HMG HOLLINS MURRAY GROUP LIMITED

Report & Accounts

2019

CONTENTS

CHAIRMAN'S STATEMENT

Considering the travails created by the long-running Brexit saga, prevailing political and economic uncertainty and the challenges facing the retail sector, it is difficult to imagine a much tougher environment in which to be running a commercial property business like HMG. However, those bald headlines rather obscure a commercial environment which, while undeniably challenging, continues to provide opportunity for our business.

The year under report has been quieter than in recent times and could, for the most part, be considered a period of consolidation. It is gratifying that although we have an exposure to retail (just over 60%) that would seem worrying, the vast majority of those holdings have bucked the retail trend and continue to perform well. Nick's report provides more detail, but as we have long believed, if you select property carefully, manage it actively and with intelligence and focus on areas where consumer demand remains strong, retail still has plenty to offer.

Elsewhere, our mix of office and industrial holdings have delivered solid results and over time we plan to develop our portfolio to lower the share occupied by retail and deliver a more balanced mix. The unsettled nature of the economy means that opportunities to acquire attractive property, especially in these target sectors, at a price that leaves sufficient upside for us to exploit, are few and far between. This is especially frustrating at a time when we have funds in place waiting for such opportunities. As always however, we will wait patiently for the right proposition.

We are not immune from the economic difficulties in the market and are currently experiencing void levels higher than any experienced in the last 8 - 10 years. At the time of writing our void rate stands at slightly over 9%. Naturally this creates some additional cost to the business in terms of marketing and vacant possession costs. Similarly it reduces our rental income a little. However it is worth remembering that generally, we believe that refreshing the mix of tenants (and thus having some level of void) is a healthy situation, as evidenced by the impressive volume of new leases signed this year and their accompanying rental income.

It is pleasing to be able to report that we have recently renewed our banking arrangements with Lloyds on very competitive terms, which means we have certainty over our borrowing position for the next few years. We continue to enjoy and benefit from a very strong relationship with our principle lender, Santander and this gives us the platform and confidence to be able to take decisions and drive the business with a longer-term perspective than would otherwise be the case.

Overall, despite being a quiet year, HMG has still delivered a very healthy set of results. Net rental income for the year was only slightly down on the previous year despite the higher void rate. The cost of running the business was substantially down year on year, however once the 2018 legal fees and the one-off cost of the Lloyds refinance this year are stripped out, they are in fact very similar to last year. The most significant year on year variance is due to the fact that we have not had any trading activity to report. This creates a £1.5m negative variance to last year when we benefited from the sale of Bishops Court.

The overall position shows a profit before tax of £2.6m which is £1.94m less than last year. However, there are three items to extract from that comparison: the aforementioned one-off profit from the sale of Bishops Court, the change in valuation of our investment properties (-£340k YoY) and change in valuation of our financial instruments (-£400k YoY). The latter two are, of course, accounting adjustments and do not reflect any money actually leaving the business. Collectively, stripping out those items shows a healthy underlying (or "core") business that has delivered a "core" profit slightly lower than the previous year but which comfortably covers the dividend after payment of corporation tax.

CHAIRMAN'S STATEMENT

It is also worth noting that the balance sheet, thanks to the quality of our portfolio, shows a modest increase of around £400k in shareholders funds. This is small in comparison with results in recent years, but to see any increase at such a challenging time is impressive. It reassures us that our overall strategy is sound and provides a confident platform for the future of HMG. We paid a total dividend of 95pence per share, the highest in the company's history, during the year and have once more started the new year by increasing the dividend a little ahead of inflation. Your board hopes to be able to continue this pattern for the foreseeable future, but will, as always, remain prudent and careful in its approach.

I must also make mention of the RBS case in my report - for the last time thankfully. As you know, we discovered that the judgment had gone against us last December and despite exploring every appeal option available to us, supported with very strong advice from our lawyers and QCs, we were ultimately unsuccessful. The sense of injustice, frustration and anger has not really started to diminish for either Nick or I, but no doubt it will over time. Thankfully, our work to put the right insurance and litigation funding in place before we started meant that our exposure to this disappointing result was limited. The damage really is measured in motivational and emotional terms.

I want to put on record my profound thanks and appreciation for the extraordinary work Nick undertook in driving the case forwards over several years. It was definitely the right thing to do and given our time again, we would do it again. There are few CEOs who would have found the energy, strength and courage to have stayed the course without once diluting their effort. Even fewer who whilst running such a case could have continued to lead a challenging business to such a healthy position. We are blessed to have Nick and I consider it a privilege to have worked closely with him on the case and more broadly through the 10 years he has led our company.

