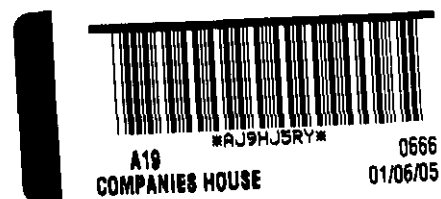


Solitaire Property Management Company Limited
Financial Statements
For
31 December 2004



MACINTYRE HUDSON

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

Solitaire Property Management Company Limited

Financial Statements

Year ended 31 December 2004

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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

Auditors

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

Bankers

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

Solitaire Property Management Company Limited

The Directors' Report

Year ended 31 December 2004

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

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 optimistic that the company will return to profitability in the coming year.

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

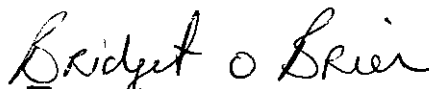
The company is a wholly owned subsidiary. None of the directors held any interest in the shares of the company or its fellow subsidiaries at the beginning or end of the year. The shares held by the directors in the ultimate parent company, Solitaire Group Plc are disclosed in that company's financial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

Auditors

A resolution to re-appoint MacIntyre Hudson as auditors 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 Limited

Solitaire Secretaries Limited
Company Secretary

Approved by the directors on 22/4/05

Solitaire Property Management Company Limited

Statement of Directors' Responsibilities

Year ended 31 December 2004

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 7 to 8, 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 Auditors' Report to the Shareholder of Solitaire Property Management Company Limited

Year ended 31 December 2004

We have audited the financial statements of Solitaire Property Management Company Limited for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and the related notes 1 to 19. These financial statements have been prepared under the historical cost convention and 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 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

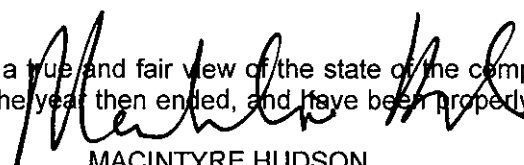
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Euro House
1394 High Road
Whetstone
London
N20 9YZ

25 Apr. 2005



MACINTYRE HUDSON
Chartered Accountants
& Registered Auditors

Solitaire Property Management Company Limited

Profit and Loss Account

Year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	1	2,805,494	2,440,879
Cost of sales		<u>175,109</u>	<u>133,096</u>
Gross profit		2,630,385	2,307,783
Administrative expenses		3,094,771	2,509,563
Other operating income		(36,996)	(36,996)
Operating loss	2	(427,390)	(164,784)
Interest receivable		19,538	10,478
Interest payable and similar charges	5	(7,139)	—
Loss on ordinary activities before taxation		(414,991)	(154,306)
Tax on loss on ordinary activities	6	19,391	—
Loss on ordinary activities after taxation, being loss for the financial year		<u>£(434,382)</u>	<u>£(154,306)</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 7 to 13 form part of these financial statements.

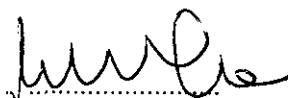
Solitaire Property Management Company Limited

Balance Sheet

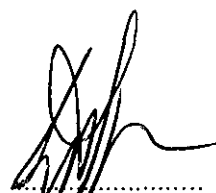
31 December 2004

	Note	2004 £	£	2003 £
Fixed assets				
Intangible assets	7		67,667	82,167
Tangible assets	8		462,571	428,562
			<u>530,238</u>	<u>510,729</u>
Current assets				
Debtors	9	1,213,900		1,101,910
Cash at bank and in hand		43,972		17,802
		<u>1,257,872</u>		<u>1,119,712</u>
Creditors: amounts falling due within one year	10	<u>1,837,129</u>		<u>1,264,469</u>
Net current liabilities			(579,257)	(144,757)
Total assets less current liabilities			<u>(49,019)</u>	<u>365,972</u>
Provisions for liabilities and charges				
Deferred taxation	12		19,391	—
			<u>£(68,410)</u>	<u>£365,972</u>
Capital and reserves				
Called-up equity share capital	16		12,000	12,000
Profit and loss account	17		(80,410)	353,972
(Deficiency)/shareholder's funds	18		<u>£(68,410)</u>	<u>£365,972</u>

These financial statements were approved by the directors on the 22/4/05 and are signed on their behalf by:



.....
H B Shulman



.....
G A Shapiro

The accounting policies and notes on pages 7 to 13 form part of these financial statements.

