

Solitaire Property Management Company Limited

Report and Financial Statements

31 December 2009

THURSDAY



"LH9T1NUM"

L54

30/09/2010

117

COMPANIES HOUSE

Solitaire Property Management Company Limited

Registered No 2231168

DIRECTORS

N G Bannister FIRPM
D C Edwards LLB
C McGill

SECRETARY

Solitaire Secretaries Limited

AUDITORS

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

BANKERS

Bank of Scotland
2nd Floor
Pentland House
8 Lochside Avenue
Edinburgh
EH12 9DJ

REGISTERED OFFICE

Queensway House
11 Queensway
New Milton
Hampshire
BH25 5NR

Solitaire Property Management Company Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £899,686 (2008 loss £1,535,260) The directors do not recommend the payment of a final dividend (2008 £nil)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the management of residential and commercial property developments for landlords, developers or resident controlled management companies

Overview

The company strives to increase its market share in Property Management through organic growth and business retention

Financial Review

The Company's performance was improved on forecasts and expectations despite the lower volume of property sales taking place in the market The following key performance indicators are used to measure the results of the company

Properties under management have increased by 3%

Business retention is 96%

Turnover has decreased by 8%

Operating losses have decreased by 65%

Risk Analysis

The company relies on the relationships it has with property developers and will look to increase it's developer base in future periods Interest rate sensitivity within the housing sector could impact on these developers and the knock on effect could influence the number of properties coming into management Equally, lack of credit in the market could effect demand for property thus causing the levels of new build units being placed into management reducing

The impact of legislative changes within the industry is also a risk The company believes that through previous experiences it has the infrastructure and highly trained employees to cope with any changes outside of its control

The retention of staff is key to the success of the business in providing outstanding customer service By training staff to an exceptionally high standard the company aims to meet these objectives as well as motivate its workforce

Prospects

In 2009, the company's ultimate UK holding company, Aztec Opco Developments Limited breached certain loan covenants of banking facilities totalling £116,600,000 To date, the lender has not taken remedies open to them as a result of these breaches The Directors are aware that there is an open dialogue with the lender of these facilities with a view to a consensual restructuring of that company's indebtedness Therefore the Directors believe that successful consensual restructuring of the facility will mean there is no withdrawal of the facilities made available to Aztec Opco Developments Limited, and the company will be able to meet its liabilities as they fall due

Solitaire Property Management Company Limited

DIRECTORS' REPORT

DIRECTORS

The directors who served during the year were as follows

N G Bannister FIRPM

V Tchenguiz (appointed 18 November 2009 and resigned 8 January 2010)

D C Edwards LLB

W K Proctor (resigned 11 June 2010)

M J Gaston (resigned 11 June 2010)

C C McGill (appointed 24 August 2009)

The directors are not liable to retire by rotation

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through the newsletter 'In-Touch' in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas

INSURANCE OF COMPANY OFFICERS

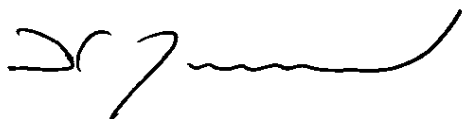
The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company

AUDITORS

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

By order of the Board



N G Bannister

Director

30 September 2010

Solitaire Property Management Company Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (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 and then apply them consistently,
- Make judgements 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,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that show and explain the company's transactions, disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Solitaire Property Management Company Limited

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Solitaire Property Management Company Limited

We have audited the company's financial statements (the "financial statements") of Solitaire Property Management Company Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Solitaire Property Management Company Limited

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

Kim H Hayward (senior statutory auditor)

For and on behalf of

BDO LLP

Chartered Accountants and Registered Auditors

Southampton

United Kingdom

20 September 2010

BDO LLP is a limited partnership registered in England and Wales (with registered number OC305127)

Solitaire Property Management Company Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
TURNOVER	3	5,557,942	6,047,624
Cost of Sales		-	(193,383)
GROSS PROFIT		5,557,942	5,854,241
Administrative expenses		(6,233,490)	(5,546,138)
Exceptional items		-	(2,367,716)
		(6,233,490)	(7,913,854)
Other operating income		-	112,203
OPERATING LOSS	4	(675,548)	(1,947,410)
Interest receivable		69,234	146,119
Interest payable and similar charges	7	(46,556)	(35,286)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(652,870)	(1,836,577)
Tax on loss on ordinary activities	8	(246,816)	301,317
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(899,686)	(1,535,260)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2009