The case may not have delivered the result we hoped for, but it is now behind us. What we should focus on is the substantially healthier, more solid company that we have today thanks in large part to Nick's decade at the helm. An anniversary worth celebrating.

Looking ahead, we have an exceptional team at HMG and are set up to be able to identify and exploit opportunity as and when it presents itself. Undoubtedly, we will find the right proposition(s) to deploy available funds in due course. In the meantime, the developments in the top car park at Flint will complete early in 2020 and follow the recent work in Ashton in Makerfield and Congleton in adding meaningful value to our business. There are other similar development opportunities in the pipeline, and we will, as always, look to exploit these on a manageable, prudent basis.

Finally, I want to take the opportunity to thank the rest of the board for their unstinting support and valuable contribution they make to our company. We have a board that contains a terrific mixture of talents and expertise. It functions cohesively and effectively to provide precisely the challenge, guidance and support for Nick and his team that is required. I am grateful to you all and as a company we are extremely fortunate.

BILL MURRAY
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S STATEMENT

The timing of this report coincides with the tenth anniversary of my appointment as HMG's CEO in November 2009. It is satisfying to note that over that period, our property assets have increased from £93m to £105m as borrowing has decreased from £59m to £51m, with our loan to value ratio decreasing from 62.4% then to 48.8% as at August 2019. Net assets were £33m in 2009 compared to £52m today, and without amending our current borrowing structure, we have about £9m of spare capacity earmarked for investment in new assets.

During the last 10 years, we have navigated our way through a difficult recession, bought and sold a number of properties as well as completing hundreds of new leases, and we have refinanced our borrowings 7 times, mostly in a difficult banking environment. We have introduced new branding whilst completely changing the personnel structure within the business, adding new teams and whilst to us we are still unmistakably HMG, others will find us to be unrecognisable from the HMG of old.

Although consistently challenging, the last 10 years have, for the most part, been enjoyable and I consider it a privilege to run the business. The year under review however has, from start to finish, been a difficult one.

The most significant event during the year was the outcome of the case against RBS and whilst for obvious reasons I do not wish to dwell on that for too long, having felt positive in the weeks following the end of the trial in the summer of 2018, we were hugely disappointed when the judge found against us. His judgment left many questions unanswered, almost insultingly so and we remain baffled in many respects. We sought permission to appeal, but this was refused, again leaving us feeling confused and angry, almost as if higher powers were at play. Frustratingly, this refusal was the end of the road but it at least allowed us to draw a line under the matter permanently. It may take some time for Bill and me to recover from what happened, particularly given that we learnt of the outcome only a matter of minutes before the start of the 2018 AGM, but we have been able to take some comfort from the fact that the majority of our legal fees and those of the bank, which we would otherwise have had to pay, were covered by the deal we did some years ago with our litigation funders and insurers.

CHIEF EXECUTIVE OFFICER'S STATEMENT

(cont.)

Moving on to the world of commercial property, the polarisation of the market I mentioned last year has continued and retail assets remain vehemently out of favour with investors. Our retail properties account for something in the order of 60% of our portfolio composition so it follows that we should expect some difficulties in terms of both valuation and income in this sector. Pleasingly though a good proportion of our retail is in the discount and convenience sectors, both of which have held up remarkably well when compared to the traditional high street and shopping centre markets. Our exposure to insolvent tenants, whilst material, has been less significant than we might have expected and customer footfall in our locations where it is measured hasn't declined dramatically. That said, we do have some properties which fall into the vulnerable high street and shopping centre categories and we are working hard to maintain income streams here whilst the market adjusts to change. In some cases there will be alternative use opportunities for us to consider and in others perhaps an adjustment of rental levels will help to regenerate tenant demand. Some towns though seem to be in permanent decline and it is hard to see how they can be reinvigorated without wholescale change and probably significant investment from local authorities. Perhaps a useful starting point would be for them to stop charging people to park cars in their town centres!

The valuation process was undertaken again by Lambert Smith Hampton who reported a total figure of £105.1m, broadly similar to last year's total of £105.4m. Beneath the surface, the general trend has been a weakening in retail values compensated by moderate growth in industrial and office assets. Our borrowings have also remained static at around £51m, but with the pattern of increasing growth in net asset value continuing, our LTV remains comparatively low at 48.8%. The cost of our debt was 3.23% with about 75% of borrowings protected against rises in interest rates either by way of caps or fixed rate products.