Solitaire Property Management Company Limited

Accounting Policies

Year ended 31 December 2004

Basis of accounting

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

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £579,257, which the directors believe to be appropriate for the following reasons.

The company is dependent for its working capital on funds provided to it by its parent company, Solitaire Group Plc. Solitaire Group Plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular, will not seek repayment of the amounts currently owed. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on a third party for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) 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, surveyor's 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.

The company's turnover and loss before taxation were all derived from its principle activity and all sales were made in the United Kingdom.

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

Year ended 31 December 2004

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2004

1. Turnover

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

An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	<u>2,805,494</u>	<u>2,440,879</u>

2. Operating loss

Operating loss is stated after charging:

	2004 £	2003 £
Amortisation	14,500	14,500
Depreciation of owned fixed assets	194,355	88,995
Auditors' remuneration		
- as auditors	10,500	15,000
Operating lease costs:		
Land and buildings	52,000	37,500
Plant and machinery	<u>113,785</u>	<u>80,073</u>

3. Particulars of employees

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

	2004 No.	2003 No.
Number of administrative staff	<u>69</u>	<u>58</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	1,528,455	1,247,040
Social security costs	161,980	121,385
Other pension costs	4,143	3,452
	<u>£1,694,578</u>	<u>£1,371,877</u>

4. Directors' emoluments

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

	2004 £	2003 £
Emoluments receivable	<u>195,000</u>	<u>187,000</u>

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2004

5. Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	<u>7,139</u>	<u>—</u>

6. Taxation on ordinary activities

	2004 £	2003 £
Deferred tax:		
Origination and reversal of timing differences (note 12)		
Capital allowances	<u>19,391</u>	<u>—</u>

7. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2004 and 31 December 2004	<u>145,000</u>
Amortisation	
At 1 January 2004	62,833
Charge for the year	<u>14,500</u>
At 31 December 2004	<u>£77,333</u>
Net book value	
At 31 December 2004	<u>67,667</u>
At 31 December 2003	<u>82,167</u>

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2004

8. Tangible fixed assets

	Office Equipment £
Cost	
At 1 January 2004	854,878
Additions	228,364
At 31 December 2004	<u>£1,083,242</u>
Depreciation	
At 1 January 2004	426,316
Charge for the year	194,355
At 31 December 2004	<u>£620,671</u>
Net book value	
At 31 December 2004	<u>462,571</u>
At 31 December 2003	<u>428,562</u>

9. Debtors

	2004 £	2003 £
Trade debtors	69,542	5,262
Amounts owed by group undertakings	455,638	567,228
Other debtors	262,834	204,496
Prepayments and accrued income	425,886	324,924
	<u>£1,213,900</u>	<u>£1,101,910</u>

10. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	124,801	6,825
Trade creditors	37,848	36,666
Amounts owed to group undertakings	1,427,152	1,014,883
PAYE and social security	168,333	133,093
Other creditors	40,000	40,000
Accruals and deferred income	38,995	33,002
	<u>£1,837,129</u>	<u>£1,264,469</u>

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

	2004 £	2003 £
Bank loans and overdrafts	<u>124,801</u>	<u>6,825</u>

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

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2004

11. 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 £4,143 (2003: £3,452) represents contributions payable by the company to the fund.

12. Deferred taxation

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

	2004 £	2003 £
Profit and loss account movement arising during the year	19,391	—
Provision carried forward	<u>£19,391</u>	<u>—</u>

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

	2004		2003	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	19,391	—	—	24,202
	<u>£19,391</u>	<u>—</u>	<u>—</u>	<u>£24,202</u>

13. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	—	24,953	—	20,156
Within 2 to 5 years	—	120,480	—	77,745
After more than 5 years	66,500	—	37,500	—
	<u>£66,500</u>	<u>£145,433</u>	<u>£37,500</u>	<u>£97,901</u>

14. Contingencies

On the 15 January 2001, the company agreed an unlimited cross guarantee in favour of Allied Irish Bank (GB) over its assets and those of its fellow group companies Holdings and Management (Solitaire) Limited, Pembertons Residential Limited and Morbury Limited. Loans in certain group companies are secured by an unlimited omnibus guarantee over the assets of the company.

