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The Hollins Murray Group Limited
2012

REPORT AND ACCOUNTS

contents

chairman's statement

Business Review Sept 2011 – August 2012

It is pleasing to be able to report on a solid set of results for the company despite the continuation of very challenging market conditions If anything, the commercial property marketplace has weakened during the year in question, with both retail and office sectors proving particularly difficult

Against that backdrop it is pleasing to be able to report that once again we have been able to deliver a post-tax profit from our "core" business that covers the dividends paid through the period The accounts accompanying this report show a post-tax profit of £1 38m, which rises to £1 4m when the small impairment of trading property value is removed As I have said before, this determined focus on running our business in a lean and prudent way underpins everything that we do Delivering "core" profits to cover dividend on an ongoing basis remains a priority for me

Gross rental income for the year is almost flat (down by just 0 7%) which is, I believe, a terrific performance when set against the prevailing economic climate and comparable results of other companies in the sector Similarly, we have seen a slight rise in the like for like valuation of the portfolio of almost £0 5m which bucks the wider trend of the marketplace This all reflects the solid, well-constructed portfolio that we own and the nature of our very active, responsive and creative approach to property management

Nick talks in more detail of some of the more significant events of the year in his report, but there are a couple of things that I feel worthy of specific highlight for shareholders' attention Firstly, the continued strength of our void level (around just 3 5% at year-end) is testimony to our management approach There have been several occasions through the year when we could have found ourselves with substantial void problems, but swift, imaginative and determined action prevented this from happening Beyond that, constant attention to our tenant mix, lease arrangements and ability to improve things for ourselves and tenants alike, contributes greatly to this healthy position

Secondly, I particularly want to recognise the performance of the recently acquired, local shopping precinct in Winstanley To me, this is a great example of HMG at its best – identifying an opportunity, moving swiftly, working imaginatively with tenants and adding genuine value through our active management approach As Nick alludes to in his report, the market is likely to present a number of similar opportunities in coming years and it is to be hoped that we will be in a position to take advantage It is worth making the point that although we have been relatively inactive in the market in recent years, it is vital that we refresh the portfolio as and when the opportunity is right in order to maintain the supply of value-add and development activities that we rely upon

Thirdly, we continue to work hard on a number of significant development opportunities In Prestwich, Ashton-in-Makerfield and Flint (and there are others either smaller or less well developed) we identified some time ago the potential to generate profits for the company well beyond normal rental or trading We have made progress in each of these locations during the year, but in the current climate it would be wrong to expect or forecast rapid and successful conclusion of these projects However, we remain confident that in due course we will bring one or more of them over the line

There are other specific activities that I could mention, however I think this selection alone serves to remind us how fortunate we are to be so well led and also so well set for the future It has become ever more apparent to me during the course of the year, that Nick is a first-class CEO and exactly the right person for us to have at the helm of our company

The biggest single challenge that occupies us at present is the forthcoming need to refinance the major part of our debt (currently with RBS) We have been working hard on this for the best part of the year and have engaged the services of J C Rathbone & Associates to assist us through this complex process Their contribution and work so far has been invaluable, and will continue to be so as we move towards completing this process

The commercial property lending market is extremely tough at the moment, but our balanced, attractive and low risk portfolio means that we are well placed As a result I am confident that we will achieve competitive refinancing of this debt, hopefully by the early part of 2013, while the balance of our debt expires later in 2013 and is also the focus of this current work It is good to be able to report that our relationships with both existing banks remain strong and their apparent confidence in HMG is reassuring Equally reassuring is the evident appetite displayed by several other banks recently to try and win some of our business

Alongside the refinancing challenge, as you already know, we have been engaged in a substantial project to consider the best way to restructure and organise the company to serve the longer term requirements of shareholders This includes adopting up-to-date, relevant and appropriate articles, addressing the question of share valuation and even potential to create a mechanism for a market in those shares This process is developing extremely well thanks to the input of KPMG and our lawyers Millbank Edge More detail and an update on this project as it nears conclusion will be delivered separately from this report and it is my hope and expectation that by the time we reach the AGM we will be in a position to make significant progress