Our previously reported trading activity has helped increase our bank balance and as mentioned earlier, we have in the region of £9m which we have earmarked to invest in new assets. The uncertainties caused by Brexit though have led to significant indecision and until the outcome of this protracted political situation is known, it is unlikely that things will change. As frustrating as this may be, there are clearly advantages to sitting on an element of cash, and if the political situation causes further weakness in the market, this may well be to our advantage.

CHIEF EXECUTIVE OFFICER'S STATEMENT

(cont.)

We have continued to invest in the estate and following practical completion of a similar scheme in Ashton in Makerfield which we built last year, we are currently building 4 new units which are mostly pre-let at Flintshire Retail Park and which will complete in early 2020. The cost of this is likely to be about £1.6m and the completed development will be worth £2.75m adding to our existing retail park there.

The temporary letting of our industrial unit in Bredbury did not convert into a permanent one. We have since comprehensively refurbished this unit and expect to let it in the near future hopefully at a rent nearly 30% higher than that paid by the previous tenant, such is the lack of supply of institutional quality industrial units in strategic motorway locations.

I mentioned earlier that the year under review has been a difficult one, and this was exacerbated by a proposed purchase which did not proceed. Despite the market infectious uncertainty of Brexit, we agreed to purchase a high quality industrial estate which had been badly managed by its institutional owner, with almost half of the 8 units vacant. The property had not been exposed to the wider market and we agreed terms on a one to one basis very discreetly, convinced that the purchase was a bargain. Following the success we had at Bishops Court in Warrington, we saw this as the perfect opportunity to deploy our active management skills by buying the property at an attractive price, refurbishing the vacant units then letting them to create additional value. At the eleventh hour, despite us having signed the contract and sent the deposit monies to the seller, they decided to retain the property. This was most disappointing and perhaps reflective of a changing attitude from some in the market towards what is considered to be an agreed deal, but our hands were tied. On the positive side, nothing is lost and we continue to search the market for buying opportunities with the benefit of a sizeable war chest, something we have not had for many years.

Importantly, my feeling that the year has been a difficult one is not reflected in the figures reported in these accounts. During the year, we completed 25 new leases with an aggregate rent of over £500k pa which helps demonstrate that we have a strong underlying business. Even with the impact of the court case, various insolvencies and a higher than usual exposure to vacant property, it is very encouraging to be able to report a rising net asset value and a healthy pre-tax profit. Perhaps I am just getting old and grumpy.

I am pleased that our loan to value ratio is lower than it has been for some years, and that we have the firepower to acquire new assets, but with the uncertainties in the political world effecting the proper functioning of the commercial property market, it is clearly sensible for us to be patient. I do think though that over the next few years, we can expect the composition of our assets to change as we diversify and balance the portfolio.

NICK CASSON
CEO

DIRECTORS' REPORT

The Directors submit their Report and the Audited Consolidated Financial Statements of the Company for the year ended 31st August 2019.

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 1-5.

RESULTS

The results of the year's activities appear within these financial statements. The profit on ordinary activities before taxation is £2,619,000 (2018: £4,562,000).

DIVIDENDS

Dividends of 23.75p per share have been paid on 28/09/2018, 19/12/2018, 26/03/2019, 28/06/2019 (2018 - 22.5p - 29/09/2017, 19/12/2017, 29/03/2018, 29/06/2018).

PROPERTY REVALUATIONS

Investment properties are included in the Balance Sheet at their fair value. The properties were revalued in August 2019 by Lambert Smith Hampton. Trading properties are included at the lower of cost or net realisable value.

POST BALANCE SHEET EVENTS

There are no matters to report as post Balance Sheet events.

DIRECTORS

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

	Ordinary held by trustees	Ordinary
Bill Murray	-	15,000
Joy Baggaley	-	-
Nick Casson	-	16,311
Charles Murray	13,884	52,478
Bruce Murray	23,080	1,041
Ted Murray	9,254	25,000
Carol Hall	-	-

Bill Murray and Bruce Murray retire from the Board by rotation and offer themselves for re-election.

STRATEGIC REPORT

Certain matters required by regulations to be dealt with in the annual report have been dealt with in the Strategic Report which follows, rather than in the Directors' Report.

AUDITORS

Hardy & Company (Hyde) Ltd 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 11th November 2019 and signed on its behalf by:

C Hall

CAROL HALL
SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report, the strategic 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 (Financial Reporting Standards FRS 102). 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.**

STRATEGIC REPORT

BUSINESS REVIEW

The principal activity of the company and its subsidiaries continues to be that of property investment and trading.

The turnover of the Group comprised gross rental income and has increased by 0.75% on the prior year.