There are no recognised gains or losses other than the loss attributable to shareholders for the year ended 31 December 2009 of £899,686 (2008 loss £1,535,260)

Solitaire Property Management Company Limited

BALANCE SHEET

at 31 December 2009

Registered No 2231168

		2009	2008
	Notes	£	£
FIXED ASSETS			
Tangible assets	9	185,035	360,812
CURRENT ASSETS			
Debtors	10	1,948,321	1,836,014
Cash at bank and in hand		1,391,808	1,592,891
		3,340,129	3,428,905
CREDITORS amounts falling due within one year	11	(6,014,062)	(5,378,929)
NET CURRENT LIABILITIES		(2,673,933)	(1,950,024)
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,488,898)	(1,589,212)
CAPITAL AND RESERVES			
Called up share capital	13	1,232,000	1,232,000
Profit and loss account	14	(3,720,898)	(2,821,212)
SHAREHOLDERS' FUNDS		(2,488,898)	(1,589,212)

These financial statements were approved and authorised for issue by the board of directors on 30 September 2010 and were signed on its behalf by



N G Bannister
Director

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

1 GOING CONCERN

These financial statements have been prepared on the going concern basis

On 31 March 2008, shares in one of the company's intermediate offshore holding companies were pledged as security to secure the financial liabilities of a related party. Meanwhile, the company and certain of its subsidiaries are party to a composite debenture secured over all their assets in relation to a loan made to Aztec Opco Developments Limited, the ultimate United Kingdom parent company. The loan facility agreement includes clauses in respect of a change of control which if triggered could give rise for a demand for repayment of that loan.

On 10 December 2008, breaches occurred in the loan covenants of this related party. Negotiations are in hand regarding settlement of the related party's financial liabilities covered by the pledged security.

Furthermore, the loan facility agreement for the loan advanced to Aztec Opco Developments Limited includes covenants in respect of timely provision of annual financial statements and payment of interest which if triggered could give rise for a demand for repayment of that loan. Breaches occurred of these covenants during the current year.

Should the negotiations be unsuccessful, the principle effects should be that the companies' cross collateralised borrowings, totalling £116,600,000 at the year end, could become immediately repayable together with additional costs of £15,842,934 which arose in respect of the termination of the interest rate arrangements that fixed the interest rates on the loan.

If these borrowings were not repaid following formal demand, the lender to Aztec Opco Developments Limited could make a claim on the company and on those of its fellow subsidiaries which were also party to the composite debenture for the full indebtedness under the cross collateralisation. Having exercised its security the lender could seek to sell the company, dispose or otherwise realise its assets or the assets of its fellow subsidiaries separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business so the company's assets and those of its fellow subsidiaries might only be realised at values significantly less than their carrying values.

In determining to prepare the financial statements on the going concern basis the directors consider that the negotiations referred to above will be successful and that there will be no withdrawal of the facilities made available to Aztec Opco Developments Limited or any claim on the company or its subsidiaries under the composite debenture.

2 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and with the requirements of the Companies Act 2006.

Cash flow statement

Advantage has been taken of the exemption available under Financial Reporting Standard 1 not to prepare a cash flow statement as the consolidated financial statements of the Aztec Opco Developments Limited group in which the company is included are publicly available.

Related parties

Advantage has been taken of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' paragraph 8(c) not to disclose group transactions provided any subsidiary which is a party to the transaction is wholly owned by a member of the group as the consolidated financial statements of Aztec Opco Developments Limited group in which the company is included are publicly available.

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

2 ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its useful life, as follows

Fixtures and fittings	-	evenly over 5 years
Computer Hardware	-	evenly over 5 years

Computer Software	-	evenly over 3 years
-------------------	---	---------------------

Leasing and hire purchase commitments

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet, and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements, less interest not yet due, are included in creditors. Interest on such agreements is charged to the profit and loss account over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of the capital amounts outstanding.

