



report  
and  
accounts  
2004

## notice of meeting

Notice is hereby given that the twelfth Annual General Meeting of the Company will be held in the Boardroom, St John's House, Barrington Road, Altrincham, on Wednesday 23rd June 2004 at 10.30am for the following purposes:-

1. To receive and adopt the Directors' Report and Statement of Accounts for the year ended 29th February 2004 and to declare a dividend.
2. To re-elect Tom Marshall as Director.
3. To re-elect Rupert Murray as Director.
4. To confirm the Chairman's remuneration for the year ending 28th February 2005 of £40,000 and a bonus of £13,560 for the year ended 29th February 2004.
5. To confirm the non-executive Directors' remuneration for the year ending 28th February 2005 of £15,000 per Director.
6. To re-appoint Parker Gradwell & Company as Auditors and authorise the Directors to fix their remuneration.
7. To consider and if thought fit pass the following ordinary resolution: that the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (Act) to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £2,078,570.75p, during the period commencing on the date of the passing of this Resolution and expiring on the fifth anniversary of such date (period of the authority) save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and such authority shall be in substitution for all authorities previously conferred upon the directors pursuant to section 80 of the Act. Words and expressions defined in or for the purposes of the Act shall bear the same meaning in this Resolution.
8. To consider and if thought fit pass the following special resolution: that subject to the passing of the resolution numbered 7 the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (Act) to allot equity securities for cash pursuant to the general authority conferred upon them by the Resolution numbered 7 as if section 89 (1) of the Act did not apply to any such allotment provided however that the power conferred hereby shall expire at the conclusion of the period of the authority (as defined in Resolution numbered 7) save that before such expiry the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot equity securities pursuant to any such offer or agreement previously made as if the power conferred hereby had not expired and such power shall be in substitution for any power previously conferred upon the directors for the purposes of the said section 95. Words and expressions defined in or for the purposes of the Act shall bear the same meaning in this Resolution.
9. To transact any other ordinary business of the Company.

By order of the Board  
Ian Thomas FCA, Secretary  
St Johns House, Barrington Road, Altrincham,  
Cheshire WA14 1TJ  
26th April 2004

Notes:

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his or her behalf - a proxy need not be a member of the Company. The instrument appointing a proxy must be lodged at the Company's Registered Office not later than 48 hours before the Meeting.



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## chairman's statement

HMG did well in 2003/4 and excellent results have been delivered on the back of a particularly strong performance by the core investment estate. The contribution to profits made by property trading was comparatively minimal this year. The salient features of the year were:

Net Rental Income	+ 14.62%
Pre-tax profit	+ 40.26%
Net Asset Value	+ 17.34%

Market conditions really have not changed in any significant way since the interim report last November. Despite small rises in interest rates, the cost of borrowing remains relatively low, and has not noticeably curbed

the enthusiasm of the private investor. Institutional interest in the sector has also been high and for these reasons yields, for well let property, remain low across the board.

Retail property has continued to be the strongest performer despite modest levels of rental growth, demonstrating continuing appetite for this sector from investors.

Real rental growth has been seen in the retail warehouse sector, which has been particularly sought after, but attractive opportunities are hard to find and frequently come in very large lot sizes.

Offices in the North West generally have been suffering from the classic double bind of too much supply at a time of reducing demand, and as a result there has been pressure on rental values. Conversely, demand for well let office investment has remained high and this has been reflected in yields, resulting in fairly robust total returns in the sector in the North West. There is some, as yet largely anecdotal, evidence of "green shoots" in the South Manchester market, and certainly the hard hit office sector in the South East of the country has begun to show real signs of life.