The construction of four new units at Flintshire Retail Park commenced during the year and are expected to be completed in early 2020.

The operating profit of the Group decreased by £1,985,000 to £4,484,000. Excluding the exceptional items including the change in fair value of investment properties and financial instruments, together with the legal costs relating to the RBS case, refinancing the loan facilities in 2019, exceptional income of £617,000 in 2018 and the profit on disposal of investment properties, the underlying decrease was £107,000.

The profit before taxation shows a decrease of £65,000 excluding the exceptional items noted above.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties continue to relate to the economic effects of Brexit.

The board will continue to monitor developments to assess what impact, if any, the departure of the United Kingdom from the European Union has on the business strategy, financial forecasts and financial reporting.

FUTURE DEVELOPMENTS

The directors believe that the business is well placed to take advantage of attractive acquisition opportunities and will look to rebalance the existing property portfolio where required, to ensure we have the right spread of assets. We will continue to deliver the planned development projects over the forthcoming financial year.

FINANCIAL INSTRUMENTS

The Group has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are only conducted in sterling.

The Group uses interest rate swaps and interest rate caps to manage interest rate exposures on its bank borrowings. Further details of these instruments are provided in Note 14.

Approved by the Board of Directors on 11th November 2019 and signed on its behalf by:

NICK CASSON
CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 2019

	Note	2019 £000	2018 £000
Turnover			
Gross rental income	4	7,217	7,163
Group turnover		**7,217**	**7,163**
Net rental income		6,550	6,682
Other income		-	617
		6,550	7,299
Administrative expenses		(1,564)	(2,542)
Exceptional items:			
Change in fair value of investment properties		(387)	(46)
Profit on disposal of investment properties		-	1,477
Change in fair value of financial instruments		(115)	281
Operating profit	5	**4,484**	**6,469**
Profit on ordinary activities before interest		**4,484**	**6,469**
Interest receivable and similar income		26	21
Interest payable on bank loans and overdrafts	8	(1,891)	(1,928)
Net interest payable		**(1,865)**	**(1,907)**
Profit on ordinary activities before taxation		**2,619**	**4,562**
Taxation on profit on ordinary activities	9	(469)	(610)
Profit on ordinary activities after taxation/Profit for the financial year		**2,150**	**3,952**

The results from both the current and prior period derive from continuing activities.
The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
Profit for the financial year	2,150	3,952
Change in fair value of financial instruments	(134)	422
Movement in deferred tax relating to changes in the fair value of financial instruments	25	(78)
Total recognised gains and losses relating to the year	**2,041**	**4,296**

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

CONSOLIDATED BALANCE SHEET

AS AT 31ST AUGUST 2019	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	100,787	100,583
Current assets			
Stock of trading properties		4,684	4,684
Debtors	12	941	825
Cash at bank and short-term deposits		817	688
		6,442	**6,197**
Creditors - amounts due within one year:			
Creditors	13	(3,019)	(2,981)
Bank loans	15	(1,050)	(17,230)
		(4,069)	**(20,211)**
Net current assets/(liabilities)		**2,373**	**(14,014)**
Total assets less current liabilities		**103,160**	**86,569**
Creditors - amounts due after one year:			
Bank loans	15	(50,253)	(33,973)
Provisions for liabilities and charges	16	(371)	(430)
		(50,624)	**(34,403)**
Net assets		**52,536**	**52,166**
Capital and reserves			
Called up share capital	18	437	437
Reserves	19	52,099	51,729
Shareholders' funds		**52,536**	**52,166**

The financial statements of The Hollins Murray Group Limited, company number 08273718, were approved by the Board of Directors on 11th November 2019 and signed on its behalf by: Bill Murray and Nick Casson, Directors.

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

COMPANY BALANCE SHEET

AS AT 31ST AUGUST 2019	Note	2019 £000	2018 £000
Fixed assets			
Investments in Subsidiary Companies	21	26,799	26,799
Current Assets			
Amounts owed by Subsidiary Companies		11,818	11,128
Cash at bank and short-term deposits		817	688
		12,635	**11,816**
Creditors - amounts due within one year:			
Other creditors		(8)	(6)
		(8)	**(6)**
Net current assets		**12,627**	**11,810**
Total assets less current liabilities		**39,426**	**38,609**
Capital and reserves			
Called up share capital	18	437	437
Reserves	19	38,989	38,172
Shareholders' funds		**39,426**	**38,609**

