

HMG MANAGEMENT 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 the management of property investment and trading companies and there has been no change in this activity during the year

BUSINESS REVIEW

There have been no significant changes in the company's trading activities during the year.

RESULTS

The results of the year's activities appear on page 4 The profit on ordinary activities before taxation is £38,816 (2006 - £54,013)

DIVIDENDS

A dividend of £25,370 (2006 - £28,328) has been paid to the holding company

CHARITABLE DONATIONS

The company donated £750 (2006 - £5,150) to charities during the year

DIRECTORS

The directors, all of whom were in office during the year, were as follows -

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



HMG MANAGEMENT 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 the 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 MANAGEMENT LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE HOLLINS MURRAY GROUP LIMITED

We have audited the financial statements of HMG Management 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 profit 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 MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28th February 2007

| | <u>Note</u> | <u>2007</u> £ | <u>2006</u> £ |
|--|---------------|----------------------|----------------------|
| <u>TURNOVER</u> | 2 | | |
| Management commission/ apportionment of expenses | | 1,138,713 | 941,466 |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Salaries and directors' remuneration | 777,262 | 579,635 | |
| Pensions and pension contributions | 72,951 | 67,588 | |
| Rent and rates | 28,040 | 27,581 | |
| Electricity | 1,520 | 893 | |
| Motor and travelling expenses | 13,561 | 16,192 | |
| Legal and Professional Fees | 52,880 | 55,695 | |
| Telephone | 11,178 | 8,766 | |
| Printing and stationery | 15,810 | 13,383 | |
| Postages | 1,834 | 2,846 | |
| Advertising and promotion | 3,286 | 4,900 | |
| Sundry expenses and cleaning | 79,882 | 79,208 | |
| Canteen expenses | 7,732 | 6,746 | |
| Repairs and maintenance | 12,063 | 9,967 | |
| Insurance | 15,489 | 14,150 | |
| Bank charges | 1,615 | 1,710 | |
| Audit fee | 1,200 | 1,100 | |
| Depreciation - furniture | <u>10,917</u> | <u>1,107,220</u> | <u>9,200</u> |
| | | | <u>899,560</u> |
| OPERATING PROFIT | 3 | 31,493 | 41,906 |
| Insurance Commissions | | - | 2 |
| Interest on loans | | 6,838 | 12,169 |
| Interest on tax | | <u>485</u> | <u>(64)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 38,816 | 54,013 |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | | | |
| Corporation tax | 5 | <u>(13,446)</u> | <u>(25,685)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>25,370</u> | <u>28,328</u> |

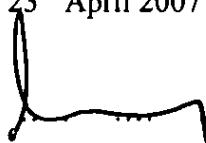
The profit and loss account includes all recognised gains and losses for the year and is prepared using the historic cost basis

The accompanying notes are an integral part of these financial statements

HMG MANAGEMENT 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 | 7 | 31,413 | 12,782 |
| <u>CURRENT ASSETS</u> | | | |
| Holding company current account | | 123,235 | 58,014 |
| Debtors | | 85,026 | 95,537 |
| Prepayments and accrued income | | 11,157 | 30,265 |
| Cash in hand | | <u>568</u> | <u>1,435</u> |
| | | <u>219,986</u> | <u>185,251</u> |
| <u>CREDITORS</u> | | | |
| Amounts falling due within one year | | | |
| Other creditors :- | | | |
| Sundry creditors and accrued charges | | 47,216 | 125,646 |
| Corporation tax due | | 7,566 | 12,809 |
| Other taxes and social security | | <u>193,770</u> | <u>56,731</u> |
| | | <u>248,552</u> | <u>195,186</u> |
| NET CURRENT LIABILITIES | | <u>28,566</u> | <u>9,935</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,847</u> | <u>2,847</u> |
| <u>CAPITAL AND RESERVES</u> | | | |
| Called up share capital | 8 | 900 | 900 |
| Profit and loss account | | <u>1,947</u> | <u>1,947</u> |
| SHAREHOLDERS' FUNDS | 9 | <u>2,847</u> | <u>2,847</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 MANAGEMENT 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. The principal accounting policies, which the directors have adopted, are set out below.

(b) Depreciation

Depreciation is provided at the following annual rates, based on the cost of the asset:

| | |
|-------------------------|--------|
| Furniture and equipment | 20% |
| Computer equipment | 33 33% |

(c) Pensions

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

2 TURNOVER

The turnover and profit for the financial year are attributable to the company's principal activity and are in respect of United Kingdom income.