*"Retail property has continued to be the strongest performer despite modest levels of rental growth, demonstrating continuing appetite for this sector from investors."*

The sustained resilience of the commercial property investment sector has been remarkable, particularly in the face of significantly increased transactional costs in the form of what is now called Stamp Duty Land Tax. The purchase of a £2.5m investment now yields the exchequer £100,000, and the UK has one of the most highly taxed property related regimes in the developed world. In 2001 property related taxes stood at 4.32% of GPD compared with 1.96% in the EU as a whole. Revenue from Stamp Duty has risen from a negligible £830m in 1997/8 to £3.59bn in 2002/3. With a golden egg of this size, there is little reason for the chancellor to kill the goose, but I do not expect any relaxation of the regime. There has been some well intentioned tinkering in the form of the creation of Stamp Duty Free Zones, meant to make life easier for the first time buyer in areas considered to be underprivileged. Oddly, in our part of the world, these zones include some manifestly wealthy areas, for example parts of King Street, Manchester and Deansgate in Manchester.

The growth of the company's asset base over the last few years has meant that we have had to make some decisions on the way that we manage the estate and handle its administration. We have

decided against outsourcing the management function and will continue to maintain direct control of the estate. This means an increase in the number of personnel employed, and an absolute increase in management expenses. Much of this can, however be recovered through service charges under the terms of the majority of our leases, and Andrew gives details of these changes in his report.

Our subsidiary company Matrix did well during the year, although given market conditions, 2003 was a time of consolidation rather than highly active trading. Despite this, Matrix generated profits before tax of £127,800 which means that since its inception 3 years ago the company has produced average annual profits of £370,000 and the underlying value of its portfolio has continued to increase. The latter is not reflected in the accounts because, as trading assets, the properties are shown in the balance sheet at cost. The outlook for Matrix in 2004 is good but I expect suitable acquisitions to remain hard to find because of the strength of demand in the market.

Despite the scarcity of good new investment opportunities, this year will be a busy one for us, and significant capital expenditure is planned at our holdings in Congleton, Ashton-in-

Makerfield, and Flint. Good opportunities exist in these locations for adding significant value and once again details are included in Andrew's report.

2003 was another good year for the company and the prospects looking forward to the coming year are exciting. Real worries exist around the level of personal debt and the ever inflating housing bubble, and I have no doubt that a correction is due. Short term interest rates are set to rise and that will have an effect on our cost base. However, underlying economic factors may well mean that any correction is further away than many commentators think. Whether these two bubbles deflate gently or burst remains to be seen, but either way, it is likely to have an effect on the high street and hence the health of the retail sector.

My thanks are due to everyone at HMG for delivering another excellent set of figures, and for their commitment and hard work over the year.

The Board is recommending a final dividend for the year of 25 pence per share, making a total for 2003/04 of 40p per share. The dividend will be paid to shareholders at the end of June.

**Tom Marshall,**  
Chairman



Left: 24 St John's Street,  
Manchester

Right: Hope Street,  
Wrexham

## operating review

Trading conditions during the year under review have continued to be extraordinarily competitive due to the continued low level of interest rates, which has continued to generate huge demand for commercial property investments from the private investor sector, which has, in turn, been reinforced by renewed appetite from investing institutions.

Generally speaking commercial market yields for lower value properties have continued to be at an unrealistically low level which we do not feel adequately reflect the fundamentals of covenant risk and growth potential.

The strength of the market at the lower value end has enabled us to sell properties in Market Street Altrincham, and Deansgate Manchester at prices well in excess of balance sheet value.

Buying opportunities during the year, at what we considered to be good value, were almost non-existent; however we were able to buy Flintshire Retail Park just before the year end in a very competitive bidding situation.

*“The company remains in a strong position to take advantage of investment opportunities, while maintaining gearing at prudent and sustainable levels.”*

The Park comprises an edge of town retail park development of 80,000 sq feet with 10 modern purpose built retail units with tenants including Focus DIY, Home Bargains, Pound Stretcher and Dorma Group.

The net initial yield from this £7 million investment is 6.25% and we anticipate significant rental growth in the short term. Importantly in this sector, the scheme benefits from an unrestricted open A1 planning consent and we are already talking to two major retailers with a view to extending the estate and improving rental values.