The financial statements of The Hollins Murray Group Limited, company number 08273718, were approved by the Board of Directors on 11th November 2019 and signed on its behalf by: Bill Murray and Nick Casson, Directors.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	2,150	3,952
Adjustments for:		
Change in fair value of investment properties	387	46
Profit on disposal of investment properties	-	(1,477)
Loss on disposal of fixed assets	-	5
Change in fair value of financial instruments	115	(281)
Depreciation of tangible fixed assets	40	44
Interest paid	1,891	1,928
Interest received	(26)	(21)
Taxation	469	610
Increase in debtors	(91)	(22)
(Decrease)/Increase in creditors	(23)	100
Corporation tax paid	(716)	(783)
Net cash generated from operating activities	**4,196**	**4,101**
Cash flows from investing activities		
Purchase of tangible fixed assets	(6)	(3)
Purchase and redevelopment of investment properties	(625)	(2,117)
Sale of investment properties	-	7,409
Interest received	26	21
Net cash (used)/generated from investing activities	**(605)**	**5,310**

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

CONSOLIDATED CASH FLOW STATEMENT

(cont.)

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
Cash flows from financing activities		
Repayment of loans	(400)	(5,270)
New loans	500	-
Purchase of own shares	(13)	-
Interest paid	(1,891)	(1,928)
Dividends paid	(1,658)	(1,568)
Net cash used in financing activities	**(3,462)**	**(8,766)**
Net increase in cash and cash equivalents	129	645
Cash and cash equivalents at the beginning of the year	688	43
Cash and cash equivalents at the end of the year	**817**	**688**
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	**817**	**688**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST AUGUST 2019

	Called Up Share Capital	Share Premium Account	Capital Redemption Reserve	Cashflow Hedge Reserve	Other non Distributable Reserve	Treasury Reserve	Profit & Loss Account	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1st September 2018	**437**	**26,345**	**1**	**(23)**	**19,940**	**(63)**	**5,529**	**52,166**
Profit for the financial year	-	-	-	-	-	-	2,150	**2,150**
Other comprehensive income	-	-	-	-	-	-	(109)	**(109)**
Purchase of own shares held in treasury	-	-	-	-	-	(13)	-	**(13)**
Change in fair value of hedged financial instruments net of deferred tax	-	-	-	(109)	-	-	109	-
Dividends paid	-	-	-	-	-	-	(1,658)	**(1,658)**
Total comprehensive income for the year	**-**	**-**	**-**	**(109)**	**-**	**(13)**	**492**	**370**
Transfer from Profit and Loss account	-	-	-	-	(328)	-	328	-
At 31st August 2019	**437**	**26,345**	**1**	**(132)**	**19,612**	**(76)**	**6,349**	**52,536**

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST AUGUST 2019

	Called Up Share Capital	Share Premium Account	Capital Redemption Reserve	Treasury Reserve	Profit & Loss Account	Total Equity
	£000	£000	£000	£000	£000	£000
At 1st September 2018	**437**	**26,345**	**1**	**(63)**	**11,889**	**38,609**
Profit for the financial year and comprehensive income	-	-	-	-	2,488	2,488
Purchase of own shares held in treasury	-	-	-	(13)	-	(13)
Dividends paid	-	-	-	-	(1,658)	(1,658)
Total comprehensive income for the year	-	-	-	(13)	830	817
At 31st August 2019	**437**	**26,345**	**1**	**(76)**	**12,719**	**39,426**

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

1. Company information

The Hollins Murray Group Limited is a limited liability company incorporated in England and Wales.
The registered office is St John's House, Barrington Road, Altrincham, WA14 1TJ.

The principal activity of the Company and its subsidiaries are property investment and trading.

2. Accounting policies

2.1. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the inclusion of freehold and long leasehold properties and certain financial instruments measured at their fair value and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2. Basis of consolidation

The consolidated financial statements include the audited results of the Company and its subsidiaries ("the Group") as if they form a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial position and accounting policies of the investee so as to obtain benefit from its activities.

Investments in subsidiaries are valued at cost less provision for impairment. Investments in subsidiaries are reviewed for impairment based upon the net asset value of the subsidiaries at any period end.

No Profit and Loss account is presented for The Hollins Murray Group Limited as permitted by section 408 of the Companies Act 2006.

2.3. Going concern

The directors have reviewed short and medium term cash flow forecasts, as part of the annual budget review, compared to the Group's available financing and have concluded that sufficient resources exist to enable the Group to meet its liabilities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4. Turnover

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

2.5. Acquisition and disposal of properties

Acquisition and disposal of investment and trading properties are recognised on the date of exchange of the 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 31ST AUGUST 2019

2.6. Investment properties - Freehold and long leasehold properties

Investment properties are revalued at the accounting date and the aggregate surplus or temporary deficit is recognised in the Profit and Loss account. A reserve transfer to other non distributable reserves is then made.