Rentals paid under operating leases are charged in the profit and loss account as they fall due.

Pensions

The group operates a defined contribution pension scheme for its employees to which the company makes a contribution under specified circumstances. The scheme is administered on behalf of employees by an independent insurance company in funds separate from the group's finances. The amount charged against profits represents the contributions payable by the company in to the scheme in respect of the year.

Taxation

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

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

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

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

3. TURNOVER

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax, all of which is attributable to continuing operations generated in the UK

Developments under management owned by other group companies are deemed to be related parties within the meaning of FRS 8. During the year ended 31 December 2009, the company's aggregate charges to those developments are as follows

	2009 £
Management fees	2,491,276

2008 Comparative figures are not available

4 OPERATING PROFIT LOSS

This is stated after charging

	2009 £	2008 £
Exceptional Items		
-Staff redundancies	-	163,772
-Property Management Costs	-	1,759,810
-Provision against related party balance	-	444,134
Depreciation of owned fixed assets	193,359	215,656
Auditor's remuneration	-	14,100
Operating lease rentals - land and buildings	257,452	212,943
Operating lease rentals - plant and equipment	170,519	234,991

The auditors are remunerated by the immediate parent undertaking, Peverel Limited. The total audit fee for the UK group, of which Solitaire Property Management Company Limited is a member, amounted to £102,000.

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

5. DIRECTORS' EMOLUMENTS

The directors were paid by the immediate parent undertaking, Peverel Limited, of which they are also directors. The directors' remuneration for the UK group amounted to £497,742 (2008 £577,438). The total pension contributions amounted to £40,788 (2008 £38,888). The directors are unable to quantify the allocation of these amounts between individual companies within the group.

6. STAFF COSTS

	2009	2008
	£	£
Wages and salaries	3,362,542	2,992,890
Social security costs	386,468	306,228
Other pension costs	49,688	11,494
	<u>3,798,698</u>	<u>3,310,612</u>

The payroll costs of house staff included in the above table are recharged at cost to the developments under management and are not direct costs to the company. These amounted to £74,315 in the year ended 31 December 2009.

The average number of persons employed by the company during the year, including executive directors, was as follows:

	2009	2008
	No	No
Office, Management and House staff	<u>83</u>	<u>112</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£	£
Bank Interest	<u>46,556</u>	<u>35,286</u>

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

8 TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) Tax on loss on ordinary activities

The tax charge/(credit) is made up as follows

	2009 £	2008 £
<i>Current tax</i>		
Adjustments in respect of prior periods group interest	-	-
Total current tax	-	-
<i>Deferred taxation</i>		
Origination and reversal of timing differences	246,816	-
Adjustments in respect of prior periods	-	(301,317)
Total deferred tax	246,816	(301,317)
Tax on loss on ordinary activities	246,816	(301,317)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28%. The differences are reconciled below

	2009 £	2008 £
Loss on ordinary activities before tax	(652,870)	(1,836,577)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 28% (2008 28.5%)	(182,804)	(512,242)
<i>Effects of</i>		
Expenses not deductible for tax purposes	(7,954)	13,878
Fixed asset timing differences	54,141	60,275
Other timing differences	(25,894)	301,317
Movement on unutilised tax losses	(275,063)	-
Over provision in respect of previous years	-	124,358
UK Transfer pricing	(155,183)	(324,218)
Group relief	-	336,632
Movement on unrecognised tax losses	592,757	-
Total current tax	-	-

The tax credit is prepared on the assumption that available group relief will not be paid for in full

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

9. TANGIBLE FIXED ASSETS

	<i>Fixtures & fittings £</i>
Cost	
At 1 January 2009	1,875,694
Additions	17,582
At 31 December 2009	1,893,276
Depreciation	
At 1 January 2009	1,514,882
Provided during the year	193,359
At 31 December 2009	1,708,241
Net book value at 31 December 2009	185,035
Net book value at 31 December 2008	360,812