In Wrexham we have continued to assemble the site around our initial purchase in the prime retail pitch on Hope Street and planning permission has been granted for the reconstruction of the unit let to Next, who will temporarily vacate before moving back into a bigger and more efficient trading unit on completion, at a higher rent and on a longer lease.

In relation to the rest of the site we are anticipating submitting a planning application within the current financial year and are talking to a major retailer about a significant pre-let.

At West Heath, Congleton the re-development of the shopping centre is not as far advanced as we had originally expected, as we have decided to substantially re-design part of the scheme to provide a better finished product. We believe that this will align the centre far better with the market and we will commence construction onsite when we have pre-let a significant part of the scheme.

During the year we have received planning permission for a 40,000 sq feet extension to the Gerard Centre in Ashton-in-Makerfield half of which is under offer to a major retailer.

The burden placed on owners and occupiers in relation to their properties continues to grow and there is significant investment required in our estate in order to comply with increased regulation in such areas as disabled access and asbestos. This, together with the continued growth of the HMG investment portfolio has placed a significant additional workload on our building managers and we will be increasing staffing levels during the year to ensure the continued smooth running of the estate.

In terms of portfolio weighting, we continue to reduce our exposure to the office sector where we believe that the prospects for rental growth are weak and the opportunities for adding value relatively limited. A further disincentive for us in the office sector is the often forgotten high upkeep and refurbishment costs which are often irrecoverable when suites are empty and require upgrading in order to re-let.

Our joint venture company, Matrix, has faced equally difficult trading conditions but never the less has contributed £127,800 to group profit before tax. The very nature of the business means that trading activities do not always fit the statutory year ends and in the current financial year the company has already sold one property which should more than double the profit for 2003/2004.

The company remains in a strong position to take advantage of investment opportunities, while maintaining gearing at prudent and sustainable levels.

**Andrew Murray,**  
Chief Executive



## director's report

The directors submit their Report and the Audited Consolidated Financial Statements of the Company for the year ended 29th February 2004.

### 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 in the Chairman's Statement and the Operating Review.

### Results

The results of the year's activities appear within. The profit on ordinary activities before taxation is £3,187,059 (2003 £2,272,279 ) of which profit on property sales and trading income comprises £968,776 (2003 £731,727)

### Dividends

An interim dividend of 15p per share (2003 13p) was paid during the year. A final dividend of 25p per share is proposed (2003 17p and a special dividend of 50p). This will be paid to Shareholders on 24th June 2004.

### Property revaluations

Investment properties are included in the balance sheet at their open market value. 92.5% (2003 93 %) of the portfolio by value was revalued at the year-end by Lambert Smith Hampton and the balance by Mr Andrew Murray FRICS who is Group Chief Executive.

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

### Charitable donations

The Company and its subsidiaries donated £6,440 (2003 £6,859) to charities during the year.

## Directors

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

	<b>29th February 2004</b>		<b>28th February 2003</b>	
	<b>Ordinary held by Trustees</b>	<b>Ordinary</b>	<b>Ordinary held by Trustees</b>	<b>Ordinary</b>
Andrew Murray	27,763	53,300	27,763	53,300
Andrew Murray (As Trustee)	-	85,226	-	85,226
Tom Marshall	-	14,990	-	14,990
Paul Mitchell	-	12,257	-	12,257
Richard Murray	55,528	55,366	55,528	58,556
Rupert Murray	55,528	131,236	-	88,631
Stephen Murray	55,528	64,941	55,528	65,691
Ian Thomas	-	728	-	728

Tom Marshall and Rupert Murray retire from the Board by rotation and 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 26th April 2004 and signed on its behalf by:

Ian Thomas FCA  
Secretary



# statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which will give a true and fair view of the state of the Company and Group and of the profit or loss for that period.

In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# independent auditors' report to the members of the hollins murray group ltd

We have audited the financial statements of The Hollins Murray Group Limited for the year ended 29th February 2004 which comprise the profit and loss account, the balance sheets, the cash flow statement, 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 therein.

