



Report & Accounts 2006

Evolution

Contents

Chairman's Statement	01
Operating Review	07
Directors' Report	15
Statement of Directors' Responsibilities	16
Consolidated Profit and Loss Account	17
Statement of Total Recognised Gains and Losses	18
Note of Historical Cost Profit and Loss	18
Reconciliation of Movement in Shareholders' Funds	18
Consolidated Balance Sheet	19
Company Balance Sheet	20
Consolidated Cash Flow Statement	21
Notes to the Accounts	22
Independent Auditors' Report	32
Notice of Meeting	33

£100 million milestone passed

Chairman's Statement

In 2000 I reported total Group property assets of £42.3m and net assets of £27.5m. Five years later, both figures have more than doubled and total Group Property Assets now stand at £100.8m and net assets at £58.2m.

This important milestone for HMG reflects two things. Firstly it would seem to vindicate the strategy that has seen us move in five years from a portfolio with just under 50% by value invested in the office sector, to today's position of 50% in retail, 25% in offices, 15% in retail warehouse and the remainder in industrial/distribution.

Secondly it reflects a five year period in which interest rates have stayed low, and commercial property investment has become and stayed the investment asset class of choice to the private investor. Institutions have also played their part and have been net investors in the sector over the period.

Looking first at our policy of migrating away from the office sector, I believe that this has been the correct strategy and we remain unattracted by the underlying characteristics of the office sector generally. Despite record rentals being reported in Manchester City Centre recently, the indigenous city centre market is still dependent on a relatively small pool of financial and professional companies with the occasional boost from a major corporate or governmental relocation.

Headline rentals are mainly driven by large pre-let development deals where the developer/investor is umbilically linked to the tenant and where the latter shares directly in the profits generated by his forward commitment to take a long lease. In these circumstances it is hard to know what real rental values are. Outside this specialist arena things are more mundane, and demand remains weak in the out of town markets. With the average length of lease now at perhaps 10 years or less in the day to day office market, the high costs of voids and refurbishment have become a major consideration when assessing real returns in the office sector, and I do not think that current yields adequately reflect this.



Portfolio



Market dynamics demand a cautious investment approach

The retail sector, especially in the high street, has been going through more difficult times recently, but the retail spend continues to rise year on year, albeit more slowly than before. While an increasing proportion of this is via the internet and other indirect channels, tenant demand remains good in the type of town in which we seek to invest, and many retailers are happy with relatively long lease terms in proven locations.

There are some bearish indicators however. Levels of personal indebtedness remain very high, and there is growing evidence of increasing arrears in the mortgage and credit card sectors.

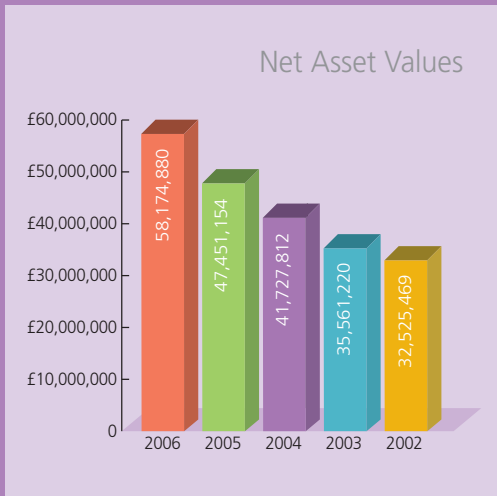
Any increase in the cost of borrowing could impact quickly on the public's propensity to spend on the high street, as indeed could changes in fiscal policy that adversely affect the ability to continue to afford the all important discretionary spend. Both these things are possible in the coming year, as is a major shock in world energy markets.

As to the market for commercial property investment generally, it has remained, as I have said, very much the sector of choice for the private and small company investor, and this has continued to push initial yields down across the picture.

In fact the prices paid recently by some investors, buying mainly at auction, reflect a willingness to accept initial returns that seem to indicate a belief that a 5 year lease is as good as a 15 year lease. This reflects a very worrying ignorance of, or willingness to ignore, the fundamentals of property investment, and an apparent belief that despite all the evidence to the contrary, values can only increase. It is for this reason that many consider that this market is at its peak, or as near to it as makes no difference. This is a view that we share.