Deferred taxation is provided on these gains at the rate expected to apply when the property is sold.

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 FRS 102 for the accounts to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The properties were revalued by Lambert Smith Hampton in August 2019.

These valuations have been prepared on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

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

2.7. Valuation of investments

Investments in subsidiaries are valued at cost less provision for impairment. Investments in subsidiaries are reviewed for impairment based upon the net asset value of the subsidiary at any period end.

2.8. Depreciation

Depreciation is provided on plant and equipment and is charged to the Profit and Loss account so as to write off their fair value over their useful economic lives at the following rates:

Management Company

- Computer equipment 33% on cost

- Other equipment and furniture 20% on cost

Investment Companies

- Plant and equipment 25% on a reducing balance basis

2.9. Stock of trading properties

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

2.10. Debtors

Short term debtors are measured at transaction price, less any impairment for bad and doubtful debts. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

2.11. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12. Financial instruments and hedge accounting

The Group uses derivatives; interest rate swaps and interest rate caps to manage interest rate exposures. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured to fair value at each Balance Sheet date. Fair value gains and losses are recognised in the Profit and Loss account unless hedge accounting is applied and the hedge is a cash flow hedge.

Interest rate caps

The Group has two interest rate cap instruments which have been measured at fair value at the Balance Sheet date, with any gains or losses being reported in the Profit and Loss account.

The fair value of interest rate caps is included in short term creditors.

Interest rate swaps

The Group has two interest swaps which have been designated as cash flow hedge accounting instruments and qualify for hedge accounting under FRS 102. Further details relating to these instruments are set out below.

To qualify for hedge accounting, the Group has documented the hedged item, the hedging instrument and the hedging relationship between them as well as the causes of hedge ineffectiveness such as different maturities, nominal amounts or variable rates or counter-party credit risk.

The Group elects to adopt hedge accounting for interest rate swaps where:

- The interest rate swap is a qualifying hedging instrument with an external party that hedges the interest rate risk on a loan or part of the nominal amount of a loan that share the same risk and that qualify as a hedged item;
- The hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from floating interest rates); and
- The change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Where an interest rate swap that converts floating rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in the Statement of Other Comprehensive Income up to the amount of the cumulative fair value movement on the floating rate debt that is attributable to the floating interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in the Statement of Other Comprehensive Income are recognised in the Profit and Loss account. The gains and losses recognised in the Statement of Other Comprehensive Income are recorded as a separate component of equity - the cash flow hedging reserve.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised or when the conditions for hedge accounting are no longer met if the company documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the hedging reserve are reclassified

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

to the Profit and Loss account, either when the variable interest rate expense is recognised in the Profit and Loss account, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

2.13. Pensions

Defined contribution pension plan.

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.14. Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement at the Balance Sheet date and carried forward to future periods. The liability is measured at the undiscounted salary cost of the future holiday entitlement.

2.15. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current income tax charge is calculated on the basis of tax rates and laws in the United Kingdom that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date.

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

The tax charge/credit for the year is presented either in the Profit and Loss account, Statement of Other Comprehensive Income or equity depending on the transaction that resulted in the tax expense or income.

2.16. Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

3. Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts for revenues and expenses during the year. The items in the financial statements where these judgements and estimates have been made include:

Investment properties

Investment properties are revalued at the accounting date by appropriately qualified external valuers as noted in 2.6 above.

Derivative instruments

The Group uses interest rate swaps and interest rate caps to manage interest rate exposures. These derivative financial instruments are measured at fair value. The fair value of interest rate swap and cap contracts at the Balance Sheet date are determined by an appropriately qualified external valuer.

4. 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.

	2019 £000	2018 £000
Gross rental income	7,217	7,163

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
5. Operating Profit		
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	18	18
Depreciation - plant and equipment	40	44
Employee costs (note 7.1)	1,246	1,246
Change in fair value of investment properties	387	46
Change in fair value of financial instruments	115	(281)
Profit on disposal of investment properties	-	(1,477)
Loss on disposal of plant and equipment	-	5

6. Auditor's remuneration

Auditor's remuneration - audit of the financial statements	16	16
Auditor's remuneration - other fees:		
Taxation compliance services	2	2

7. Directors and employees

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

Wages and salaries	1,071	1,063
Social security costs	124	128
Pension contributions	51	55
	1,246	**1,246**

7.2. The average number of employees of the Group during the year was as follows:	Number	Number
Property and administration	20	20