## Respective responsibilities of directors and auditors

As described on page 13 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, the Chairman's statement and the Operating Review. 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 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 of the state of affairs of the Company and of the Group as at 29th February 2004 and of the profit of the Group 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

26th April 2004

# consolidated profit and loss account

For the year ended 29th February 2004

	Note	<b>2004</b>	<b>2003</b>
		£000	£000
Turnover			
Gross rental income	2	5,011	5,054
Property trading income		429	2,601
<b>Group turnover</b>		<b>5,440</b>	<b>7,655</b>
Net rental income		4,119	3,594
Profit on property trading		89	612
		4,208	4,206
Administrative expenses		(345)	(370)
<b>Operating profit</b>	3	<b>3,863</b>	<b>3,836</b>
Exceptional items	5	880	120
<b>Profit on ordinary activities before interest</b>		<b>4,743</b>	<b>3,956</b>
Interest receivable and similar income		116	48
Interest payable on bank loans and overdrafts		(1,672)	(1,732)
Net interest payable		(1,556)	(1,684)
<b>Profit on ordinary activities before taxation</b>		<b>3,187</b>	<b>2,272</b>
Taxation on profit on ordinary activities	6	(1,181)	(524)
<b>Profit on ordinary activities after taxation</b>		<b>2,006</b>	<b>1,748</b>
Minority interest	18	(33)	(86)
<b>Profit for the financial year</b>		<b>1,973</b>	<b>1,662</b>
Dividends	7	(718)	(1,424)
<b>Retained profit for the financial year</b>		<b>1,255</b>	<b>238</b>

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 29th February 2004

	<b>2004</b>	<b>2003</b>
	£000	£000
Profit for the financial year	2,006	1,748
Unrealised surplus on revaluation of properties	4,922	2,784
<b>Total recognised gains and losses relating to the year</b>	<b>6,928</b>	<b>4,532</b>

### Note of Historical Cost Profit and Loss

For the year ended 29th February 2004

	<b>2004</b>	<b>2003</b>
	£000	£000
Reported profit on ordinary activities before taxation	3,187	2,272
Realisation of property revaluation gains of previous years	2,539	630
Historical cost profit on ordinary activities before taxation and dividends	5,726	2,902
Taxation	(1,181)	(524)
Taxation on past property revaluations	(102)	(122)
Dividends	(718)	(1,424)
Minority Interest	(133)	(86)
<b>Historical cost profit for the year retained after taxation and dividends</b>	<b>3,692</b>	<b>746</b>

### Reconciliation of Movements in Shareholders' Funds

For the year ended 29th February 2004

	<b>2004</b>	<b>2003</b>
	£000	£000
Profit for the financial year	2,006	1,748
Dividends	(718)	(1,424)
	1,288	324
Minority interest	(33)	(86)
Unrealised surplus on revaluation of properties	4,922	2,784
Net addition to shareholders' funds	6,177	3,022
Opening shareholders' funds	35,402	32,380
<b>Closing shareholders' funds</b>	<b>41,579</b>	<b>35,402</b>