This year has also seen further refreshment of your board I reported last year of the forthcoming retirements of Richard Murray and Rupert Murray which happened in March 2012 I also spoke at the time of the very 'big shoes' that they left to fill! I'm delighted to be able to report that at the start of the new financial year Bruce Murray and Ted Murray were recruited to join the board Both make a significant contribution and enrich the board via their mixture of experience and expertise It also means that I am joined by two other fourth generation descendants of the company's founder

Your board today comprises a terrific mixture of experience, knowledge, enthusiasm and commitment. More importantly, I believe it performs extremely well in challenging and supporting the executive while safeguarding and representing the very best interests of all shareholders I have spoken in the past of our determination to adopt and deliver the very best corporate governance possible and we continue to strive to deliver precisely that As an example we have recently refreshed our remuneration committee which now comprises Joy Baggaley, Stuart Keppie and Bruce Murray (with the former as chair) and is functioning very well

The total dividend paid during the year was £0 75 per share which represents an 11% increase on the previous year It is my fervent hope that we can continue to deliver gradual, sustainable increases in the future However ensuring that dividend is covered from our core activity remains my first priority Clearly it will be difficult to continue to grow profit from that core business in the current climate and in the absence of any specific development activity I wrote to shareholders in September to inform them of the board's prudent decision to hold the first quarterly dividend payment for the new financial year at the same level as last year One of the benefits to quarterly dividend payments is of course the increased flexibility it provides and should conditions and performance permit, we may look to gently increase the dividend again later this year

As ever, I will refrain from trying to make any forecast as to the likely shape of the market moving forwards We will certainly continue to operate on the basis that the economy and particularly the factors affecting the commercial property market, will remain broadly flat I do however believe the prospects for HMG are positive Clearly the refinancing challenge is crucial, and our exposure to the vagaries and general fragility of the market remain Set against that, we have a very solid portfolio, our range of genuine development opportunities and the proven ability in our team to take advantage With that in mind I am confident that we can continue to outperform the broader market and deliver strong results for shareholders

Bill Murray
Chairman

chief executive's statement

Business Review

Banks continue to be the most influential factor in our market and with more than half of all commercial real estate debt in the UK currently at loan to value ratios (LTV's) greater than 70%, it is not difficult to see why Couple this with the fact that 53% of existing debt to commercial property in the UK is due for repayment by January 2015 and a fundamental problem arises Almost without exception, banks are currently lending only very selectively against good quality assets and generally at LTV's around 55% to 60%, lower if possible There is therefore a sizeable amount of debt which will soon be due for renewal and which, short of banks becoming shareholders, can in the current market only be refinanced if there is a cash injection from the borrower or there is a meaningful rise in the value of property across the market For most, the former is impossible and the latter unlikely, so when one considers that the amount of outstanding debt to commercial property in the UK exceeds £200 billion, much of which is secured against secondary property or worse, it becomes clear that we remain years away from the market being anything but extremely difficult

The group's property assets at the year-end were valued independently by Lambert Smith Hampton at £98 9m, showing a small rise, on a like for like basis, of just under £500k Based on our borrowings at the year-end of £55 65m, our LTV as a group is 56% which against the backdrop of my first paragraph demonstrates that HMG continues to be in robust financial shape As Bill has mentioned, we are in the process of renegotiating both our RBS debt (£38 85m maturing in September 2013) and Lloyds (currently £16 8m maturing in October 2013) and despite the current climate, we expect positive outcomes in each respect. It should be noted though that the cost of borrowing has risen since 2010 when both facilities were negotiated

The overall performance of the portfolio is not equally reflected in each and every constituent asset We have a number of properties where values have fallen by as much as 20% and others where, for one reason or another, a rise in value has occurred Generally, the smaller, often single let assets, have performed weakly whilst larger, multi let properties have fared rather better This is not coincidental and as I have mentioned in previous statements, it is the critical mass of our multi let properties, coupled with the value enhancing approach we adopt in respect of the management of our portfolio which together drive this general trend

