

HMG PROPERTIES LIMITED

Registered Number - 12255

ACCOUNTS FOR THE YEAR ENDED 29TH FEBRUARY 2004



PARKER GRADWELL & CO.

Chartered Accountants and Registered Auditors

17 Chapel Street, Hyde, Cheshire, SK14 1LF

HMG PROPERTIES LIMITED
REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of the company for the year ended 29th February 2004.

PRINCIPAL ACTIVITY

The principal activity of the company is property investment and there has been no change in this activity during the year.

BUSINESS REVIEW

The company has continued its withdrawal from the residential sector during the year.

RESULTS

The results of the year's activities appear on pages 4 and 5. The profit on ordinary activities before taxation is £43,325 (2003 - £6,043) of which property sales comprise £37,908 (2003 - NIL).

DIVIDENDS

A dividend of £3,310 (2003 - £58,484) on the ordinary shares and £880 (2003 - £880) on the preference shares has been paid to the holding company.

PROPERTY REVALUATIONS

Investment properties are included in the balance sheet at their open market value. The Portfolio was revalued at the year end by Mr. A.J. Murray FRICS, who is Chief Executive of the Holding Company.

DIRECTORS

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

| | | |
|---------------|-------------|-------------|
| T.W. Marshall | P. Mitchell | A.J. Murray |
| R.G. Murray | R.H. Murray | S.B. Murray |
| I C Thomas | | |

No director has any interest in the share capital of the company.

In accordance with the Articles of Association of the Company the directors are not subject to retirement by rotation.

AUDITORS

Pursuant to the provisions of Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Messrs. Parker Gradwell & Co. will therefore continue in office.

Approved by the Board of Directors on 26th April 2004 and signed on their behalf by :



I.C. THOMAS, F.C.A.,
Secretary

HMG PROPERTIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY

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 period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

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. 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.

HMG PROPERTIES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
OF HMG PROPERTIES LIMITED

We have audited the financial statements of HMG Properties Limited for the year ended 29th February 2004 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders funds and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold properties and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for preparing the annual report and 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

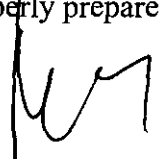
Basis of audit opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 29th February 2004 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PARKER GRADWELL & CO.

Chartered accountants and registered auditors

17 Chapel Street, Hyde, Cheshire, SK14 1LF

26th April 2004

HMG PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 29th February 2004

| | <u>Note</u> | <u>2004</u> <u>£</u> | <u>2003</u> <u>£</u> |
|---|-------------|-------------------------|-------------------------|
| TURNOVER - Gross rental income | 2 | <u>39,656</u> | <u>41,886</u> |
| Net rental income | | 7,747 | 8,285 |
| Administrative expenses | | (2,330) | (2,242) |
| OPERATING PROFIT | 3 | 5,417 | 6,043 |
| Profit on sale of fixed assets | 4 | <u>37,908</u> | — |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 43,325 | 6,043 |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | 5 | (12,866) | <u>53,321</u> |
| PROFIT FOR THE FINANCIAL YEAR | | 30,459 | 59,364 |
| DIVIDENDS (Including dividends on non-equity shares) | 6 | (4,190) | (59,364) |
| RETAINED PROFIT FOR THE YEAR | | <u>26,269</u> | — |

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED

Registered Number - 12255 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 29th February 2004

| | <u>2004</u> | <u>2003</u> |
|--|----------------|----------------|
| | <u>£</u> | <u>£</u> |
| Profit for the financial year | 30,459 | 59,364 |
| Unrealised surplus on revaluation of properties | <u>465,853</u> | <u>679,764</u> |
| | <u>496,312</u> | <u>739,128</u> |

NOTE OF HISTORICAL COST PROFIT AND LOSSES
FOR THE YEAR ENDED 29th February 2004

| | | |
|--|----------------|-----------------|
| Reported profit on ordinary activities before taxation | 43,325 | 6,043 |
| Realisation of property revaluation gains of previous years | <u>184,691</u> | <u>-</u> |
| Historical cost profit on ordinary activities before taxation and dividends | 228,016 | 6,043 |
| Taxation | (12,866) | 53,321 |
| Taxation on past property revaluations | (37,909) | - |
| Dividends | <u>(4,190)</u> | <u>(59,364)</u> |
| Historical cost profit for the year retained after taxation and dividends | <u>173,051</u> | <u>-</u> |

