

COMPANY NUMBER 00012255

HMG PROPERTIES LIMITED

ACCOUNTS FOR THE YEAR ENDED 28<sup>TH</sup> FEBRUARY 2003



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 28th February 2003.

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 £6,043 (2002 - £13,829) of which property sales comprise £NIL (2002 - £7,650).

DIVIDENDS

A dividend of £58,484 (2002 - £4,049) on the ordinary shares and £880 (2002 - £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 (appointed 1 <sup>st</sup> June 2002).		

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 25<sup>th</sup> April 2003 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 28<sup>th</sup> February 2003 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 28<sup>th</sup> February 2003 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

25<sup>th</sup> April 2003

HMG PROPERTIES LIMITED  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28TH FEBRUARY 2003

	<u>Note</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
TURNOVER - Gross rental income	2	<u>41,886</u>	<u>41,359</u>
Net rental income		8,285	9,294
Administrative expenses		<u>(2,242)</u>	<u>(3,256)</u>
OPERATING PROFIT	3	6,043	6,038
Profit on sale of fixed assets	4	<u>-</u>	<u>7,650</u>
		6,043	13,688
Interest receivable and similar income		<u>-</u>	<u>141</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,043	13,829
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	<u>53,321</u>	<u>231</u>
PROFIT FOR THE FINANCIAL YEAR		59,364	14,060
DIVIDENDS (Including dividends on non-equity shares)	6	<u>(59,364)</u>	<u>(4,929)</u>
RETAINED PROFIT FOR THE YEAR		<u>-</u>	<u>9,131</u>

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED  
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 28TH FEBRUARY 2003

	<u>2003</u> £	<u>2002</u> £
Profit for the financial year	59,364	14,060
Unrealised surplus on revaluation of properties	<u>679,764</u>	<u>229,892</u>
	<u>739,128</u>	<u>243,952</u>

NOTE OF HISTORICAL COST PROFIT AND LOSSES  
FOR THE YEAR ENDED 28TH FEBRUARY 2003


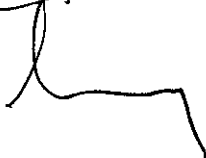
Reported profit on ordinary activities before taxation	6,043	13,829
Realisation of property revaluation gains of previous years	—	<u>34,730</u>
Historical cost profit on ordinary activities before taxation and dividends	6,043	48,559
Taxation	53,321	231
Taxation on past property revaluations	-	(6,331)
Dividends	<u>(59,364)</u>	<u>(4,929)</u>
Historical cost profit for the year retained after taxation and dividends	<u>-</u>	<u>37,530</u>

The accompanying notes are an integral part of these financial statements

HMG PROPERTIES LIMITED  
BALANCE SHEET AT 28TH FEBRUARY 2003

	<u>Note</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
<u>FIXED ASSETS</u>			
Tangible assets	7	2,075,031	1,360,042
Investments other than loans	8	<u>40,000</u>	<u>40,000</u>
		2,115,031	1,400,042
<u>CURRENT ASSETS</u>			
Debtors	9	3,171,852	3,227,222
<u>CREDITORS</u>			
Amounts falling due within one year :			
Other creditors	10	<u>5,100</u>	<u>60,481</u>
NET CURRENT ASSETS		<u>3,166,752</u>	<u>3,166,741</u>
TOTAL ASSETS LESS CURRENT LIABILITIES PROVISION FOR LIABILITIES AND CHARGES	11	<u>41,375</u>	<u>6,139</u>
		<u>5,240,408</u>	<u>4,560,644</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	12	73,050	73,050
Reserves	13	<u>5,167,358</u>	<u>4,487,594</u>
SHAREHOLDERS' FUNDS (Including non-equity interest)	14	<u>5,240,408</u>	<u>4,560,644</u>

Approved by the Board of Directors on 25<sup>th</sup> April 2003 and signed on its behalf by :

	T.W. MARSHALL	} Directors
	A.J. MURRAY	

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 2003

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) Depreciation

Depreciation on furniture and equipment has been charged at the rate of 25% on the reducing balance basis.

(f) Pensions

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



HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 2003

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>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
3. <u>OPERATING PROFIT</u>		

Operating profit is stated after charging :

Depreciation on furniture and equipment	11	14
Auditors' remuneration	73	70
Pension costs	<u>361</u>	<u>353</u>

4. EXCEPTIONAL ITEMS

Profit on sale of revalued properties	<u>-</u>	<u>7,650</u>
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5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Charge for taxation based on profit for the year :

Corporation tax @ 19% (2002 - 20%)	1,155	1,250
Corporation tax on sale of assets		(1,481)
Overprovision of corporation tax in prior years on sale of assets	<u>(54,476)</u>	<u>-</u>
	<u>(53,321)</u>	<u>(231)</u>

Factors affecting the Tax Charge for the Period

Profit on ordinary activities before taxation	<u>6,043</u>	<u>13,829</u>
Taxation on profit on ordinary activities at standard rate	1,813	4,149
Depreciation	3	4
Tapering relief/profit taxed at lower rate	(661)	(3,043)
Overprovision for corporation tax in prior year	(54,476)	-
Adjustment for current year disposals	<u>-</u>	<u>(879)</u>
	<u>(53,321)</u>	<u>(231)</u>

HMG PROPERTIES LIMITED  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 2003