In Ashton in Makerfield, where we own the majority of the town's main retail offer, we have seen continued retailer demand and rental growth The anchor tenant at the scheme is a Co-op food store and a rent review here exceeded our forecast by some margin, the increase being almost 45% This resulted in the Cooperative Group overtaking Sainsbury's as our single largest tenant in the portfolio by rental income Other lettings, rent reviews and lease renewals in Ashton have helped increase the market value of the property bucking the general market trend

Similarly, at Flint Retail Park, we have seen another increase in value which in the main has been driven by the letting I reported this time last year to Peacocks The fact that Peacocks went into administration only a few months after we had concluded our letting to them did not alter the fact that the deal we negotiated set a new rental tone which we were able to demonstrate on a number of other rent reviews and lease renewals at the scheme The Peacocks unit had traded very well in its first few months since opening and we agreed terms with the new owners of the business for it to remain open This meant having to incentivise them to stay although the added value delivered via the original letting proved far more beneficial to us than what is a relatively insignificant cost

Our joint venture with Terrace Hill in Prestwich continues and during the period under review, we obtained a 5 year extension to our planning consent for a mixed use town centre scheme This adds real value to the property and ensures that a food led development in Prestwich remains focused on our centre Retail development continues to be subdued across the country though and delivering the most favourable outcome here will inevitably be challenging and time consuming

We have not escaped unscathed from the well reported weakness in the retail sector In addition to Peacocks, the insolvencies of Game and Walmsleys occurred during the year and each impacted our cash flow to some degree It is pleasing to report though that in relation to the cases affecting us, terms were agreed for each of these tenants to remain trading in our property albeit on revised terms

In recent times, the number of insolvencies, typically via an administration, affecting the property market has risen and some of the practices adopted by retailers and administrators have been nothing short of scandalous Recent case law has shown that administrators are not liable for debts due prior to their appointment which has led to many insolvencies being timed to occur just one or two days after a rent quarter day Because a landlord is unable to distrain during an administration, the administrator refuses to pay any rent until the next quarter's rent becomes due thus enabling them to trade from the premises for nothing for a very significant period of time

Similarly, many struggling retailers have chosen pre-pack administrations or Company Voluntary Arrangements as a means to walk away from liabilities In the case of retail property, this has enabled operators in poor health to close unprofitable stores and renegotiate terms very aggressively for those they wish to keep This cherry picking and the timing of administrations both make a mockery of the contractual relationship between landlord and tenant and I hope that collectively various property federations, the government and the courts do something to reverse these plainly unfair and unethical practices.

Last year I predicted that our void rate would likely increase given the uncertainty in the market coupled with some upcoming lease expires but pleasingly I am able to admit I was wrong and the void rate at the year-end had in fact fallen slightly to less than 3 5% This continues to be low in comparison with our competitors and whilst it would be nice to be proved wrong again next year, I repeat my prediction that our void exposure is likely to rise over the next 12 months Despite the doom and gloom in the retail sector, the majority of our void exposure relates to office accommodation which remains stubbornly difficult to let.

During the boom years leading up to 2007, what we know as the 'risk premium', the additional return an investor should seek to account for the inherent risk of property, became of less and less significance to investors There was a feeling in the market that property was a one way bet, anyone could do it and the light at the end of the tunnel was blinding Five years on and the world is a different place With less investor and occupational demand, difficulty in obtaining new funds and weak sentiment in the economy as a whole, the tunnel is pretty dark and the relationship between pricing and risk has changed dramatically

This dynamic enabled us to capitalise during the year by buying, from receivers and in stiff competition, a small retail parade in Winstanley, Wigan, for a price of £1m The parade was almost fully occupied although of 11 leases, 9 had expired It was being badly managed and needed a swift, hands-on approach to avoid a mass exodus of tenants The property fundamentals of this asset though, to me, were obvious It comprises a small convenience food store with a number of retail units arranged around a (too) large car park, opposite a sizeable secondary school, adjacent to a doctors surgery and in a densely populated but pleasant suburban setting Nine months post acquisition, we have completed seven new leases, increased the rents by about a quarter and have seen the value rise by 20% Over the next few years, we anticipate building some more floor space and remodelling the scheme to give it a new lease of life and hopefully, the value will increase further