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

# consolidated balance sheet

As at 29th February 2004

	Note	<b>2004</b> £000	<b>2003</b> £000
<b>Fixed assets</b>			
Tangible assets	8	73,190	62,205
Investments	9	40	40
		<b>73,230</b>	<b>62,245</b>
<b>Current assets</b>			
Stock of trading properties		5,095	3,199
Debtors	10	1,439	262
Cash at bank and short term deposits		1,928	4,239
		<b>8,462</b>	<b>7,700</b>
<b>Creditors - amounts due within one year:</b>			
Creditors	11	(2,591)	(3,464)
Bank loans	12	(2,777)	(2,262)
		<b>(5,368)</b>	<b>(5,726)</b>
<b>Net current assets/(liabilities)</b>		<b>3,094</b>	<b>1,974</b>
<b>Total assets less current liabilities</b>		<b>76,324</b>	<b>64,219</b>
<b>Creditors - amounts due after one year:</b>			
Bank loans	12	(34,325)	(28,553)
Provisions for liabilities and charges	13	(271)	(105)
		<b>(34,596)</b>	<b>(28,658)</b>
<b>Net assets</b>		<b>41,728</b>	<b>35,561</b>
<b>Capital and reserves</b>			
Called up share capital	14	446	446
Reserves	15	41,133	34,956
<b>Shareholders' funds</b>		<b>41,579</b>	<b>35,402</b>
Minority interest	18	149	159
<b>Total capital employed</b>		<b>41,728</b>	<b>35,561</b>

Approved by the Board of Directors on 26th April 2004 and signed on its behalf by:  
Tom Marshall, Andrew Murray  
Directors

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

# company balance sheet

As at 29th February 2004

	Note	<b>2004</b> £000	<b>2003</b> £000
<b>Fixed assets</b>			
Investments in subsidiary companies	18	587	587
<b>Current Assets</b>			
Sundry debtors		50	26
Subsidiary company current accounts		6,130	3,600
Cash at bank and short term deposits		1,896	4,187
		<b>8,076</b>	<b>7,813</b>
<b>Creditors</b> - amounts due within one year:			
Creditors	11	(474)	(1,201)
<b>Net current assets</b>		<b>7,602</b>	<b>6,612</b>
<b>Total assets less current liabilities</b>		<b>8,189</b>	<b>7,199</b>
<b>Capital and reserves</b>			
Called up share capital	14	446	446
Reserves	15	7,743	6,753
<b>Shareholders' funds</b>		<b>8,189</b>	<b>7,199</b>

Approved by the Board of Directors on 26th April 2004 and signed on its behalf by:  
Tom Marshall, Andrew Murray  
Directors

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

# consolidated cash flow statement

As at 29th February 2004

	Note	<b>2004</b> £000	<b>2003</b> £000
<b>Net cash inflow from operating activities</b>	17	523	4,881
<b>Returns on investments and servicing of finance</b>			
Interest received		116	48
Interest paid		(1,672)	(1,732)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,556)	(1,684)
<b>Taxation paid</b>		(1,055)	(710)
<b>Capital expenditure</b>			
Purchase and redevelopment of investment properties		(9,285)	(6,777)
Sale of investment properties		4,255	6,005
Subsidiary company minority interest investment		0	-
Purchase of other fixed assets		(14)	(217)
Sale of other fixed assets		41	14
<b>Net cash outflow from capital expenditure</b>		(5,003)	(975)
<b>Equity dividends paid</b>		(1,507)	(568)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		(8,598)	944
<b>Financing</b>			
New loans		7,830	6,356
Repayment of loans		(1,543)	(3,239)
<b>Net cash inflow from financing</b>		6,287	3,117
<b>(Decrease) Increase in cash</b>		(2,311)	4,061

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

# notes to the accounts

For the year ended 29th February 2004

## 1. Accounting policies

### a. Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, as modified by the inclusion of freehold and long leasehold investment properties at their Open Market Value. Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the requirements of The Companies Act 1985 relating to depreciation and an explanation for the departure is given below.

### 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 FRS2.

### c. Freehold and long leasehold 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 and long leasehold properties. This treatment is a departure from the requirements 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. 92.5% (2003 93%) of the portfolio by value was revalued at the year end by Lambert Smith Hampton and the balance by Andrew Murray FRICS who is Group Chief Executive.

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. Buildings under construction are valued at the lower of cost or realisable value.

### d. Stock of trading properties

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

# notes to the accounts

For the year ended 29th February 2004

## 1. Accounting policies (continued)

### e. Acquisitions and disposals of properties

Acquisitions and disposals of properties are recognised on the date of completion of the purchase or sale.