Solitaire Property Management Company Limited

Notes to the Financial Statements

Year ended 31 December 2004

15. 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.

On 15 September 1997, Graham Harvey Solicitors, a firm in which Mr Graham Shapiro is a former partner and Mr Harvey Shulman is a current partner, entered into an agreement with the company whereby the latter, as sub-agent, agreed, with effect from 21 March 1997, to receive all benefits and meet all expenses in connection with carrying out property management contracts enjoyed by Graham Harvey Solicitors. The balance due from Graham Harvey Solicitors as at 31 December 2004 amounted to £69,381 (2003: £83,775).

16. Share capital

Authorised share capital:

	2004 £	2003 £
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No.	£	No.	£
Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

17. Profit and loss account

	2004 £	2003 £
Balance brought forward	353,972	508,278
Accumulated loss for the financial year	<u>(434,382)</u>	<u>(154,306)</u>
Balance carried forward	<u>£(80,410)</u>	<u>£353,972</u>

18. Reconciliation of movements in shareholder's funds

	2004 £	2003 £
Loss for the financial year	(434,382)	(154,306)
Opening shareholder's equity funds	<u>365,972</u>	<u>520,278</u>
Closing shareholder's equity (deficit)/funds	<u>(68,410)</u>	<u>365,972</u>

19. Ultimate parent company

The parent company is Holding and Management (Solitaire) Limited which is registered in England and Wales.

The ultimate parent company is Solitaire Group Plc, which is registered in England and Wales. Copies of the 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 2004

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditors' report on page 4.**

Solitaire Property Management Company Limited

Detailed Profit and Loss Account

Year ended 31 December 2004

	2004 £	2003 £
Turnover		
Management fees	2,360,491	2,055,680
Surveyors fees	151,249	80,904
Administration fees	238,278	223,995
Rent collection commission	33,340	31,588
Sundry income	22,136	48,712
	<u>2,805,494</u>	<u>2,440,879</u>
Cost of sales		
Direct costs	175,109	133,096
	<u>175,109</u>	<u>133,096</u>
Gross profit	<u>2,630,385</u>	<u>2,307,783</u>
Overheads		
Administrative expenses	3,094,771	2,509,563
	<u>(464,386)</u>	<u>(201,780)</u>
Other operating income		
Management fee	36,996	36,996
	<u>36,996</u>	<u>36,996</u>
Operating loss	<u>(427,390)</u>	<u>(164,784)</u>
Bank interest receivable	19,538	10,478
	<u>(407,852)</u>	<u>(154,306)</u>
Bank interest payable	(7,139)	—
Loss on ordinary activities	<u>£(414,991)</u>	<u>£(154,306)</u>

Solitaire Property Management Company Limited

Notes to the Detailed Profit and Loss Account

Year ended 31 December 2004

	2004 £	£	2003 £
Administrative expenses			
Personnel costs			
Directors' salaries	195,000		187,000
Directors' NIC	24,495		17,308
Wages and salaries	1,333,455		1,060,040
Staff NIC	137,485		104,077
Staff pension contributions	4,143		3,452
		1,694,578	1,371,877
Establishment expenses			
Rent	52,000		37,500
Rent and service charges	71,236		53,890
General and water rates	19,488		19,474
Light and heat	3,391		4,223
Insurance	62,744		71,376
Repairs and renewals	24,442		5,665
Computer expenses	140,860		106,434
Office cleaning	9,940		9,123
		384,101	307,685
General expenses			
Motor expenses	133,525		108,252
Telephone	44,719		41,107
Temporary staff	14,575		6,827
Hire of equipment	13,258		16,790
Maintenance of equipment	14,149		9,453
Postage	73,006		58,500
Stationery	56,739		41,951
Training costs	2,561		7,334
Recruitment costs	24,632		20,001
Sundry expenses	10,088		8,069
Advertising	852		2,352
Subscriptions	15,392		10,250
Management charges payable	343,152		345,000
Legal and professional fees	40,617		16,801
Audit and accountancy	10,500		15,000
Amortisation	14,500		14,500
Depreciation of office equipment	194,355		88,995
		1,006,620	811,182
Financial costs			
Bad debts written off	1,747		4,663
Bank charges	7,725		14,156
		9,472	18,819
		3,094,771	2,509,563
Interest receivable			
Bank interest receivable		19,538	10,478