

HMG PROPERTIES LIMITED
REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of the company for the year ended 31st August 2014.

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 flats are now all fully let.

RESULTS

The results of the year's activities appear on page 5. The profit on ordinary activities before taxation is £28,986 (2013 £34,975).

DIVIDENDS

A dividend of £22,413 (2013 - £26,756) on the ordinary shares and £880 (2013 - £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 in March 2014 by Lambert Smith Hampton for the Santander refinance.

DIRECTORS

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

N.P. Casson
C.H.H. Murray
I.C. Thomas

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

AUDITORS

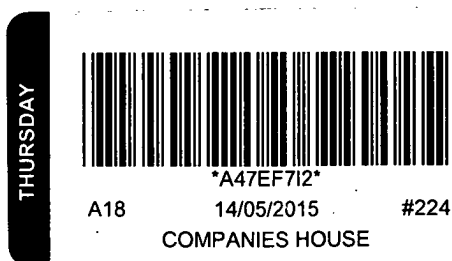
Messrs. Parker Gradwell & Co. are deemed to be reappointed in accordance with an elective resolution made under Section 386(1) of the Companies Act 1985 which continues in force under the Companies Act 2006.

These financial statements have been prepared in accordance with the small companies' regime of the Companies Act 2006.

Approved by the Board of Directors on 7th November 2014 and signed on their behalf by :



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



HMG PROPERTIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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;
- 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 are sufficient to show and explain the company's transactions and 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.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

HMG PROPERTIES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the financial statements of HMG Properties Limited for the year ended 31st August 2014 which comprise the Profit and Loss Account, the Balance Sheet, the 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 the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 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 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 Directors' Responsibilities Statement set out on page 2, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

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 31st August 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

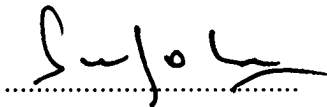
Opinion on other matter prescribed by the Companies Act 2006.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



S.W. Johnson (senior statutory auditor)

For and on behalf of Parker Gradwell & Co.

Chartered Accountants and

Statutory Auditor

17 Chapel Street

Hyde

Cheshire

SK14 1LF

7th November 2014

HMG PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 2014

	<u>Note</u>	<u>2014</u> <u>£</u>	<u>2013</u> <u>£</u>
TURNOVER - Gross rental income	2	<u>93,018</u>	<u>82,937</u>
Net rental income		29,202	35,544
Administrative expenses		<u>(253)</u>	<u>(574)</u>
OPERATING PROFIT		28,949	34,970
Interest on tax received		<u>37</u>	<u>5</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	28,986	34,975
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	<u>(5,675)</u>	<u>(7,339)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>23,311</u>	<u>27,636</u>

The profit and loss account is prepared using the historical cost basis.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE Year ended 31st August 2014

Profit for the financial year	23,311	27,636
Unrealised surplus on revaluation of properties (including deferred tax movement)	<u>-</u>	<u>25,000</u>
	<u>23,311</u>	<u>52,636</u>

The accompanying notes are an integral part of these financial statements

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HMG PROPERTIES LIMITED
BALANCE SHEET AT 31ST AUGUST 2014

	<u>Note</u>	<u>2014</u> £	<u>2013</u> £
<u>FIXED ASSETS</u>			
Tangible assets	6	2,575,000	2,575,000
<u>CURRENT ASSETS</u>			
Debtors	7	3,038,018	3,032,736
<u>CREDITORS</u>			
Amounts falling due within one year :			
Other creditors	8	(20,027)	(14,745)
NET CURRENT ASSETS		<u>3,017,991</u>	<u>3,017,991</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,592,991</u>	<u>5,592,991</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	10	73,050	73,050
Reserves	11	<u>5,519,941</u>	<u>5,519,941</u>
SHAREHOLDERS' FUNDS (Including non-equity interest)	12	<u>5,592,991</u>	<u>5,592,991</u>

Approved by the Board of Directors on 7th November 2014 and signed on its behalf by :

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (Effective April 2008).

N.P. CASSON - Director



Registered number 00012255

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 2014

1. ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are prepared under the historical cost convention, as modified by the inclusion of freehold and long leasehold properties at their open market value and in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

(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 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 by Lambert Smith Hampton for the Santander refinance in March 2014.

(c) 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 years 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 years 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 31ST AUGUST 2014

(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 year in which they are incurred.

