)	353,972
Profit/(loss) for the financial year	<u>195,657</u>	<u>(434,382)</u>
Balance carried forward	<u>£115,247</u>	<u>£(80,410)</u>

19. Reconciliation of movements in shareholder's funds

	2005 £	2004 £
Profit/(Loss) for the financial year	195,657	(434,382)
Opening shareholder's (deficit)/funds	<u>(68,410)</u>	<u>365,972</u>
Closing shareholder's funds/(deficit)	<u>127,247</u>	<u>(68,410)</u>

20. Ultimate parent company

The parent company is Holding & Management (Solitaire) Limited.

The ultimate parent company is Solitaire Group PLC. Copies of the group financial statements of Solitaire Group PLC are available from its registered office at Lynwood House, 10 Victors Way, Barnet, Hertfordshire, EN5 5TZ.

Solitaire Property Management Company Limited

Management Information

Year ended 31 December 2005

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 5 to 6.**

Solitaire Property Management Company Limited

Detailed Profit and Loss Account

Year ended 31 December 2005

	2005 £	2004 £
Turnover		
Management fees	2,929,633	2,360,491
Surveyors' fees	143,033	151,249
Administration fees	234,732	238,278
Rent collection commission	43,619	33,340
Sundry income	134,612	22,136
	<u>3,485,629</u>	<u>2,805,494</u>
Cost of sales		
Direct costs	165,512	175,109
	<u>3,320,117</u>	<u>2,630,385</u>
Gross profit		
Overheads		
Administrative expenses	3,561,517	3,094,771
	<u>(241,400)</u>	<u>(464,386)</u>
Other operating income		
Management fee	418,128	36,996
	<u>176,728</u>	<u>(427,390)</u>
Operating profit/(loss)		
Bank interest receivable	18,686	19,538
	<u>195,414</u>	<u>(407,852)</u>
Bank interest payable	(12,997)	(7,139)
Profit/(loss) on ordinary activities	<u>£182,417</u>	<u>£(414,991)</u>

Solitaire Property Management Company Limited

Notes to the Detailed Profit and Loss Account

Year ended 31 December 2005

	2005 £	£	2004 £
Administrative expenses			
Personnel costs			
Directors' salaries	134,000		195,000
Directors' National Insurance contributions	21,951		24,495
Wages and salaries	1,799,033		1,333,455
Staff National Insurance contributions	191,196		137,485
Staff pension contributions	4,153		4,143
		2,150,333	1,694,578
Establishment expenses			
Rent	104,680		52,000
Rent and service charges	62,814		71,236
General and water rates	49,017		19,488
Light and heat	10,567		3,391
Insurance	55,246		62,744
Repairs and renewals	23,497		24,442
Computer expenses	151,350		140,860
Office cleaning	16,091		9,940
		473,262	384,101
General expenses			
Motor expenses	153,032		133,525
Telephone	51,618		44,719
Temporary staff	25,088		14,575
Hire of equipment	15,220		13,258
Maintenance of equipment	17,505		14,149
Postage	88,911		73,006
Stationery	75,149		56,739
Training costs	18,492		2,561
Recruitment costs	58,678		24,632
Sundry expenses	17,572		10,088
Advertising	5,452		852
Subscriptions	13,936		15,392
Management charges payable	30,000		343,152
Legal and professional fees	24,967		40,617
Audit and accountancy	9,005		10,500
Exceptional item	53,167		—
Amortisation	14,500		14,500
Depreciation of office equipment	258,897		194,355
		931,189	1,006,620
Carried forward		3,554,784	3,085,299

Solitaire Property Management Company Limited

Notes to the Detailed Profit and Loss Account

Year ended 31 December 2005

	2005 £	£	2004 £
Administrative expenses <i>(continued)</i>			
Brought forward		3,554,784	3,085,299
Financial costs			
Bad debts written off	362		1,747
Bank charges	6,371		7,725
		6,733	9,472
		3,561,517	3,094,771
Interest receivable			
Bank interest receivable		18,686	19,538