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED

BALANCE SHEET AT 29th February 2004

Registered Number - 12255

| | <u>Note</u> | <u>2004</u> <u>£</u> | <u>2003</u> <u>£</u> |
|--|-------------|-------------------------|-------------------------|
| <u>FIXED ASSETS</u> | | | |
| Tangible assets | 7 | 2,420,000 | 2,075,031 |
| Investments other than loans | 8 | <u>40,000</u> | <u>40,000</u> |
| | | 2,460,000 | 2,115,031 |
| <u>CURRENT ASSETS</u> | | | |
| Debtors | 9 | 3,418,851 | 3,171,852 |
| <u>CREDITORS</u> | | | |
| Amounts falling due within one year : | | | |
| Other creditors | 10 | <u>30,743</u> | <u>5,100</u> |
| NET CURRENT ASSETS | | <u>3,388,108</u> | <u>3,166,752</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,848,108 | 5,281,783 |
| PROVISION FOR LIABILITIES AND CHARGES | 11 | <u>115,578</u> | <u>41,375</u> |
| | | <u>5,732,530</u> | <u>5,240,408</u> |
| <u>CAPITAL AND RESERVES</u> | | | |
| Called up share capital | 12 | 73,050 | 73,050 |
| Reserves | 13 | <u>5,659,480</u> | <u>5,167,358</u> |
| SHAREHOLDERS' FUNDS (Including non-equity interest) | 14 | <u>5,732,530</u> | <u>5,240,408</u> |

Approved by the Board of Directors on 26th April 2004 and signed on its behalf by :

T.W. MARSHALL

A.J. MURRAY

Directors

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED

Registered Number - 1221 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

1. ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with the historical cost convention, as modified by the inclusion of freehold and long leasehold properties at their open market value. The principal accounting policies, which the directors have adopted, are set out below.

(b) Freehold Properties

In accordance with SSAP 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a property revaluation reserve. No depreciation or amortisation is provided in respect of freehold properties. This treatment is a departure from the requirement of the Companies Act 1985 concerning the depreciation of fixed assets. The directors consider that as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 for the accounts to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. The revaluation is carried out by A.J. Murray FRICS., who is Chief Executive of the company.

(a) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation on revaluation gains will only be provided for if there has been a decision that the property is to be sold and it is probable that the liability will crystallise.

The amount of deferred taxation not provided for is shown in the notes to the financial statements.

(d) Acquisitions and Disposals of Properties

Acquisitions and disposals of properties are recognised on the date of completion of the purchase or sale.

(e) Pensions

Pension contributions are charged to the profit and loss account in the period in which they are incurred.

HMG PROPERTIES LIMITED

Registered Number - 11991 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

2. TURNOVER - Gross rental income

The turnover and profit on ordinary activities before taxation are attributable to the company's principal activity and are in respect of United Kingdom rental income.

| | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| | <u>£</u> | <u>£</u> |

3. OPERATING PROFIT

Operating profit is stated after charging :

| | | |
|---|------------|------------|
| Depreciation on furniture and equipment | - | 11 |
| Auditors' remuneration | 65 | 73 |
| Pension costs | <u>433</u> | <u>361</u> |

4. EXCEPTIONAL ITEMS

| | | |
|---------------------------------------|---------------|----------|
| Profit on sale of revalued properties | <u>37,908</u> | <u>-</u> |
|---------------------------------------|---------------|----------|

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Charge for taxation based on profit for the year :

| | | |
|---|---------------|-----------------|
| Corporation tax @ 30% (2003 - 19%) | 1,625 | 1,155 |
| Corporation tax on sale of assets | 11,639 | |
| Overprovision of corporation tax in prior years on sale of assets | <u>(398)</u> | <u>(54,476)</u> |
| | <u>12,866</u> | <u>(53,321)</u> |

Factors affecting the Tax Charge for the Period

| | | |
|--|---------------|-----------------|
| Profit on ordinary activities before taxation | <u>43,325</u> | <u>6,043</u> |
| Taxation on profit on ordinary activities at standard rate | 12,997 | 1,813 |
| Depreciation | - | 3 |
| Tapering relief/profit taxed at lower rate | - | (661) |
| Overprovision for corporation tax in prior year | (398) | (54,476) |
| Adjustment for current year disposals | <u>267</u> | <u>-</u> |
| | <u>12,866</u> | <u>(53,321)</u> |

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

Registered Number - 142299

| | <u>2004</u> <u>£</u> | <u>2003</u> <u>£</u> |
|---|-------------------------|-------------------------|
| 6. <u>DIVIDENDS</u> | | |
| Preference (non equity shares) 4.2% (2003 - 4.2%) | 880 | 880 |
| Ordinary (equity shares) 6.35% (2003 - 112.25%) | <u>3,310</u> | <u>58,484</u> |
| | <u>4,190</u> | <u>59,364</u> |
| 7. <u>TANGIBLE FIXED ASSETS</u> | | |
| <u>Freehold Property</u> | | |
| Cost at 28th February 2003 | 209,408 | 209,408 |
| Additions during the year at cost | <u>2,035</u> 211,443 | <u>-</u> 209,408 |
| Sales during the year at cost | <u>50,309</u> | <u>-</u> |
| | 161,134 | 209,408 |
| Surplus on revaluation of properties | <u>2,258,866</u> | <u>1,865,592</u> |
| At open market value at 29th February 2004 | <u>2,420,000</u> | <u>2,075,000</u> |
| Revaluation surplus for the year | <u>577,965</u> | <u>715,000</u> |
| <u>Furniture and Equipment</u> | | |
| Cost at 29th February 2004 | 8,155 | 8,155 |
| Sales during the year at cost | <u>8,155</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| Depreciation at 28th February 2003 | 8,124 | 8,113 |
| Sales written off | 31 | |
| Depreciation on sales | <u>8,155</u> | <u>11</u> |
| Depreciation at 29th February 2004 | <u>-</u> | <u>8,124</u> |
| Net Book Value at 29th February 2004 | <u>-</u> | <u>31</u> |
| <u>Summary</u> | | |
| Freehold and long leasehold property | 2,420,000 | 2,075,000 |
| Furniture and equipment | <u>-</u> | <u>31</u> |
| | <u>2,420,000</u> | <u>2,075,031</u> |

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

Registered Number - 12239

8. INVESTMENTS

| | <u>2004</u> | <u>2003</u> |
|---|---------------|---------------|
| | <u>£</u> | <u>£</u> |
| <u>Quoted</u> | | |
| I.O.M. Assurance Ltd. Holiday Property Bond | | |
| Market value £25,049 (2003 - £24,800) | <u>40,000</u> | <u>40,000</u> |

9. DEBTORS

| | | |
|---------------------------------------|------------------|------------------|
| Amounts falling due within one year : | | |
| Holding company current account | 3,413,670 | 3,166,443 |
| Trade debtors | 850 | 917 |
| Other debtors | - | 80 |
| Prepayments and accrued income | <u>4,331</u> | <u>4,412</u> |
| | <u>3,418,851</u> | <u>3,171,852</u> |

10. OTHER CREDITORS

| | | |
|------------------------------|---------------|--------------|
| Rents in advance | 1,825 | 2,285 |
| Trade creditors and accruals | 3,346 | 1,841 |
| Corporation tax | <u>25,572</u> | <u>974</u> |
| | <u>30,743</u> | <u>5,100</u> |

11. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

| | | |
|---|----------------|---------------|
| Tax on capital gains on planned disposal of properties at balance sheet value | <u>115,578</u> | <u>41,375</u> |
|---|----------------|---------------|

The movement in the provision during the year comprises :

| | | |
|-------------------------------------|-----------------|---------------|
| At 28th February 2003 | 41,375 | 6,139 |
| Increase in provision | 112,112 | 35,236 |
| Previous provision realised in year | <u>(37,909)</u> | <u>-</u> |
| At 29th February 2004 | <u>115,578</u> | <u>41,375</u> |

The full liability for deferred taxation if the company's properties were sold at the balance sheet value is £550,290 (2003 - £422,231).

HMG PROPERTIES LIMITED

Registered Number - 12054 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

12. CALLED UP SHARE CAPITAL

| | <u>2004</u> £ | <u>2003</u> £ |
|---|------------------|------------------|
| <u>Authorised</u> | | |
| <u>Non-Equity Shares</u> | | |
| 540 4.2% cumulative preference shares of £50 each | 27,000 | 27,000 |
| <u>Equity Shares</u> | | |
| 73,055 ordinary shares of £1 each | <u>73,055</u> | <u>73,055</u> |
| | <u>100,055</u> | <u>100,055</u> |
| <u>Allotted, Issued and Fully Paid</u> | | |
| 419 4.2% cumulative preference shares of £50 each | 20,950 | 20,950 |
| 52,100 ordinary shares of £1 each | <u>52,100</u> | <u>52,100</u> |
| | <u>73,050</u> | <u>73,050</u> |

The Preference Shares are entitled to a fixed cumulative annual dividend of 4.2% in priority to any dividend payable to the ordinary shareholders.