With more distressed owners being forced to sell properties to reduce their indebtedness and with banks slowly starting to take ownership of assets where borrowers have no hope of clawing back value in the short to medium term, we can expect to see increasing amounts of property being offered for sale As for HMG, risk remains our biggest word and I expect we will continue to do what we do best, carefully managing what we have and cautiously looking to steadily expand in due course

Nick Casson
Chief Executive

Directors' Report

The Directors submit their Report and the Audited Consolidated Financial Statements of the Company for the year ended 31st August 2012

Principal activities
The principal activities of the Company and its subsidiaries are property investment and trading

Business review and events since the year end
The business review and events since the year end are covered on pages 1 to 4

Results
The results of the year's activities appear within The profit on ordinary activities before taxation is £1,714,766 (2011 £2,442,379) There has been an impairment to trading property cost of £19,545 (2011 reversal £671,549)

Dividends
Dividends of 18 75p per share have been paid on 30/9/2011, 16/12/2011, 30/3/2012 and 29/6/2012 (2011 - 16 875p - 30/9/2010, 17/12/2010, 31/3/2011 and 30/6/2011)

Property revaluations
Investment properties are included in the balance sheet at their open market value All of the investment portfolio was revalued at the year-end by Lambert Smith Hampton, Chartered Surveyors

Trading properties are included at the lower of cost or net realisable value

Directors
The Directors of the Company, together with their interest in share capital, were as follows -

	Ordinary held by trustees	Ordinary
Bill Murray	-	15,000
Joy Baggaley	-	-
Nick Casson	-	16,311
Stuart Keppie	-	11,814
Charles Murray	27,763	34,855
Richard Murray (Retired 31st March 2012)	27,766	44,000
Rupert Murray (Retired 31st March 2012)	55,528	131,240
Ian Thomas	-	800

Joy Baggaley retires from the Board by rotation and offers herself for re-election Bruce Murray and Ted Murray, who were appointed to the board on the 1st September 2012 and retire in accordance with the Articles of Association, offer themselves for re-election

Auditors
Parker Gradwell & Company have been appointed as Auditors of the Company and a resolution for their re-appointment for the next financial year will be proposed at the Annual General Meeting

Approved by the Board of Directors on 1st November 2012 and signed on its behalf by

Ian Thomas FCA, Secretary

Statement of Directors' Responsibilities

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 judgements 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

Consolidated Profit and Loss Account

For the year ended 31st August 2012

	Note	2012 £000	2011 £000
Turnover			
Gross rental income	2	6,832	6,882
Property trading income		-	-
Group turnover		6,832	6,882
Net rental income		6,167	6,222
Impairment to trading property cost		(20)	672
		6,147	6,894
Administrative expenses		(892)	(841)
Operating profit/ Profit on ordinary activities before interest	3	5,255	6,053
Interest receivable and similar income		24	13
Interest payable on bank loans and overdrafts		(3,564)	(3,624)
Net interest payable		(3,540)	(3,611)
Profit on ordinary activities before taxation		1,715	2,442
Taxation on profit on ordinary activities	5	(331)	(628)
Profit on ordinary activities after taxation/profit for the financial year		1,384	1,814

The results from both the current and prior period derive from continuing activities

The accompanying notes are an integral part of these financial statements

Statement of Total Recognised Gains and Losses
Note of Historical Cost Profit and Loss
Reconciliation of Movements in Shareholders' Funds

Statement of Total Recognised Gains and Losses for the year ended 31st August 2012

	Note	2012 £000	2011 £000
Profit for the financial year		1,384	1,814
Unrealised surplus on revaluation of properties		611	1,475
Total recognised gains and losses relating to the year		**1,995**	**3,289**

Note of Historical Cost Profit and Loss For the year ended 31st August 2012

	Note	2012 £000	2011 £000
Reported profit on ordinary activities before taxation		1,715	2,442
Impairment to trading property cost		20	(672)
Historical cost profit on ordinary activities before taxation and dividends		**1,735**	**1,770**
Taxation		(331)	(628)
Dividends	6	(1,313)	(1,181)
Historical cost profit (loss) for the year retained after taxation and dividends		**91**	**(39)**

Reconciliation of Movements in Shareholders' Funds For the year ended 31st August 2012