10. DEBTORS

	<i>2009 £</i>	<i>2008 £</i>
Trade debtors	726,728	86,174
Amounts due from related parties	11,594	64,886
Amounts due from fellow subsidiary undertakings	1,053	-
Deferred taxation (note 12)	393,320	640,136
Prepayments and accrued income	766,384	885,686
Other debtors	49,242	159,132
	1,948,321	1,836,014

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2009 £</i>	<i>2008 £</i>
Trade creditors	72,012	122,764
Other creditors	1,983,779	2,342,983
Other taxes and social security	107,865	80,928
Amounts due to fellow subsidiary undertakings	3,729,082	-
Amounts due to related parties	6,275	2,526,617
Accruals and deferred income	115,049	305,637
	6,014,062	5,378,929

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

12. PROVISIONS FOR LIABILITIES AND CHARGES

The deferred tax included in the balance sheet is as follows

	2009	2008
	£	£
Accelerated capital allowances	(258,331)	-
Other timing differences	-	640,136
Short term timing differences	(134,989)	-
Deferred tax asset (note 10)	<u>(393,320)</u>	<u>640,136</u>

There is an unrecognised deferred tax balance in respect of trading losses carried forward of £1,176,288 (2008 £583,532)

The movements in deferred taxation during the current and previous years are as follows

	2009	2008
	£	£
At 1 January	(640,136)	338,819
Charge for the year	246,816	301,317
At 31 December	<u>(393,320)</u>	<u>640,136</u>

13 SHARE CAPITAL

	<i>Allotted, called up and fully paid</i>	
	2009	2008
	£	£
Ordinary shares of £1 each	<u>1,232,000</u>	<u>1,232,000</u>

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 1 January 2008	232,000	(1,285,952)	(1,053,952)
Loss for the year	-	(1,535,260)	(1,535,260)
Share issue	1,000,000	-	1,000,000
At 31 December 2008	1,232,000	(2,821,212)	(1,589,212)
Loss for the year	-	(899,686)	(899,686)
At 31 December 2009	1,232,000	(3,720,898)	(2,488,898)

15. CLIENT MONIES

	<i>2009 £</i>	<i>2008 £</i>
Cash balances held in joint accounts	1,954,590	650,442
Residents' net cash balances held in trust accounts	6,640,256	11,099,292
These balances are not reflected in the balance sheet		

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2009 £</i>	<i>2008 £</i>	<i>2009 £</i>	<i>2008 £</i>
Operating leases which expire				
Within one year	-	50,220	37 046	62,434
In two to five years	111 010	115 800	76 737	77 166
Over five years	-	32 750	-	-
	111 010	198,770	113 783	139,600

Solitaire Property Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

17. CONTINGENT LIABILITIES

The Group is party to a composite debenture secured over all of its assets. The borrower is Aztec Opco Developments Limited, the ultimate UK parent of Solitaire Property Management Company Limited. The loan outstanding at the Balance Sheet date was £116,600,000 (2008 £116,600,000).

The company has given unlimited guarantees on the bank overdrafts of various UK related parties. At 31 December 2009 the amount outstanding under these guarantees was £1,075,562 (2008 £1,431,673).

18. RELATED PARTY TRANSACTIONS

This company is a subsidiary of Euro Investments Overseas Inc, a company incorporated in the British Virgin Islands.

Aztec Property Topco Limited, a company incorporated in England and Wales, is regarded as a related party, due to it having a common ultimate parent undertaking and part common Directors.

It is group policy to make available any current year losses arising in group companies (where not offset against taxable profits within that company) to other group companies for offset against taxable profits arising, with a view to minimising the group's overall effective tax rate.

County Estate Management Limited, a company incorporated in England and Wales, is regarded as a related party, due to it having a common ultimate parent undertaking and part common Directors. Costs incurred on behalf of County Estate Management Limited were recharged at cost during the year equating to £8,000.

19. ULTIMATE PARENT UNDERTAKING IS CONTROLLING PARTY

The company's ultimate parent undertaking is Euro Investments Overseas Inc, a company incorporated in the British Virgin Islands and the ultimate controlling party is The Tchenguiz Family Trust. Peverel Group Limited is the smallest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff. Aztec Opco Developments Limited is the largest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff.