

HMG PROPERTIES LIMITED
REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of the company for the year ended 28th February 2007

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

Flat 4, Erlesdene has now been re-let but repairs expenditure remained high during the year

RESULTS

The results of the year's activities appear on pages 4 and 5 The loss on ordinary activities before taxation is £17,862 (2006 - £76,177)

DIVIDENDS

A dividend of £nil (2006 - £Nil) on the ordinary shares and £880 (2006 - £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 Lambert Smith Hampton

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	N P Casson (appointed 18 th September 2006)	

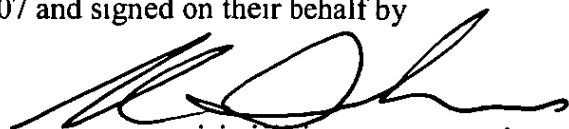
No director has any interest in the share capital of the company

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

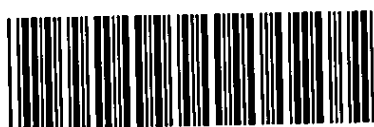
AUDITORS

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 23rd April 2007 and signed on their behalf by



I C THOMAS, F.C A ,
Secretary



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COMPANIES HOUSE

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 28th February 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 (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 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 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.

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 28th February 2007 and of its loss 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

23rd April 2007

17 Chapel Street
Hyde
Cheshire
SK14 1LF

HMG PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28th February 2007

	<u>Note</u>	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
TURNOVER - Gross rental income	2	<u>46,804</u>	<u>37,645</u>
Net rental (expenditure) income		(13,420)	(73,610)
Administrative expenses		<u>(4,442)</u>	<u>(2,567)</u>
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(17,862)	(76,177)
TAXATION ON LOSS ON ORDINARY ACTIVITIES	4	<u>27,442</u>	<u>770</u>
PROFIT (LOSS) FOR THE FINANCIAL YEAR		<u>9,580</u>	<u>(75,407)</u>

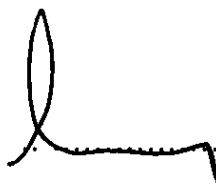
The profit and loss account includes all recognised gains and losses for the year and is prepared using the historical cost basis

The accompanying notes are an integral part of these financial statements

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HMG PROPERTIES LIMITED
BALANCE SHEET AT 28th February 2007

	<u>Note</u>	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
<u>FIXED ASSETS</u>			
Tangible assets	6	2,500,000	2,500,000
<u>CURRENT ASSETS</u>			
Debtors	7	3,747,098	3,735,714
<u>CREDITORS</u>			
Amounts falling due within one year			
Other creditors	8	<u>6,009</u>	<u>3,325</u>
NET CURRENT ASSETS		<u>3,741,089</u>	<u>3,732,389</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,241,089</u>	<u>6,232,389</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	10	73,050	73,050
Reserves	11	<u>6,168,039</u>	<u>6,159,339</u>
SHAREHOLDERS' FUNDS (Including non-equity interest)	12	<u>6,241,089</u>	<u>6,232,389</u>

Approved by the Board of Directors on 23rd April 2007 and signed on its behalf by



Director

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28th February 2007

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 temporary deficit is transferred to a property revaluation reserve. No depreciation or amortisation is provided in respect of freehold properties. Any permanent diminutions in value below cost are charged in the profit and loss account. 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 was carried out at the year end by Lambert Smith Hampton.

(a) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the resulting gain or loss has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28th February 2007

(d) Acquisitions and Disposals of Properties

Acquisitions and disposals of properties are recognised on the date of exchange of contracts for the purchase or sale, provided there is certainty at the balance sheet date that completion will take place. If completion is subject to a contingent event the purchase or sale is recognised on the date that the contingent event occurred.

(e) Pensions

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

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>2007</u> £	<u>2006</u> £
3 <u>OPERATING PROFIT</u>		
Operating profit is stated after charging		
Auditors' remuneration	117	118
Pension costs	<u>380</u>	<u>394</u>

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Charge for taxation based on profit for the year

Loss relief transferred to holding company	-	770
Loss relief transferred to fellow subsidiary	<u>27,442</u>	<u>-</u>
	<u>27,442</u>	<u>770</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28th February 2007

	<u>2007</u> £	<u>2006</u> £
<u>Factors affecting the Tax Charge for the Period</u>		
Profit on ordinary activities before taxation	—	—
Taxation on profit on ordinary activities at standard rate		-
Loss relief transferred to holding company	-	770
Loss relief transferred to fellow subsidiary	<u>27,442</u>	—
	<u>27,442</u>	<u>(770)</u>
5 <u>DIVIDENDS</u>		
Preference (non equity shares) 4 2% (2006 – 4 2%)	<u>880</u>	<u>880</u>
6 <u>TANGIBLE FIXED ASSETS</u>		
<u>Freehold Property</u>		
Cost at 1 ST March 2006	10,877	10,877
Surplus on revaluation of properties	<u>2,489,123</u>	<u>2,489,123</u>
At open market value at 28th February 2007	<u>2,500,000</u>	<u>2,500,000</u>
Revaluation surplus for the year	—	—
7 <u>DEBTORS</u>		
Amounts falling due within one year		
Holding company current account	3,745,650	3,733,603
Trade debtors	1,371	2,111
Other debtors	<u>77</u>	—
	<u>3,747,098</u>	<u>3,735,714</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28th February 2007

	<u>2007</u>	<u>2006</u>
	<u>£</u>	<u>£</u>
8 <u>OTHER CREDITORS</u>		
Rents in advance	3,171	1,801
Trade creditors and accruals	2,831	1,517
Other taxes	<u>7</u>	<u>7</u>
	<u>6,009</u>	<u>3,325</u>
9 <u>PROVISION FOR LIABILITIES AND CHARGES</u>		
<u>Deferred Taxation</u>		
The full liability for deferred taxation if the company's properties were sold at the balance sheet value is £617,245 (2006 - £622,375)		
10 <u>CALLED UP SHARE CAPITAL</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>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28th February 2007

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.

11 RESERVES

	Property Revaluation Reserve £	Profit and Loss Account £	Total £
At 1 ST March 2006	2,489,123	3,670,216	6,159,339
Profit for the year		8,700	8,700
At 28th February 2007	<u>2,489,123</u>	<u>3,678,916</u>	<u>6,168,039</u>

12a RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2007</u> £	<u>2006</u> £
Profit (Loss) for the financial year	9,580	(75,407)
Dividends	<u>(880)</u> 8,700	<u>(880)</u> (76,287)
Net addition (reduction) to shareholders' funds		
Opening shareholders' funds	<u>6,232,389</u>	<u>6,308,676</u>
Closing shareholders' funds	<u>6,241,089</u>	<u>6,232,389</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28th February 2007

12b SHAREHOLDERS' FUNDS

	<u>2007</u>	<u>2006</u>
	<u>£</u>	<u>£</u>
Shareholders' funds are comprised of		
Equity interests	6,220,139	6,211,439
Non-equity interests	<u>20,950</u>	<u>20,950</u>
	<u>6,241,089</u>	<u>6,232,389</u>

13 POST BALANCE SHEET EVENTS

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

14 CAPITAL COMMITMENTS

There are no capital commitments authorised by the directors at 28th February 2007

15 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 £9,000,000 (2006 - £6,002,500)

16 RELATED PARTY DISCLOSURES

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

17 COMPANY STATUS

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

18 HOLDING COMPANY

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