	Note	2012 £000	2011 £000
Profit for the financial year		1,384	1,814
Dividends		(1,313)	(1,181)
		71	**633**
Unrealised surplus on revaluation of properties		611	1,475
Net increase to shareholders' funds		**682**	**2,108**
Opening shareholders' funds		40,657	38,549
Closing shareholders' funds		**41,339**	**40,657**

The accompanying notes are an integral part of these financial statements

Consolidated Balance Sheet

As at 31st August 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	7	86,900	85,110
Deferred assets			
Deferred tax on losses		66	97
Current assets			
Stock of trading properties		11,746	11,761
Debtors	8	409	703
Cash at bank and short term deposits		3	1,090
		12,158	13,554
Creditors - amounts due within one year			
Creditors	9	(1,940)	(2,017)
Bank loans	10	(400)	(425)
Bank overdraft		(183)	-
		(2,523)	(2,442)
Net current assets		9,635	11,112
Total assets less current liabilities		96,601	96,319
Creditors - amounts due after one year			
Bank loans	10	(55,250)	(55,650)
Provisions for liabilities and charges	11	(12)	(12)
		(55,262)	(55,662)
Net assets		41,339	40,657
Capital and reserves			
Called up share capital	12	437	437
Reserves	13	40,902	40,220
Shareholders' funds/Total capital employed		41,339	40,657

Approved by the Board of Directors on 1st November 2012 and signed on its behalf by Bill Murray, Nick Casson, Directors

The accompanying notes are an integral part of these financial statements.

Company Balance Sheet

As at 31st August 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments in subsidiary companies	16	3,613	3,613
Current Assets			
Sundry debtors		0	344
Subsidiary company current accounts		3,530	1,112
Cash at bank and short term deposits		-	1,088
		3,530	2,544
Creditors - amounts due within one year			
Creditors	9	(10)	(16)
Bank overdraft		(183)	-
		(193)	(16)
Net current assets		3,337	2,528
Total assets less current liabilities		6,950	6,141
Capital and reserves			
Called up share capital	12	437	437
Reserves	13	6,513	5,704
Shareholders' funds		6,950	6,141

Approved by the Board of Directors on 1st November 2012 and signed on its behalf by Bill Murray, Nick Casson, Directors.
The accompanying notes are an integral part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31st August 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	15	5,346	6,228
Returns on investments and servicing of finance			
Interest received		24	13
Interest paid		(3,564)	(3,624)
Net cash outflow from returns on investments and servicing of finance		**(3,540)**	**(3,611)**
Taxation paid		**(138)**	**(279)**
Capital expenditure			
Purchase and redevelopment of investment properties		(1,189)	-
Purchase of other fixed assets		(11)	(3)
Net cash (outflow) inflow from capital expenditure		**(1,200)**	**(3)**
Equity dividends paid		**(1,313)**	**(1,181)**
Cash (outflow) inflow before financing		**(845)**	**1,154**
Financing			
Repayment of loans		(425)	(375)
Net cash outflow from financing		**(425)**	**(375)**
(Decrease) increase in cash		**(1,270)**	**779**

The accompanying notes are an integral part of these financial statements

Notes to the Accounts

For the year ended 31st August 2012

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 comply with the financial reporting standards of the Accounting Standards Board

b Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiary Companies and have been prepared in accordance with FRS 2 The results of newly acquired subsidiaries are consolidated from the acquisition date

c. Going concern

The accounts have been prepared on a going concern basis

d Freehold and long leasehold properties

In accordance with SSAP 19 investment properties are revalued at the accounting date and the aggregate surplus or temporary deficit is transferred to a property revaluation reserve

No depreciation or amortisation is provided in respect of freehold and long leasehold properties Any permanent diminutions in value below cost are charged in the profit and loss account

This treatment is a departure from the requirements 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

All of the investment portfolio by value was revalued at the year end by Lambert Smith Hampton, Chartered Surveyors

These valuations have been prepared on the basis of Open Market Value in accordance with the RICS relevant guidance notes on the valuation of property assets Each property has been valued individually and not as part of a portfolio No account has been taken of any inter-company leases or arrangements, nor any mortgages, debentures or other charges, and no allowance has been made for any expenses of realisation nor for any taxation which might arise in the event of a disposal The figures also do not reflect any element of special purchaser value following a merger of interests or sale to an owner or occupier of an adjoining property