7.3. Directors' remuneration	£000	£000
Directors' remuneration including benefits but excluding unpaid long term bonus provision	563	465
Directors' remuneration - unpaid long term bonus provision	72	89
Pension contributions	17	16
	652	**570**
Remuneration of highest paid director excluding unpaid long term bonus provision	315	326
Remuneration of highest paid director - unpaid long term bonus provision	72	89
Pension contributions of highest paid director	10	16
Number of directors who are accruing benefits under a money purchase scheme	2	1

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
8. Interest payable		
Interest payable on bank loans and overdrafts - wholly repayable within 5 years	1,891	1,928
	1,891	1,928
9. Taxation on profit on ordinary activities		
9.1. Charge for taxation based on profit for the year:		
Corporation Tax @ 19.00% (2018: 19.00%)	528	687
Total current tax charge for the year	528	687
Deferred Tax		
Deferred tax relating to revalued investment properties	(59)	(77)
Total deferred tax credit for the year	(59)	(77)
Tax on profit on ordinary activities	**469**	**610**
9.2. Tax included in the consolidated statement of other comprehensive income		
The tax (credit)/charge is made up as follows:		
Deferred tax on change in fair value of hedged financial instruments	(25)	78

9.3. 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 19.00% (2018: 19.00%).

	2019 £000	2018 £000
The differences are explained below:-		
Profit on ordinary activities before taxation	2,619	4,562
Tax on profit on ordinary activities at the standard rate	498	867
Effects of:		
Corporation tax adjustment relating to sale of investment properties	-	(181)
Revaluation losses not subject to corporation tax	73	9
Deferred tax on revalued properties	(59)	(77)
Adjustments relating to disallowed expenses	(45)	19
Depreciation in excess of capital allowances	1	-
Under/(over) provision of corporation tax in prior years	1	(27)
Total tax charge for the year	**469**	**610**

9.4. Factors that may affect future tax charges
In his budget of 16th March 2016, The Chancellor of the Exchequer announced Budget tax changes which have an effect on the Group's future tax position. The main rate of corporation tax reduced to 19% in April 2017 and to 17% effective from April 2020. These rate changes had been substantively enacted at the Balance Sheet date and as such, in accordance with accounting standards are reflected in the Group's financial statements as at 31st August 2019.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019	2019 £000	2018 £000
10. Dividends paid		
Equity shares		
Ordinary 380% (2018: 360%)	1,658	1,568
The Directors have not proposed any other dividends for the year ended 31st August 2019.		
11. Tangible fixed assets		
Investment property - freehold and long leasehold		
Cost at 31st August 2018	80,140	84,623
Additions during the year at cost	625	2,117
Disposals during the year at cost	-	(6,600)
	80,765	**80,140**
Surplus on revaluation of properties	19,944	20,331
Open market value at 31st August 2019	**100,709**	**100,471**
Freehold properties	90,939	90,771
Long leasehold properties	9,770	9,700
	100,709	**100,471**
Revaluation deficit on assets held at 31st August 2019	**(387)**	**(46)**
Revaluation deficit on assets disposed of during the year	-	668
Revaluation (deficit)/surplus for the year	**(387)**	**622**
Plant and equipment		
Cost at 31st August 2018	754	762
Additions during the year at cost	6	3
Disposals during the year at cost	-	(11)
Cost at 31st August 2019	**760**	**754**
Depreciation at 31st August 2018	642	604
Charge for the year	40	44
Depreciation on disposals	-	(6)
Depreciation at 31st August 2019	**682**	**642**
Net book value at 31st August 2019	**78**	**112**
Summary		
Investment property-freehold and long leasehold	100,709	100,471
Plant and equipment	78	112
	100,787	**100,583**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
12. Debtors		
Trade debtors	784	720
Deferred tax asset (note 17)	27	2
Other debtors	68	66
Prepayments and accrued income	62	37
	941	**825**

	2019 £000	2018 £000
13. Creditors		
Trade creditors	597	186
Corporation tax	238	426
Other taxes and social security	257	270
Accruals and deferred income	1,478	1,870
Financial instruments (note 14)	449	229
	3,019	**2,981**

At 31st August 2019, the average interest rate payable on borrowings was 3.23% (2018: 3.68%), inclusive of the effect of interest rate swaps used to hedge floating interest rates on the underlying debt.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

14. Financial instruments

The company uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £28.6m (2018: £21.4m) fix interest on variable rate debts at an average rate of 0.965% (2018: 1.943%) until 2022.

The fair value of interest rate swaps are determined using market values of equivalent instruments at the Balance Sheet date.