Portfolio



Benefits of development programme start to show

Whether we are going to see a major correction, slow decline or simply stagnation, is a matter of individual judgement, and our judgement is that the market will remain strong for the year ahead but that investment yields will stabilise at or near current levels. We do, however, think that there is a stronger downside than upside potential for values over the next two year period.

The Group performed very much in line with, but generally better than the business plan during 2005/6 although, as I have said, the increase in value of the balance sheet was above expectations.

Group pre tax profit was down by some 23% on the previous year, although it was some 25% higher than we had budgeted for due to a very strong performance by Matrix. The reduction in profit is due to the impact of the current development programme at Flint, Wrexham and Congleton.

Operating profit increased year on year by 12%, and rental income by 7%.

Group borrowings remain conservative with debt standing at 43% of gross Asset Value, and interest cover strong at 2:1.

The Group ended the year, therefore, in good health, and although sensible opportunities for new investment purchases are, and are likely to remain, few and far between, I expect the full benefits of the current development programme to be clear over the coming 18 months.

As ever I want to thank all the HMG staff for their contribution to a very good year. Their hard work and commitment is reflected in a well managed estate which is vital for success in this business.

The Board is recommending a final dividend of 35 pence per share, making a total for the year of 60 pence. The dividend will be paid to shareholders on 22nd June 2006.

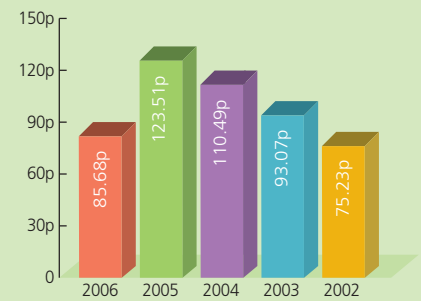
Tom Marshall, Chairman



Portfolio



Earnings Per Share



Past investment decisions net £5 million

Operating Review

Last year it was inconceivable to consider that yields would continue to harden in an environment where rental growth was generally patchy.

However, this is what has happened and for that reason we have been effectively out of the market for mainstream investments, unwilling to chase yields downwards.

However one of the results of the continuing enthusiasm of the market has been a significant increase in the value of the portfolio from £80m last year to over £100m this year.

Analysis of this growth in asset value shows that whilst about 60% can be accounted for by yield compression, the balance comes from organic growth due to investment decisions over the last few years and our continued hands on management. Nothing better exemplifies this than our acquisition of Flint Retail Park in January 2004, where we purchased in a competitive bidding process at a very keen yield for £7.255m. Since acquisition, we have seen substantial rental growth as expected and have acquired further properties on the park and created a new unit for Argos bringing the total investment to £11.35m. The balance sheet value is now £13.5m. Growth of 18.94% in two years.

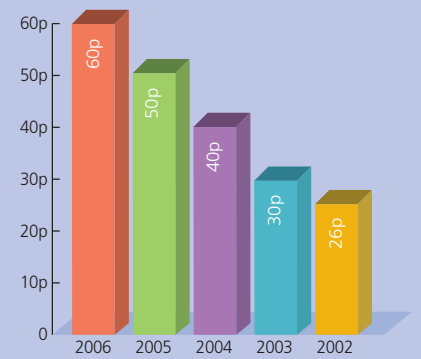
We have continued to sell property where we judge that future growth prospects look unlikely to provide the return we require. This process has to be balanced, however, against the lack of property available for reinvestment at sensible prices.

Just after the start of the year we completed the purchase of the 4,350m² Interlinq Trade Park in Queensferry, North Wales. This scheme was purchased from developers on attractive terms that reflected the fact that there were no pre-lets in place at the time of purchase. This scheme has been affected by the slowdown in the DIY sector and whilst lettings have been slower than we hoped, we are now seeing better interest. The estate is now 45% let, with rental guarantees from the developer making up the majority of the shortfall.

Portfolio



Dividend Per Share



Building on established locations

We have made just two other significant purchases in the year. We added to our holding in Watergate Street, Chester. This is a strategic buy on the edge of the new town centre scheme that is shortly to commence. We believe that this location will benefit from its proximity to the ING scheme and we expect to see good rental growth over the medium term. As a matter of interest this is an important group of historical buildings including an early 14th Century, medieval “parallel hall” town house and noted by English Heritage as one of the best preserved examples in Chester Rows.

The second acquisition was an off market transaction and represents our first serious foray into Yorkshire where we acquired North Lane House in Headingley. It comprises a library let to the local authority, and two retail units with offices over; we consider there is a real opportunity to add value in the future.

We are now in the middle of our three year rolling development plan.

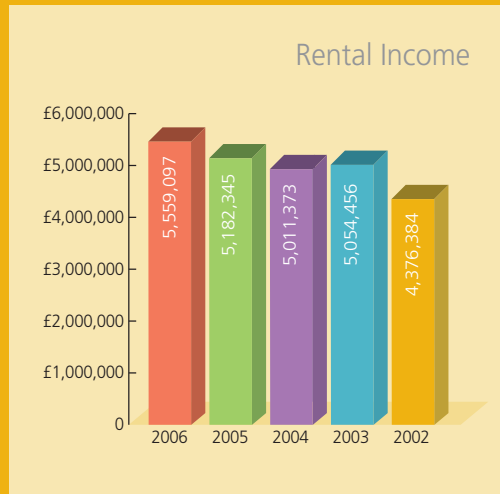
Phase one of West Heath, Congleton is now complete, and whilst take up has been disappointing, we have only three units remaining.

The Next unit in Wrexham was completed slightly later than expected due to difficult building conditions but the property has now been handed over to the tenant and the shop fitting is underway. This will provide the retailer with a new, 8,000 sq. ft. unit in the prime centre of the town. During the year, we were granted planning consent for a second phase in Henblas Street and are in discussions with several national retailers for pre-lets.

In Ashton-in-Makerfield, phases one and two of the Gerard Centre have performed exceptionally well, but our plans for the development of a third phase continue to be frustrated by environmental issues which are outside our control. This is particularly frustrating because there is firm tenant interest in a further phase of this scheme.



Portfolio



It's going to be a waiting game

Our portfolio weighting is moving in the right direction, but is a very slow process in such difficult trading conditions as there are so few opportunities for reinvesting at sensible yields, and we can see the effect this has on performance.

Matrix has had an outstanding year transacting 16 deals of which one was the purchase of a company owning 11 property assets in the North West and North East.

The profits generated by these activities have significantly reduced the bottom line impact of our development programme.

Whilst we have had a good year it has been a year tinged with sadness with the untimely death of Nick Legat of Legat Owen. Nick was a good friend of the company and was involved in much that we achieved. His wise counsel, diligence and sense of fun will be missed by us all.

The Group is in a strong position to move forward, we have headroom within our agreed banking parameters to invest a further £30m when the right opportunities present themselves, while remaining conservatively geared. However this is not a buyer's market and identifying the right investments will not be easy.

Andrew Murray,
Chief Executive

Portfolio



Properties featured

St John's House, Barrington Road, Altrincham

The Gerard Centre, Ashton-in-Makerfield

Windsor House, Pepper Street, Chester

Refuge House, Watergate Street, Chester

Flintshire Retail Park, Holywell Road, Flint

Witton Street/Leicester Street, Northwich

Bridge Street, Manchester

24 St John Street, Manchester

Hope Street, Wrexham

West Heath Retail, Congleton

Interling, Queensferry

North Lane House, Headingley

Directors' Report

The Directors submit their Report and the Audited Consolidated Financial Statements of the Company for the year ended 28th February 2006.

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 £2,546,728 (2005 £3,300,945) of which profit on property sales and trading income comprises £1,247,279 (2005 £1,476,829).

Dividends

An interim dividend of 25p per share (2005 20p) was paid during the year along with the final dividend of 30p (2004 25p) for the year ended 28th February 2005. A final dividend of 35p per share is proposed (2005 30p). This will be paid to shareholders on 22nd June 2006.

Property revaluations

Investment properties are included in the balance sheet at their open market value. 90.41% (2005 92.3%) 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 £5,150 (2005 £12,240) 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:-

	28th February 2006		28th February 2005	
	Ordinary held by Trustees	Ordinary	Ordinary held by Trustees	Ordinary
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	45,056	55,528	47,156
Rupert Murray	55,528	131,240	55,528	131,240
Stephen Murray	55,528	64,941	55,528	64,941
Ian Thomas	-	728	-	728

R.G. Murray and R.H. 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 24th April 2006 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.

Consolidated Profit and Loss Account

For the year ended 28th February 2006			
	Note	2006 £000	2005 £000
Turnover			
Gross rental income	2	5,559	5,182
Property trading income		6,322	3,008
Group turnover		11,881	8,190
Net rental income		4,272	3,988
Profit on property trading		1,134	745
		5,406	4,733
Administrative expenses		(575)	(415)
Operating profit	3	4,831	4,318
Exceptional items	5	113	707
Profit on ordinary activities before interest		4,944	5,025
Interest receivable and similar income		76	229
Interest payable on bank loans and overdrafts		(2,473)	(1,953)
Net interest payable		(2,397)	(1,724)
Profit on ordinary activities before taxation		2,547	3,301
Taxation on profit on ordinary activities	6	(758)	(967)
Profit on ordinary activities after taxation		1,789	2,334
Minority interest	17	(259)	(129)
Profit for the financial year		1,530	2,205

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 28th February 2006		
	2006	2005
	£000	£000
Profit for the financial year	1,789	2,334
Unrealised surplus on revaluation of properties	9,445	4,298
Total recognised gains and losses relating to the year	11,234	6,632
Note of Historical Cost Profit and Loss For the year ended 28th February 2006		
Reported profit on ordinary activities before taxation	2,547	3,301
Realisation of property revaluation gains of previous years	685	2,514
Historical cost profit on ordinary activities before taxation and dividends	3,232	5,815
Taxation	(758)	(967)
Taxation on past property revaluations	(96)	(201)
Dividends	(982)	(893)
Minority interest	(259)	(129)
Historical cost profit for the year retained after taxation and dividends	1,137	3,625
Reconciliation of Movements in Shareholders' Funds For the year ended 28th February 2006		
Profit for the financial year	1,789	2,334
Dividends	(982)	(804)
	807	1,530
Minority interest	(259)	(129)
Unrealised surplus on revaluation of properties	9,445	4,298
Net addition to shareholders' funds	9,993	5,699
Opening shareholders' funds	47,725	42,026
Closing shareholders' funds	57,718	47,725

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

Consolidated Balance Sheet

As at 28th February 2006			
	Note	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	100,934	80,409
Current assets			
Stock of trading properties		2,583	3,899
Debtors	9	2,306	1,419
Cash at bank and short term deposits		679	321
		5,568	5,639
Creditors - amounts due within one year:			
Creditors	10	(4,998)	(2,295)
Bank loans	11	(160)	(1,527)
		(5,158)	(3,822)
Net current assets		410	1,817
Total assets less current liabilities		101,344	82,226
Creditors - amounts due after one year:			
Bank loans	11	(43,003)	(34,143)
Provisions for liabilities and charges	12	(166)	(96)
		(43,169)	(34,239)
Net assets		58,175	47,987
Capital and reserves			
Called up share capital	13	446	446
Reserves	14	57,272	47,279
Shareholders' funds		57,718	47,725
Minority interest	17	457	262
Total capital employed		58,175	47,987

Approved by the Board of Directors on 24th April 2006 and signed on its behalf by: Tom Marshall and Andrew Murray, Directors.
The accompanying notes are an integral part of these financial statements.

Company Balance Sheet

As at 28th February 2006			
	Note	2006 £000	2005 £000
Fixed assets			
Investments in subsidiary companies	17	587	587
Current Assets			
Sundry debtors		13	80
Subsidiary company current accounts		8,440	8,581
Cash at bank and short term deposits		616	286
		9,069	8,947
Creditors - amounts due within one year:			
Creditors	10	(20)	(50)
Net current assets		9,049	8,897
Total assets less current liabilities		9,636	9,484
Capital and reserves			
Called up share capital	13	446	446
Reserves	14	9,190	9,038
Shareholders' funds		9,636	9,484

Approved by the Board of Directors on 24th April 2006 and signed on its behalf by: Tom Marshall and Andrew Murray, Directors.
The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 28th February 2006			
	Note	2006 £000	2005 £000
Net cash inflow from operating activities	16	9,352	5,944
Returns on investments and servicing of finance			
Interest received		76	229
Interest paid		(2,473)	(1,954)
Net cash outflow from returns on investments and servicing of finance		(2,397)	(1,725)
Taxation paid		(737)	(1,369)
Capital expenditure			
Purchase and redevelopment of investment properties		(12,318)	(7,071)
Sale of investment properties		1,326	4,868
Acquisition of subsidiary company		(2,304)	-
Cash at bank acquired with subsidiary company		1,024	-
Sale of quoted investment		-	24
Purchase of other fixed assets		(39)	(26)
Sale of other fixed assets		5	-
Net cash outflow from capital expenditure		(12,306)	(2,205)
Equity dividends paid		(1,047)	(820)
Cash outflow before financing		(7,135)	(175)
Financing			
New loans		9,496	-
Repayment of loans		(2,003)	(1,432)
Net cash (outflow) inflow from financing		7,493	1,432
Increase (decrease) in cash		358	(1,607)