Where projects have not been included in the valuation review, they are included at cost or in the Directors' assessment of open market value

e Stock of trading properties

Stock of trading properties is included at the lower of cost or net realisable value

f Acquisitions and disposals of properties

Acquisitions and disposals of investment and trading properties are recognised on the date of exchange of contract for the purchase or sale, provided that 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

g. 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

Notes to the Accounts

For the year ended 31st August 2012

g Taxation cont.
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

The amount of deferred taxation not provided for is shown in the notes to the accounts

h Depreciation
Depreciation is provided on plant and machinery at the following annual rates -

- Management Company
  - Computer equipment
    33% on cost
  - Other equipment and furniture
    20% on cost
- Investment Properties
  - Plant and Machinery
    25% on the reducing balance basis

i Turnover
Turnover represents rental income for the year excluding VAT, in accordance with UITF 28, together with disposal proceeds on the sale of trading properties and premiums received from tenants However amounts invoiced in advance relating to the next accounting period are included in accruals as deferred income

j Pension costs
The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund Contributions are charged to the profit and loss account in the period in which they are incurred

2. Turnover
The turnover and profit on ordinary activities before taxation are attributable to the Group's principal activities and are in respect of United Kingdom income and exclude value added tax

	2012 £000	2011 £000
Gross rental income	6,822	6,830
Premium on lease surrender/variation	10	52
	6,832	**6,882**

Notes to the Accounts

For the year ended 31st August 2012

	Group 2012 £000	2011 £000
3 Operating Profit		
Operating profit is stated after charging		
Auditors' remuneration	14	14
Depreciation - plant and machinery	21	25
Staff costs (note 4a)	820	854
4 Staff costs		
a Employee costs (including Directors) during the year comprised		
Wages and salaries	674	706
Social security costs	71	76
Pension contributions	75	72
	820	854
b The average number of employees of the Group during the year was as follows.	**Number**	**Number**
Property and administration	19	19
	£000	**£000**
c Directors' remuneration (including benefits)	450	510
Pension contributions	50	49
	500	559
Remuneration of highest paid director (including long term bonus provision)	222	269
Pension contributions of highest paid director	31	29
Number of directors who are accruing benefits under a money purchase scheme	2	2

The pension costs relate to money purchase schemes and pensions to past employees or their spouse A payment of £50,000 (2011 - £50,000) was made to Bill Murray and Associates in respect of Bill Murray's services as chairman of the Company. A payment of £9,319 (2011 - £15,975) was made to Northville Estates Limited in respect of Rupert Murray's services as a Director of the Company A payment of £18,750 (2011 - £18,750) was made to Keppie Massie in respect of Stuart Keppie's services as a Director of the Company A payment of £16,875 (2011 - £16,875) was made to Regional Property Solutions Limited in respect of Charles Murray's services as a Director of the Company

Notes to the Accounts

For the year ended 31st August 2012

	Group 2012 £000	2011 £000
5 Taxation on profit on ordinary activities		
Charge for taxation based on profit for the year		
Corporation Tax @ 25 17% (2011 - 27 17%)	418	632
Over provision of corporation tax in prior years	(87)	(4)
	331	628

Factors affecting the tax charge for the year

The Corporation Tax assessed for the year is different from that at the standard rate of Corporation Tax in the United Kingdom of 25 17% (2011 - 27 17%)

The differences are explained below -

	Group 2012 £000	2011 £000
Profit on ordinary activities before taxation	1,715	2,442
Tax on profit on ordinary activities at standard rate	432	663
Effects of		
Deferred tax adjustment	13	-
Disallowed expenses	2	1
Capital allowances in excess of depreciation	(22)	(30)
Tapering relief and profits taxed at lower rate	(7)	(2)
Over provision of corporation tax in previous years	(87)	(4)
Current tax charge for the year	**331**	**628**

6 Dividends paid

	Group 2012 £000	2011 £000
Equity shares		
Ordinary 300% (2011 - 270%)	1,313	1,181