### f. 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 accounts.

### g. 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 25% on the reducing balance basis

### h. Turnover

Turnover represents rental income for the year excluding VAT, together with disposal proceeds on the sale of trading properties. However amounts invoiced in advance relating to the next accounting period are included in accruals as deferred income.

### i. Pension costs

The Company does not operate a defined pension scheme and all pension costs are charged to the Profit and Loss account as they arise.

## 2. Turnover

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

# notes to the accounts

For the year ended 29th February 2004

Group

**2004**  
£000

**2003**  
£000

## 3. Operating profit

Operating profit is stated after charging:

Auditors' remuneration	11	11
Depreciation - plant and machinery	83	105
- loss on sale of motor vehicles	5	-
Staff costs (note 4a)	618	543

## 4. Staff costs

### a. Employee costs (including Directors) during the year comprised:

Wages and salaries	492	427
Social security costs	57	50
Pension contributions	69	66
	<b>618</b>	<b>543</b>

### b. The average number of employees of the Group during the year was as follows: Property and administration

Number	Number
13	13

£000

£000

### c. Directors' remuneration (including benefits)

Pension contributions	38	35
	<b>444</b>	<b>402</b>
Remuneration of highest paid director	223	208
Pension contributions of highest paid director	26	25
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 £15,000 (2003 £12,500) was made to Rickitt Mitchell & Partners Limited in respect of Paul Mitchell's services as a director of the Company.

# notes to the accounts

For the year ended 29th February 2004

Group

**2004**  
£000

**2003**  
£000

## 5. Exceptional Items

Profit on sale of investment properties	880	57
Premium on lease surrenders	-	63
	<b>880</b>	<b>120</b>

## 6. Taxation on profit on ordinary activities

Charge for taxation based on profit for the year:

Corporation tax @ 30% (2003 30%)	664	641
Corporation tax on fixed asset sales	595	(39)
Interest on tax	(1)	7
Over-provision of corporation tax in prior years:		
General income	(77)	(3)
Fixed asset sales	-	(82)
	<b>1,181</b>	<b>524</b>

Profit on ordinary activities before taxation	3,187	2,272
---	-------	-------

Tax on profit on ordinary activities at standard rate	942	682
Factors affecting the charges:		
Disallowed expenses	11	2
Capital allowances in excess of depreciation	(23)	(5)
Tapering relief and profits taxed at lower rate	(2)	(2)
Over provision of corporation tax in previous years	(77)	(85)
Adjustment for current year's disposals	331	(75)
Interest on tax	(1)	7
Current tax charge for the year	<b>1,181</b>	<b>524</b>

## 7. Dividends

Equity shares

Ordinary: 160% (2003 - 120%)	718	531
: Special dividend 0% (2003-200%)	-	893
	<b>718</b>	<b>1,424</b>

# notes to the accounts

For the year ended 29th February 2004

Group

**2004**  
£000

**2003**  
£000

## 8. Tangible fixed assets

Freehold and long leasehold property

Cost at 28th February 2003

42,960

41,681

Additions during the year at cost

9,285

6,777

---

52,245

48,458

Sales during the year at cost

(836)

(5,498)

---

51,409

42,960

Surplus on revaluation of properties

21,591

18,940

**Open market value at 29th February 2004**

**73,000**

**61,900**

Freehold properties

65,600

61,900

Long leasehold properties

7,400

-

---

**73,000**

**61,900**

**Revaluation surplus for the year**

**5,190**

**2,883**

### Plant and machinery

Cost at 28th February 2003

1,067

902

Additions during the year at cost

34

217

Transfer Windsor House reserve fund

(20)

-

Disposals during the year at cost

(247)

(52)

---

Cost at 29th February 2004

**834**

**1,067**

Depreciation at 28th February 2003

762

695

Charge for the year

83

105

Depreciation on disposals

(201)

(38)