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

Notes to the Accounts

For the year ended 28th February 2006

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 SSAP 19 "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. FRS 21 Events after the Balance Sheet date

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the group does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

This change in accounting policy has resulted in a prior year adjustment for the group. Shareholders' funds at 1st March 2005 have been increased by £535,715. For year ended 28th February 2005, the change in accounting policy has resulted in a net increase in retained profit for the year of £535,715.

The balance sheet at 28th February 2005 has been restated to reflect the de-recognition of a liability for proposed equity dividends of £535,715. For year ended 28th February 2006, the change in accounting policy has resulted in a net increase in retained profit for the year of £625,000.

c. 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.

d. Freehold and long leasehold properties

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

No depreciation or amortisation is provided in respect of freehold 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 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.

90.41% (2005 92.3%) 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.

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.

Notes to the Accounts

For the year ended 28th February 2006

This is a change to the past accounting policy where purchases or sales were recognised on the date of completion of the purchase or sale. The policy has been changed to bring into line the accounting and taxation treatment of the items. No prior year adjustments are required.

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.

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
 - 25% on the reducing balance basis

i. Turnover

Turnover represents rental income for the year excluding VAT, in accordance with UTIF 28, 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.

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 Company's principal activities and are in respect of United Kingdom income and exclude value added tax.

	2006 £000	2005 £000
Gross rental income	5,554	5,157
Premium on surrender (variation) of lease	5	25
	5,559	5,182

Notes to the Accounts

For the year ended 28th February 2006	Group	
	2006	2005
	£000	£000
3. Operating Profit		
Operating profit is stated after charging:		
Auditors' remuneration	13	12
Depreciation - plant and machinery	59	58
Staff costs (note 4a)	837	685
4. Staff costs		
a. Employee costs (including Directors) during the year comprised:		
Wages and salaries	679	553
Social security costs	79	64
Pension contributions	79	68
	837	685
b. The average number of employees of the Group during the year was as follows:	Number	Number
Property and administration	15	14
	£000	£000
c. Directors' remuneration (including benefits)	501	413
Pension contributions	48	42
	549	455
Remuneration of highest paid director	281	205
Pension contributions of highest paid director	35	26
Number of directors who are accruing benefits under a money purchase scheme	2	2
<p>The pension costs relate to money purchase schemes and pensions to past employees or their spouse. A payment of £15,000 (2005 £15,000) was made to Rickitt Mitchell & Partners Limited in respect of Paul Mitchell's services as a director of the Company.</p>		

Notes to the Accounts

For the year ended 28th February 2006	Group	
	2006	2005
	£000	£000

5. Exceptional Items

Profit on sale of investment properties	113	723
Loss on sale of quoted investment	-	(16)
	113	707

6. Taxation on profit on ordinary activities

Charge for taxation based on profit for the year:		
Corporation tax @ 30% (2005 - 30%)	846	729
Corporation tax on fixed asset sales	31	416
Interest on tax	(15)	0
Deferred tax transfer	(104)	-
Over-provision of corporation tax in prior years:		
General income	(0)	(165)
Fixed asset sales	-	(13)
	758	967

Factors affecting the tax charge for the period

The Corporation Tax assessed for the year is different from that at the standard rate of Corporation Tax in the United Kingdom of 30% (2005 - 30%).

The differences are explained below:-

Profit on ordinary activities before taxation	2,547	3,301
Tax on profit on ordinary activities at standard rate	764	990
Effects of:		
Schedule A losses	22	-
Disallowed expenses	32	11
Capital allowances in excess of depreciation	(38)	(47)
Tapering relief and profits taxed at lower rate	(5)	(5)
Over provision of corporation tax in previous years	(0)	(178)
Adjustment for current year's disposals	(2)	196
Interest on tax	(15)	0
Current tax charge for the year	758	967

7. Dividends paid

Equity shares		
Ordinary 220%: (2005 - 180%)	982	804

The directors declared a final dividend of 35p per share on the 24th April 2006.