2. TURNOVER - Gross rental income

Turnover represents rental income for the year excluding VAT, in accordance with UITF28 and premiums received from tenants. However amounts invoiced in advance relating to the next accounting year are included in accruals as deferred income.

	<u>2014</u> £	<u>2013</u> £
3. <u>OPERATING PROFIT</u>		
Operating profit is stated after charging :		
Auditors' remuneration	<u>240</u>	<u>240</u>
4. <u>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</u>		
Charge for taxation based on profit for the year :		
Corporation tax at 20% (2013 – 21.0%)	5,797	7,339
Overprovision in previous year	<u>(122)</u>	<u>-</u>
<u>Factors affecting the Tax Charge for the Year</u>	<u>5,675</u>	<u>7,339</u>
Profit on ordinary activities before taxation	<u>28,986</u>	<u>34,975</u>
Taxation on profit on ordinary activities at lower rate	5,797	-
Taxation on profit on ordinary activities at standard rate	-	8,246
Overprovision in previous year	(122)	
Marginal relief	<u>-</u>	<u>(907)</u>
	<u>5,675</u>	<u>7,339</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 2014

	<u>2014</u> <u>£</u>	<u>2013</u> <u>£</u>
5. <u>DIVIDENDS</u>		
Ordinary (equity) paid per share 43.0% (2013 – 51.4%)	22,431	26,756
Preference (non equity shares) paid per share 4.2% (2013 – 4.2%)	<u>880</u>	<u>880</u>
	<u>23,311</u>	<u>27,636</u>

The Directors have not proposed any other dividends for the year ended 31st August 2014.

6. TANGIBLE FIXED ASSETS

Freehold Property

Cost at 1 st September 2013	700,134	700,134
Surplus on revaluation of properties	<u>1,874,866</u>	<u>1,874,866</u>
At open market value at 31st August 2014	<u>2,575,000</u>	<u>2,575,000</u>
Revaluation surplus for the year	<u>-</u>	<u>25,000</u>

7. DEBTORS

Amounts falling due within one year :

Holding company current account	3,034,983	3,029,871
Trade debtors	-	735
Prepayments	<u>3,035</u>	<u>2,130</u>
	<u>3,038,018</u>	<u>3,032,736</u>

8. OTHER CREDITORS

Tenant credit balances	2,433	-
Rents in advance	11,916	2,370
Trade creditors and accruals	5,678	8,705
Corporation tax	<u>-</u>	<u>3,670</u>
	<u>20,027</u>	<u>14,745</u>

9. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

The full liability for deferred taxation if the company's properties were sold at the balance sheet value is £252,715 (2013 - £283,805).

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 2014

	<u>2014</u> £	<u>2013</u> £
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>

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 <u>Reserve</u> £	Profit and <u>Loss Account</u> £	<u>Total</u> £
At 1 st September 2013	1,874,866	3,645,075	5,519,941
Profit for the year		23,311	23,311
Dividend paid		(23,311)	(23,311)
Revaluation surplus	—	—	—
At 31st August 2014	<u>1,874,866</u>	<u>3,645,075</u>	<u>5,519,941</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 2014

	<u>2014</u> £	<u>2013</u> £
12a. <u>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</u>		
Profit for the financial year	23,311	27,636
Dividends	<u>(23,311)</u>	<u>(27,636)</u>
	-	-
Unrealised profit on revaluation of properties	<u>-</u>	<u>25,000</u>
Net addition to shareholders' funds	-	25,000
Opening shareholders' funds	<u>5,592,991</u>	<u>5,567,991</u>
Closing shareholders' funds	<u>5,592,991</u>	<u>5,592,991</u>

12b. SHAREHOLDERS' FUNDS

Shareholders' funds are comprised of :

Equity interests	5,572,041	5,572,041
Non-equity interests	<u>20,950</u>	<u>20,950</u>
	<u>5,592,991</u>	<u>5,592,991</u>

13. CONTINGENT LIABILITIES

The company has given a guarantee in respect of its fellow subsidiary company HMG Investments Limited to the Santander UK Plc for a bank loan of £43,412,500.
(2013 Royal Bank of Scotland £38,850,000)

14. RELATED PARTY DISCLOSURES

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

15. COMPANY STATUS

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

16. HOLDING COMPANY

The company is a subsidiary of HMG Investment Holdings Limited and the ultimate holding company is The Hollins Murray Group Limited. Both companies are incorporated in England and Wales.