The Directors have not proposed any other dividends for the year ended 31st August 2012

Notes to the Accounts

For the year ended 31st August 2012

	Group 2012 £000	2011 £000
7 Tangible fixed assets		
Freehold and long leasehold property		
Cost at 31st August 2011	73,325	73,325
Additions during the year at cost	1,189	-
	74,514	73,325
Surplus on revaluation of properties	12,332	11,721
Open market value at 31st August 2012	86,846	85,046
Freehold properties	58,096	56,771
Long leasehold properties	28,750	28,275
	86,846	85,046
Revaluation surplus for the year	611	1,475
Plant and machinery		
Cost at 31st August 2011	663	663
Additions during the year at cost	11	3
Disposals during the year at cost	(3)	(3)
Cost at 31st August 2012	671	663
Depreciation at 31st August 2011	599	577
Charge for the year	21	25
Depreciation on disposals	(3)	(3)
Depreciation at 31st August 2012	617	599
Net book value at 31st August 2012	54	64
Summary		
Freehold and long leasehold property	86,846	85,046
Plant and machinery	54	64
	86,900	85,110

Notes to the Accounts

For the year ended 31st August 2012

	Group 2012 £000	2011 £000
8 Debtors		
Trade debtors	279	229
Other debtors	45	30
Prepayments and accrued income	84	100
Corporation tax	-	344
Other taxes	1	-
	409	703

	Group 2012 £000	2011 £000	Company 2012 £000	2011 £000
9 Creditors				
Trade creditors and accruals	1,531	1,367	10	16
Other creditors				
Corporation tax	123	305	0	-
Other taxes and social security	286	345	-	-
	1,940	2,017	10	16

Notes to the Accounts

For the year ended 31st August 2012

	Group 2012 £000	2011 £000
10 Bank overdraft facilities/bank loans		
Within one year	400	425
Between one and two years	55,250	39,250
Between three and five years	-	16,400
	55,650	56,075

Bank loans and overdrafts are secured by way of a charge on properties of the group companies and cross guarantees as follows -

Lender	Loan £	Cross Guarantee
National Westminster Bank Plc	38,850,000	HMG Investments Limited HMG Developments Limited HMG King Street Limited HMG Aber Road Limited HMG Properties Limited HMG Prestwich Limited Priorspur Limited Joneston Limited
Lloyds TSB Plc	16,800,000	HMG Investments Limited

Interest on the loans is chargeable at varying rates above LIBOR
National Westminster Bank Plc have extended their loan maturity to the 1st September 2013

	2012	2011
11 Provisions for liabilities and charges		
Deferred tax on property revaluations	12	12
Movements during the year		
As at 31st August 2011	12	12
Deferred tax on realisations	-	-
As at 31st August 2012	12	12

The full liability for deferred taxation if the Group's properties were sold at the balance sheet value is £300,081 (2011 £334,228)

	2012	2011
12 Called up share capital		
Authorised		
Equity		
10,100,001 Ordinary shares of 25p each	2,525	2,525
Allotted, issued and fully paid 1,750,437 Ordinary shares of 25p each	437	437

Notes to the Accounts

For the year ended 31st August 2012

13 Reserves

Group

	Share Premium Account £000	Capital Redemption Reserve £000	Property Revaluation Reserve £000	Profit & Loss Account £000	Total £000
As at 31st August 2011	304	93	11,759	28,064	40,220
Retained profit for the year				71	71
Revaluation surplus			611		611
As at 31st August 2012	304	93	12,370	28,135	40,902

Company

	Share Premium Account £000	Capital Redemption Reserve £000	Profit & Loss Account £000	Total £000
As at 31st August 2011	304	93	5,307	5,704
Retained profit for the year			809	809
As at 31st August 2012	304	93	6,116	6,513

14 Profit attributable to members

Under the provisions of Section 408 of the Companies Act 2006 the Company is exempt from presenting its own profit and loss account The amount of consolidated profit for the financial year dealt with in the financial statements of the Company is as follows

	Company 2012 £000	2011 £000
Profit on ordinary activities before taxation	2,122	1,024
Taxation	(1)	(5)
Profit for the financial year	2,121	1,019
The above figures include dividends from subsidiary companies	2,118	1,000