FRS 21 Events after the Balance Sheet Date, effective for accounting periods that commence on or after 1st January 2005, requires that an entity shall not recognise a dividend declared to the holders of equity shares after the balance sheet date; such dividends are disclosed in the notes to the accounts.

Notes to the Accounts

For the year ended 28th February 2006	Group	
	2006	2005
	£000	£000
8. Tangible fixed assets		
Freehold and long leasehold property		
Cost at 28th February 2005	56,850	51,409
Additions during the year at cost	12,318	7,071
	69,168	58,480
Sales during the year at cost	(527)	(1,630)
	68,641	56,850
Surplus on revaluation of properties	32,161	23,401
Open market value at 28th February 2006	100,802	80,251
Freehold properties	87,302	69,501
Long leasehold properties	13,500	10,750
	100,802	80,251
Revaluation surplus for the year	9,445	4,325
Plant and machinery		
Cost at 28th February 2005	805	834
Additions during the year at cost	39	26
Disposals during the year at cost	(102)	(55)
Cost at 28th February 2006	742	805
Depreciation at 28th February 2005	647	644
Charge for the year	59	58
Depreciation on disposals	(96)	(55)
Depreciation at 28th February 2006	610	647
Net book value at 28th February 2006	132	158
Summary		
Freehold and long leasehold property	100,802	80,251
Plant and machinery	132	158
	100,934	80,409

Notes to the Accounts

For the year ended 28th February 2006		Group	
		2006	2005
		£000	£000
9. Debtors			
Trade debtors		287	300
Other debtors		1,874	712
Prepayments and accrued income		145	30
Other taxes		0	377
		2,306	1,419
<hr/>			
	Group		Company
	2006	2005	2006
	£000	£000	£000
			2005
			£000
10. Creditors			
Reserve fund	33	32	-
Trade creditors and accruals	4,010	1,649	1
Other creditors			
Corporation tax	782	549	19
Other taxes and social security	173	65	-
	4,998	2,295	20
			50
<hr/>			

Notes to the Accounts

For the year ended 28th February 2006

Group
2006
£000

2005
£000

11. Bank overdraft facilities/bank loans

Within one year	160	1,527
Between one and two years	2,261	182
Between three and five years	7,400	6,176
Over five years	33,342	27,785
	43,003	34,143
	43,163	35,670

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	37,000,000	HMG Investments Limited HMG Developments Limited
National Westminster Bank Plc	160,000	Glencullen Limited Matrix Property Investment Ltd HMG Flintshire Retail Park Limited
NM Rothschild and Sons Limited	6,002,500	HMG Investments Limited

Interest rates on the loans are chargeable at 1% above LIBOR or base rate.

12. Provisions for liabilities and charges

Deferred tax on property revaluations	166	96
---------------------------------------	-----	----

Movements during the year:

As at 28th February 2005	96	271
Deferred tax on acquisition of subsidiary	270	-
Deferred tax on realisations	(200)	(202)
Increase in provision	-	27
As at 28th February 2006	166	96

The full liability for deferred taxation if the Group's properties were sold at the balance sheet value is £7,488,524 (2005 £5,307,825).

13. 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 28th February 2006

14. Reserves

Group					
	Share Premium Account £000	Capital Redemption Reserve £000	Property Revaluation Reserve £000	Profit & Loss Account £000	Total £000
As at 28th February 2005	54	84	23,343	23,798	47,279
Retained profit for the year				548	548
Revaluation surplus			9,445		9,445
Past revaluations realised			(685)	685	
Deferred tax			96	(96)	
As at 28th February 2006	54	84	32,199	24,935	57,272

Company					
	Share Premium Account £000	Capital Redemption Reserve £000	Profit & Loss Account £000	Total £000	
As at 28th February 2005	54	84	8,900	9,038	
Retained profit for the year			152	152	
As at 28th February 2006	54	84	9,052	9,190	

15. 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	
	2006 £000	2005 £000
Profit on ordinary activities before taxation	1,177	1,752
Taxation	(43)	(100)
Profit for the financial period	1,134	1,652
The above figures include dividends from subsidiary companies	1,029	1,422