---

Depreciation at 29th February 2004

644

762

**Net book value at 29th February 2004**

**190**

**305**

### Summary

Freehold and long leasehold property

73,000

61,900

Plant and machinery

190

305

---

**73,190**

**62,205**

# notes to the accounts

For the year ended 29th February 2004

Group

**2004**      **2003**  
£000      £000

## 9. Investments

### Quoted

I.O.M. Assurance Ltd Holiday Property

Bond - Market value £25,049 (2003 £24,800)

**40**      **40**

## 10. Debtors

Trade debtors	101	142
Other debtors	160	96
Prepayments and accrued income	28	24
Corporation tax	5	-
Other taxes	1,145	-
	<b>1,439</b>	<b>262</b>

Group

Company

**2004**      **2003**      **2004**      **2003**  
£000      £000      £000      £000

## 11. Creditors

Reserve fund	31	51	-	-
Trade creditors and accruals	1,292	1,397	1	0

### Other creditors

Corporation tax	756	523	27	9
Other taxes and social security	66	301	-	-
Proposed dividends	446	1,192	446	1,192
	<b>2,591</b>	<b>3,464</b>	<b>474</b>	<b>1,201</b>

# notes to the accounts

For the year ended 29th February 2004

Group

**2004**      **2003**  
£000      £000

## 12. Bank overdraft facilities/bank loans

Within one year	2,777	2,262
Between one and two years	803	543
Between one and five years	4,907	3,128
Over five years	28,615	24,882
	34,325	28,553
	<b>37,102</b>	<b>30,815</b>

## 13. Provisions for liabilities and charges

Deferred tax on property revaluations	271	105
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### Movements during the year:

As at 28th February 2003	105	127
Deferred tax on realisations	(102)	(121)
Increase in provision	268	99

**As at 29th February 2004**      **271**      **105**

The full liability for deferred taxation if the Group's properties were sold at the balance sheet value is £4,833,761 (2003 £4,067,707)

## 14. Called up share capital

### Authorised

#### Equity

10,100,001 Ordinary shares of 25p each	2,525	2,525
Allotted, issued and fully paid 1,785,718 Ordinary shares of 25p each	446	446

# notes to the accounts

For the year ended 29th February 2004

## 15. Reserves

Group

	<b>Share Premium Account</b>	<b>Capital Redemption Reserve</b>	<b>Property Revaluation Reserve</b>	<b>Profit &amp; Loss Account</b>	<b>Total</b>
	£000	£000	£000	£000	£000
As at 28th February 2003	54	84	18,873	15,945	34,956
Retained profit for the year				1,255	1,255
Revaluation surplus			5,190		5,190
Deferred tax			(268)		(268)
Past revaluations realised			(2,539)	2,539	
Deferred tax			102	(102)	
As at 29th February 2004	54	84	21,358	19,637	41,133

Company

	<b>Share Premium Account</b>	<b>Capital Redemption Reserve</b>	<b>Profit &amp; Loss Reserve</b>	<b>Total</b>
	£000	£000	£000	£000
As at 28th February 2003	54	84	6,615	6,753
Retained profit for the year	-	-	990	990
As at 29th February 2004	54	84	7,605	7,743

## 16. Profit attributable to members

Under the provisions of Section 230 of the Companies Act 1985 the Company is exempt from presenting its own profit and loss account.

The amount of consolidated profit for the financial period dealt with in the financial statements of the Company is as follows:

	Company	
	<b>2004</b>	<b>2003</b>
	£000	£000
Profit on ordinary activities before taxation	1,763	1,471
Taxation	(55)	(23)
<b>Profit for the financial period</b>	<b>1,708</b>	<b>1,448</b>
The above figures include dividends from subsidiary companies	1,579	1,386

# notes to the accounts

For the year ended 29th February 2004

Group

**2004**                      **2003**  
£000                      £000

## 17. Notes to consolidated cash flow statement

### a. Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	3,863	3,836
Depreciation charges	88	105
(Increase) decrease in trading properties	(1,896)	37
(Increase) decrease in debtors	(1,172)	407
(Decrease) increase in creditors	(360)	496
<b>Net cash inflow from operating activities</b>	<b>523</b>	<b>4,881</b>