	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
6. <u>DIVIDENDS</u>		
Preference (non equity shares) 4.2% (2002 - 4.2%)	880	880
Ordinary (equity shares) 112.25% (2002 – 7.77%)	<u>58,484</u>	<u>4,049</u>
	<u>59,364</u>	<u>4,929</u>
7. <u>TANGIBLE FIXED ASSETS</u>		
<u>Freehold Property</u>		
Cost at 28th February 2002	209,408	209,678
Sales during the year at cost	—	(270)
	209,408	209,408
Surplus on revaluation of properties	<u>1,865,592</u>	<u>1,150,592</u>
At open market value at 28th February 2003	<u>2,075,000</u>	<u>1,360,000</u>
Revaluation surplus for the year	<u>715,000</u>	<u>230,500</u>
<u>Furniture and Equipment</u>		
Cost at 28th February 2003	<u>8,155</u>	<u>8,155</u>
Depreciation at 28th February 2002	8,113	8,099
Charge for the year	<u>11</u>	<u>14</u>
Depreciation at 28th February 2003	<u>8,124</u>	<u>8,113</u>
Net Book Value at 28th February 2003	<u>31</u>	<u>42</u>
<u>Summary</u>		
Freehold and long leasehold property	2,075,000	1,360,000
Furniture and equipment	<u>31</u>	<u>42</u>
	<u>2,075,031</u>	<u>1,360,042</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 2003

8. INVESTMENTS

Quoted

I.O.M. Assurance Ltd. Holiday Property Bond

Market value £24,800 (2002 - £25,315)	<u>40,000</u>	<u>40,000</u>
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9. DEBTORS

<u>2003</u>	<u>2002</u>
£	£

Amounts falling due within one year :

Holding company current account	3,166,443	3,221,437
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Trade debtors	917	1,434
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Other debtors	80	20
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Prepayments and accrued income	<u>4,412</u>	<u>4,331</u>
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<u>3,171,852</u>	<u>3,227,222</u>
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10. OTHER CREDITORS

Trade creditors and accruals	4,126	2,589
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Corporation tax	<u>974</u>	<u>57,892</u>
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<u>5,100</u>	<u>60,481</u>
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11. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

Tax on capital gains on planned disposal of properties  
at balance sheet value

<u>41,375</u>	<u>6,139</u>
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The movement in the provision during the year comprises :

At 28th February 2002	6,139	11,862
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Increase in provision	35,236	608
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Previous provision realised in year	—	(6,331)
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At 28 <sup>th</sup> February 2003	<u>41,375</u>	<u>6,139</u>
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The full liability for deferred taxation if the company's properties were sold at the balance sheet value is £422,231(2002 - £218,447).

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 2003

12. CALLED UP SHARE CAPITAL

Authorised

Non-Equity Shares

540 4.2% cumulative preference shares of £50 each	27,000	27,000
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Equity Shares

73,055 ordinary shares of £1 each	73,055	<u>73,055</u>
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	<u>100,055</u>	<u>100,055</u>
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Allotted, Issued and Fully Paid

419 4.2% cumulative preference shares of £50 each	20,950	20,950
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52,100 ordinary shares of £1 each	<u>52,100</u>	<u>52,100</u>
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	<u>73,050</u>	<u>73,050</u>
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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 Reserve £	Profit and Loss Account £	Total £
At 28th February 2002	1,144,453	3,343,141	4,487,594
Profit for the year		-	-
Revaluation realised	-	-	
Deferred tax	-	-	
Revaluation surplus	715,000		715,000
- deferred tax	<u>(35,236)</u>		<u>(35,236)</u>
At 28th February 2003	<u>1,824,217</u>	<u>3,343,141</u>	<u>5,167,358</u>

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 2003

14a. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
Profit for the financial year	59,364	14,060
Dividends	(59,364)	(4,929)
	-	9,131
Unrealised profit on revaluation of properties	679,764	229,892
Net addition to shareholders' funds	679,764	239,023
Opening shareholders' funds	4,560,644	4,321,621
Closing shareholders' funds	<u>5,240,408</u>	<u>4,560,644</u>

14b. SHAREHOLDERS' FUNDS

	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
Shareholders' funds are comprised of :		
Equity interests	5,219,458	4,539,694
Non-equity interests	<u>20,950</u>	<u>20,950</u>
	<u>5,240,408</u>	<u>4,560,644</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 28th February 2003.

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 £7,550,000 (2002 - £8,350,000).

18. RELATED PARTY DISCLOSURES

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

HMG PROPERTIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28TH FEBRUARY 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 28TH FEBRUARY 2003

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Rental Income	41,886	41,359
<u>Deduct Expenses :</u>		
Lighting and heating	577	359
General and water rates	808	1,247
Repairs and renewals	1,019	8,629
Service charge payable	25,521	15,751
Insurance	382	302
Agents' commission	4,318	4,414
Chief rents payable	54	73
Sundry expenses	911	1,276
Depreciation	<u>11</u>	<u>14</u>
	<u>33,601</u>	<u>32,065</u>
NET RENTAL INCOME	<u>8,285</u>	<u>9,294</u>

ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 28<sup>TH</sup> FEBRUARY 2003

Pension	361	353
Management charges	1,793	2,818
General expenses	15	15
Audit fee	<u>73</u>	<u>70</u>
	<u>2,242</u>	<u>3,256</u>