Notes to the Accounts

For the year ended 28th February 2006		Group	
		2006	2005
		£000	£000
16. Notes to consolidated cash flow statement			
a. Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		4,831	4,318
Depreciation charges		59	58
Decrease in trading properties		2,898	1,196
(Increase) decrease in debtors		(879)	15
Increase in creditors		2,443	357
Net cash inflow from operating activities		9,352	5,944
b. Reconciliation of net cash flow to movement in net debt			
Increase (decrease) in cash		358	(1,607)
Cash (inflow) outflow from (increase) decrease in debt financing		(7,493)	1,432
Movement in net debt in the year		(7,135)	(175)
Net debt at 1st March 2005		(35,349)	(35,174)
Net debt at 28th February 2006		(42,484)	(35,349)
c. Analysis of changes in net debt			
	At 1st March 2005 £000	Cash Flows £000	At 28th February 2006 £000
Cash at bank and in hand	321	358	679
Debt due within one year	(1,527)	1,367	(160)
Debt due after one year	(34,143)	(8,860)	(43,003)
Net debt	(35,349)	(7,135)	(42,484)
d. Purchase of subsidiary undertaking			
		Group	
		2006	2005
		£000	£000
Net assets acquired			
Stock		1,582	-
Debtors		8	-
Cash at bank		1,024	-
Creditors		(28)	-
Taxation		(12)	-
Deferred taxation		(270)	-
		2,304	-
Satisfied by			
Cash		2,304	-

Notes to the Accounts

For the year ended 28th February 2006

17. 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

b. The Company holds 66.67% of the issued share capital of Glencullen Limited, Biltoneton Limited and Matrix Property Investment Limited all property trading and development companies. Biltoneton was formed on the 26th September 2005. The company acquired the minority interest in Matrix Property Investment Limited on the 1st March 2006 and Glencullen Limited on the 11th April 2006. Glencullen Limited holds 100% of the issued share capital of Matrix Property Investment (Manchester 2) Limited a property trading and development company and Biltoneton acquired the entire share capital of Priorspur Limited on the 20th January 2006. At the date of acquisition this became a property trading and development company.

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

18. 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 £37,000,000 (2005 £28,140,000)
- to N M Rothschild and Sons Limited in respect of a bank loan of £6,002,500 (2005 £6,185,000).

The Company has a bank overdraft facility with National Westminster Bank plc of £1,250,000 (2005 £1,250,000). This is guaranteed by HMG Investments Limited and HMG Developments Limited and is repayable on demand.

19. Post balance sheet events

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

20. Capital commitments

The capital commitments authorised by the Directors as at 28th February 2006 total £502,089 (2005 £3,055,589).

21. Related party disclosures

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 movements on the loans are as follows:-

Director	Balance 28th February 2006	Maximum Outstanding	Balance 1st March 2005
Andrew Murray	33,108	168,449	110,720
Ian Thomas	3,841	8,513	8,513

22. Company status

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

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

We have audited the financial statements of The Hollins Murray Group Limited for the year ended 28th February 2006 which comprise the profit and loss account, the balance sheets, the cash flow statement, 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 auditor's 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 Director's 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 and group's affairs as at 28th February 2006 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

17 Chapel Street, Hyde,
Cheshire SK14 1LF

24th April 2006

Notice of Meeting

Notice is hereby given that the sixteenth Annual General Meeting of the Company will be held in the Boardroom, St John's House, Barrington Road, Altrincham, on Wednesday 21st June 2006 at 10.30am for the following purposes:-

1. To receive and adopt the Directors' Report and Statement of Accounts for the year ended 28th February 2006 and to declare a dividend.
2. To re-elect Richard Murray as Director.
3. To re-elect Rupert Murray as Director.
4. To confirm the non-executive Directors' remuneration for the year ending 28th February 2007 of £15,000 per Director.

5. To re-appoint Parker Gradwell & Company as Auditors and authorise the Directors to fix their remuneration.
6. To transact any other ordinary business of the Company.

By order of the Board
Ian Thomas FCA, Secretary
St John's House, Barrington Road,
Altrincham, Cheshire WA14 1TJ
24th April 2006

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.



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
Tel: +44 (0)161 929 5666
www.hollinsmurray.co.uk

Solicitors

Land Law
12-14 Market Street
Altrincham
Cheshire WA14 1QB

Bankers

National Westminster Bank plc
Corporate Banking Office
1 Spinningfields Square
Manchester M3 3AP

N M Rothschild & Sons Ltd
82 King Street
Manchester M2 4WQ

Auditors

Parker Gradwell & Company
17 Chapel Street, Hyde
Cheshire SK14 1LF