### b. Reconciliation of net cash flow to movement in net debt

(Decrease) increase in cash	(2,311)	4,061
Cash inflow from increase in debt financing	(6,287)	(3,117)
Movement in net debt in the year	(8,598)	944
Net debt at 1st March 2003	(26,576)	(27,520)
Net debt at 29th February 2004	(35,174)	(26,576)

### c. Analysis of changes in net debt

	<b>At 1st March 2003</b>	<b>Cash flows</b>	<b>At 29th February 2004</b>
	£000	£000	£000
Cash at bank and in hand	4,239	(2,311)	1,928
Debt due within one year	(2,262)	(515)	(2,777)
Debt due after one year	(28,553)	(5,772)	(34,325)
<b>Net debt</b>	<b>(26,576)</b>	<b>(8,598)</b>	<b>(35,174)</b>

## 18. 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

# notes to the accounts

For the year ended 29th February 2004

## 18. Investment in subsidiary companies (cont.)

b. The Company holds 66.67% of the issued share capital of Glencullen Limited and Matrix Property Investment Limited both property trading and development companies. Glencullen Limited holds 100% of the issued share capital of Matrix Property Investment (Manchester1) Limited and Matrix Property Investment (Manchester2) Limited which are both property trading and development companies.

The minority interest represents the 33.33% holding in Glencullen Limited and Matrix Property Investment Limited not owned by the Company.

## 19. Contingent liabilities

The Company has given guarantees in respect of its subsidiary companies HMG Investments Limited and HMG Developments Limited:

- to National Westminster Bank plc in respect of bank loans and overdraft totalling £28,760,000 (2003 £21,920,000)
- to N M Rothschild and Sons Limited in respect of a bank loan of £6,367,500 (2003 £7,550,000).

The Company has a bank overdraft facility with National Westminster Bank plc of £1,250,000 (2003 £1,250,000). This is guaranteed by HMG Investments Limited and HMG Developments Limited and is repayable on demand.

## 20. Post balance sheet events

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

## 21. Capital commitments

There are no capital commitments authorised by the Directors as at 29th February 2004 (2003 Nil).

## 22. Related party disclosures

a. During the year the following directors received loans from the group for the purpose of purchasing vehicles in accordance with the group's car policy. The loans have been taken out on an arms length basis and interest accrues at a commercial rate.

<b>Director</b>	<b>Balance 29th February 2004</b>	<b>Maximum Outstanding</b>	<b>Balance 1st March 2003</b>
Andrew Murray	47,337	55,968	-
Ian Thomas	13,400	14,100	-

b. The group made a bridging loan of £480,500, which was the maximum outstanding at any time, to Stephen Murray, a director of the group, on the 9th June 2003 and this was repaid on the 18th June 2003.

c. The group sold Pen Y Mor, Abersoch to the children of Richard Murray, a director of the group, at the open market value of £225,000 provided by external valuers, on 7th March 2003.

## 23. Company status

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

# the hollins murray group limited

## chairman

Tom Marshall MA FRICS

## directors

Andrew Murray FRICS (Chief Executive)

Paul Mitchell FCA

Richard Murray

Rupert Murray

Stephen Murray FRICS

Ian Thomas FCA

## secretary

Ian Thomas FCA

## registered office

St John's House

Barrington Road

Altrincham

Cheshire WA14 1TJ

Registered in England

No. 2471971

## solicitors

Land Law

12-14 Market Street

Altrincham

Cheshire WA14 1QB

## bankers

National Westminster Bank plc

Corporate Banking Office

P O Box 546

100 Barbirolli Square

Manchester M60 2FT.

N M Rothschild & Sons Ltd.

82 King Street

Manchester M2 4WQ

## auditors

Parker Gradwell & Company

17 Chapel Street, Hyde

Cheshire SK14 1LF