3 OPERATING PROFIT

| | <u>2007</u> | <u>2006</u> |
|--|--------------|--------------|
| | £ | £ |
| Operating profit is stated after charging: | | |
| Depreciation - plant and machinery | 10,917 | 9,200 |
| Staff costs (Note 4a) | 850,213 | 647,223 |
| Auditors' remuneration | <u>1,200</u> | <u>1,100</u> |

4 STAFF COSTS

(a) Employee costs (including directors) during the year comprised:

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 694,164 | 519,524 |
| Social security costs | 83,098 | 60,111 |
| Other pensions costs | <u>72,951</u> | <u>67,588</u> |
| | <u>850,213</u> | <u>647,223</u> |

(b) The average number of employees of the company during the year was as follows:

| | | |
|----------------|-----------|----------|
| Administration | <u>10</u> | <u>9</u> |
|----------------|-----------|----------|

(c) Directors' remuneration (including benefits)

| | | |
|-----------------------|----------------|----------------|
| Pension contributions | <u>53,443</u> | <u>48,419</u> |
| | <u>768,319</u> | <u>549,646</u> |

Remuneration of highest paid director

| | |
|---------|---------|
| 414,480 | 280,917 |
|---------|---------|

Pension contributions of highest paid director

| | |
|--------|--------|
| 35,843 | 34,819 |
|--------|--------|

Number of directors who are accruing benefits under a money purchase scheme

| | |
|----------|----------|
| <u>2</u> | <u>2</u> |
|----------|----------|

HMG MANAGEMENT LIMITED

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

4. STAFF COSTS Contd

The pension costs relate to money purchase schemes and pensions to past employees or their spouse. A payment of £15,000 (2006 - £15,000) was made to Rickitt Mitchell and Partners in respect of P. Mitchell's services as a director of the company.

| | <u>2007</u> £ | <u>2006</u> £ |
|---|------------------|------------------|
| 5 <u>CORPORATION TAX</u> | | |
| Corporation Tax 23.57% @ (2006 - 26.65%) | 15,133 | 25,747 |
| Overprovision for Corporation Tax in prior year | <u>(1,687)</u> | <u>(62)</u> |
| | <u>13,446</u> | <u>25,685</u> |

Factors affecting the Tax Charge for the Period

| | | |
|--|----------------|---------------|
| Profit on ordinary activities before taxation | <u>38,816</u> | <u>54,013</u> |
| Taxation on profit on ordinary activities at standard rate | 11,645 | 16,223 |
| Disallowed expenses | 9,659 | 12,661 |
| Depreciation in excess of (Capital allowances) | (2,044) | 99 |
| Tapering relief | (4,128) | (3,236) |
| Overprovision for corporation tax in prior year | <u>(1,686)</u> | <u>(62)</u> |
| | <u>13,446</u> | <u>25,685</u> |

| | | |
|--|---------------|---------------|
| 6 <u>DIVIDENDS</u> | | |
| Ordinary paid per share 28.19% (2006 - 31.48%) | <u>25,370</u> | <u>28,328</u> |

| | | |
|--------------------------------------|-----------------|----------------|
| 7 <u>TANGIBLE FIXED ASSETS</u> | | |
| <u>Furniture and Equipment</u> | | |
| Cost to 28th February 2006 | 80,602 | 78,830 |
| Additions during the year | 29,548 | 4,934 |
| Written off during the year at cost | <u>(13,036)</u> | <u>(3,162)</u> |
| Cost at 28th February 2007 | <u>97,114</u> | <u>80,602</u> |
| Depreciation to 28th February 2006 | 67,820 | 61,782 |
| Charge for the year | 10,917 | 9,200 |
| Depreciation on write offs | <u>(13,036)</u> | <u>(3,162)</u> |
| Depreciation at 28th February 2007 | <u>65,701</u> | <u>67,820</u> |
| Net Book Value at 28th February 2007 | <u>31,413</u> | <u>12,782</u> |

HMG MANAGEMENT LIMITED

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

| | <u>2007</u> | <u>2006</u> |
|---|-----------------|-----------------|
| | £ | £ |
| 8 <u>CALLED UP SHARE CAPITAL</u> | | |
| <u>Authorised</u> | | |
| 40,000 Ordinary shares of 25p each | <u>10,000</u> | <u>10,000</u> |
| <u>Allotted, Issued and Fully Paid</u> | | |
| 3,600 Ordinary shares of 25p each | <u>900</u> | <u>900</u> |
| 9 <u>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</u> | | |
| Profit for the financial year | 25,370 | 28,328 |
| Dividends | <u>(25,370)</u> | <u>(28,328)</u> |
| Net additions to shareholders' funds | - | - |
| Opening shareholders' funds | <u>2,847</u> | <u>2,847</u> |
| Closing shareholders' funds | <u>2,847</u> | <u>2,847</u> |

10 POST BALANCE SHEET EVENTS

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

11 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)

12 RELATED PARTY DISCLOSURES

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

- a During the year the following directors received loans from the group The loans have been taken out on an arms length basis and interest accrues at a commercial rate The movement on the loans are as follows:

| Director | Balance 28/2/07 | Maximum Outstanding | Balance 1/3/2006 |
|---------------------------|--------------------|------------------------|---------------------|
| A J Murray | 50,143 | 145,518 | 33,108 |
| I C Thomas | - | 164,000 | 3,841 |
| N P Casson (from 18/9/06) | 34 | 695 | - |

13 COMPANY STATUS

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

14 HOLDING COMPANY

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