On the winding up of the company the Preference Shares are repayable at par in priority to any repayment of funds to the ordinary shareholders.

The Preference Shares do not entitle the holders to vote upon any resolution (other than a resolution for winding up the company or reducing its share capital or a resolution varying or abrogating any special rights attached to such shares) unless at the date of the notice convening the Meeting at which such resolution is to be proposed the dividend on the Preference Shares is six months in arrears.

13. RESERVES

| | Property Revaluation <u>Reserve</u> £ | Profit and Loss Account £ | <u>Total</u> £ |
|-----------------------|--|---------------------------------|-------------------|
| At 28th February 2003 | 1,824,217 | 3,343,141 | 5,167,358 |
| Profit for the year | | 26,269 | 26,269 |
| Revaluation realised | (184,691) | 184,691 | - |
| Deferred tax | 37,909 | (37,909) | - |
| Revaluation surplus | 577,965 | | 577,965 |
| - deferred tax | <u>(112,112)</u> | <u> </u> | <u>(112,112)</u> |
| At 29th February 2004 | <u>2,143,288</u> | <u>3,516,192</u> | <u>5,659,480</u> |

HMG PROPERTIES LIMITED

Registered Number - ~~1294~~ NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

14a. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>2004</u> £ | <u>2003</u> £ |
|--|------------------|------------------|
| Profit for the financial year | 30,459 | 59,364 |
| Dividends | <u>(4,190)</u> | <u>(59,364)</u> |
| | 26,269 | - |
| Unrealised profit on revaluation of properties | <u>465,853</u> | <u>679,764</u> |
| Net addition to shareholders' funds | 492,122 | 679,764 |
| Opening shareholders' funds | <u>5,240,408</u> | <u>4,560,644</u> |
| Closing shareholders' funds | <u>5,732,530</u> | <u>5,240,408</u> |

14b. SHAREHOLDERS' FUNDS

Shareholders' funds are comprised of :

| | | |
|----------------------|------------------|------------------|
| Equity interests | 5,711,580 | 5,219,458 |
| Non-equity interests | <u>20,950</u> | <u>20,950</u> |
| | <u>5,732,530</u> | <u>5,240,408</u> |

15. POST BALANCE SHEET EVENTS

There are no events arising since the date of the balance sheet which require comment.

16. CAPITAL COMMITMENTS

There are no capital commitments authorised by the directors at 29th February 2004.

17. CONTINGENT LIABILITIES

The company has given a guarantee in respect of its fellow subsidiary company HMG Investments Limited to N.M. Rothschild and Sons Limited for bank loans of £6,367,500 (2003 - £7,550,000).

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 29th February 2004

18. RELATED PARTY DISCLOSURES

Using the exemption available to subsidiary companies related party transactions with Group Companies have not been disclosed.

The Company sold Pen Y Mor, Abersoch to the children of R G Murray, a director of the group, at its open market value of £225,000 provided by external valuers, on the 7th March 2003.

19. COMPANY STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

20. HOLDING COMPANY

The company is a subsidiary of The Hollins Murray Group Limited, a company incorporated in England and Wales.

HMG PROPERTIES LIMITED

RENTAL ACCOUNT FOR THE YEAR ENDED 29th February 2004

| | | <u>2004</u> | <u>2003</u> |
|--------------------------|--------|---------------|---------------|
| | | <u>£</u> | <u>£</u> |
| Rental Income | | 39,656 | 41,886 |
| <u>Deduct Expenses :</u> | | | |
| Lighting and heating | (31) | 577 | |
| General and water rates | 15 | 808 | |
| Repairs and renewals | 2,678 | 1,019 | |
| Service charge payable | 24,762 | 25,521 | |
| Insurance | 463 | 382 | |
| Agents' commission | 3,985 | 4,318 | |
| Chief rents payable | 37 | 54 | |
| Sundry expenses | - | 911 | |
| Depreciation | - | <u>31,909</u> | <u>33,601</u> |
| NET RENTAL INCOME | | <u>7,747</u> | <u>8,285</u> |

ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 29th February 2004

| | | |
|--------------------|--------------|--------------|
| Pension | 433 | 361 |
| Management charges | 1,817 | 1,793 |
| General expenses | 15 | 15 |
| Audit fee | <u>65</u> | <u>73</u> |
| | <u>2,330</u> | <u>2,242</u> |