Notes to the Accounts

For the year ended 31st August 2012

	Group 2012 £000	2011 £000
15 Notes to consolidated cash flow statement		
a Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	5,255	6,053
Impairment to trading property costs (reversal)	20	(672)
Depreciation charges	21	25
Increase in trading properties	(5)	(28)
Decrease (increase) in debtors	(49)	1,146
(Decrease) increase in creditors	105	(296)
Net cash inflow from operating activities	**5,347**	**6,228**
b Reconciliation of net cash flow to movement in net debt		
(Decrease) increase in cash	(1,270)	779
Cash outflow from decrease in debt financing	425	375
Movement in net debt in the year	**(845)**	**1,154**
Net debt at 1st September 2011	(54,985)	(56,139)
Net debt at 31st August 2012	**(55,830)**	**(54,985)**

c Analysis of changes in net debt

	At 1st September 2011 £000	Cash Flows £000	At 31st August 2012 £000
Cash at bank and in hand	1,090	(1,270)	(180)
Debt due within one year	(425)	25	(400)
Debt due after one year	(55,650)	400	(55,250)
Net debt	**(54,985)**	**(845)**	**(55,830)**

Notes to the Accounts

For the year ended 31st August 2012

16 Investment in subsidiary companies (all of which are incorporated in England and Wales)
a The Company holds 100% of the issued share capital of the following companies

HMG Properties Limited
Residential property investment

HMG Management Limited
Management services

HMG Developments Limited
Property trading and development

HMG Investments Limited
Commercial property investment

HMG Flintshire Retail Park Limited
Dormant company

HMG Prestwich Limited
Property trading and development

HMG Aber Road
Property trading and development

Glencullen Limited
Property trading and development

Biltoneton Limited
Holding company

Matrix Property Investment Limited
Property trading and development

Joneston Limited
Property trading and development

HMG (UK) Limited
Holding Company

b Glencullen Limited holds 100% of the issued share capital of Matrix Property Investment (Manchester 2) Limited a property trading and development company and Biltoneton holds 100% of the issued share capital of Priorspur Limited, a property trading and development company

c HMG (UK) Limited holds 100% of the issued share capital of HMG (King Street) Limited a property trading and development company

17 Contingent liabilities
The Company has given the following guarantees

- to National Westminster Bank plc in respect of a bank loan of £38,850,000 (2011 £38,850,000) in respect of the following subsidiary companies

HMG Investments Limited
HMG Developments Limited
HMG King Street Limited
HMG Aber Road Limited
HMG Properties Limited
HMG Prestwich Limited
Priorspur Limited
Joneston Limited

- to Lloyds TSB plc in respect of a bank loan of £16,800,000 (2011 £17,225,000) in respect of its subsidiary company HMG Investments Limited

The Company has a bank overdraft facility with National Westminster Bank plc of £1,250,000 (2011 £1,250,000) This is guaranteed by HMG Investments Limited and HMG Developments Limited and is repayable on demand

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

19 Capital commitments
There were no capital commitments authorised by the Directors as at 31st August 2012 (2011 Nil)

20 Related party disclosures
The dividends paid to directors and their associates during the year are as follows -

Bill Murray	**£11,250**
Nick Casson	**£12,233**
Stuart Kepple	**£8,861**
Charles Murray	**£46,685**
Richard Murray to 31st March 2012	**£40,153**
Rupert Murray to 31st March 2012	**£104,627**
Ian Thomas	**£600**

21 Company status
The Company is a close company within the provisions of the Corporation Tax Act 2010

Independent Auditors' Report to the Shareholders of The Hollins Murray Group Limited

We have audited the financial statements of The Hollins Murray Group Limited for the year ended 31st August 2012 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes The financial reporting framework that has been applied in their presentation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 (APB'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 group's and parent 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 information in the Chairman's Statement and the Chief Executive's Statement to identify material inconsistences with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st August 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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, by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

S W Johnson (senior statutory auditor)
For and on behalf of

Parker Gradwell & Co.
Chartered accountants
and registered auditors

17 Chapel Street, Hyde,
Cheshire SK14 1LF

1st November 2012