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies.

The following table details the notional principal amounts and fair values of interest rate swap contracts outstanding as at the Balance Sheet date:

Maturity date	2019 £000 Notional value	2019 £000 Fair value liability/ (asset)	2018 £000 Notional value	2018 £000 Fair value liability/ (asset)
Within one year	-	-	21,369	168
Two to five years	28,579	301	16,369	(80)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The company will settle the difference between the fixed and floating interest rate on a net basis. All interest swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the company's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps. Losses of £134,000 (2018 gains: £422,000) were recognised in other comprehensive income. A £115,000 loss was recognised in relation to ineffectiveness (2018 gain: £281,000) in the Profit and Loss account. Also included in the financial instruments balance in note 13 is the fair value of the interest rate caps. At the Balance Sheet date the fair value of these instruments was £148,000 (2018: £141,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

	2019 £000	2018 £000
15. Bank loans		
Within one year	1,050	17,230
Between one and two years	1,050	550
Between two and five years	49,203	33,423
	51,303	**51,203**

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
Santander UK plc	35,022,500	HMG Investments Limited HMG Developments Limited HMG (King Street) Limited HMG Aber Road Limited HMG Properties Limited HMG Prestwich Limited
Lloyds Bank plc	16,280,000	HMG Investments Limited

Interest on the loans is chargeable at varying rates above LIBOR.

16. Provisions for liabilities **The Group**	**2019 £000** **Deferred Taxation (Note 17)**	**2019 £000** **Total**
At 1st September 2018	430	430
Released during the year	(59)	(59)
At 31st August 2019	371	371

	2019 £000	2018 £000
17. Deferred Tax		
Included in debtors (note 12)	27	2
Included in provisions for liabilities (note 16)	(371)	(430)
The deferred tax account consists of: -		
Deferred tax on investment property revaluations	(371)	(430)
Deferred tax on financial instruments	27	2
	(344)	**(428)**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

18. Called up share capital

	2019 £000	2018 £000
Allotted, issued and fully paid 1,746,438 (2018: 1,746,438) **Ordinary shares of 25p each**	437	437

19. Reserves

Group	Share Premium Account	Capital Redemption Reserve	Cashflow Hedge Reserve	Other non Distributable Reserve	Treasury Reserve	Profit & Loss Account	Total
	£000	£000	£000	£000	£000	£000	£000
As at 31st August 2018	26,345	1	(23)	19,940	(63)	5,529	51,729
Profit for the financial year and other comprehensive income	-	-	-	-	-	2,041	2,041
Dividends paid	-	-	-	-	-	(1,658)	(1,658)
Purchase of own shares held in treasury	-	-	-	-	(13)	-	(13)
Change in fair value of hedged financial instruments net of associated deferred tax	-	-	(109)	-	-	109	-
Revaluation deficit net of associated deferred tax	-	-	-	(328)	-	328	-
As at 31st August 2019	**26,345**	**1**	**(132)**	**19,612**	**(76)**	**6,349**	**52,099**

Company	Share Premium Account	Capital Redemption Reserve	Treasury Reserve	Profit & Loss Account	Total
	£000	£000	£000	£000	£000
As at 31st August 2018	26,345	1	(63)	11,889	38,172
Profit for the financial year	-	-	-	2,488	2,488
Purchase of own shares held in treasury	-	-	(13)	-	(13)
Dividends paid	-	-	-	(1,658)	(1,658)
As at 31st August 2019	**26,345**	**1**	**(76)**	**12,719**	**38,989**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

20. 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 profit for the financial year dealt with in the financial statements of the Company is as follows:

	2019	2018
Company	**£000**	**£000**
Profit on ordinary activities before taxation	2,488	3,910
Taxation	-	-
Profit for the financial year	**2,488**	**3,910**
The above figures include dividends from subsidiary companies	2,489	3,914

21. Investment in Subsidiary companies

	2019	2018
Company	**£000**	**£000**
As at 31st August 2019 and 31st August 2018	**26,799**	**26,799**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

		Capital & Reserves £	Profit/(loss) for the year £
21.1. The Company holds 100% of the issued share capital of the following companies:			
HMG Investment Holdings Limited	Management & property investment holding company	1,084,527	2,077,522
HMG Trading Limited	Property trading & development holding company	1	424,941
21.2. HMG Investment Holdings Limited holds 100% of the issued share capital of the following companies:			
HMG Properties Limited	Residential property investment	5,743,268	115,537
HMG Investments Limited	Commercial property investment	34,846,734	1,792,063
HMG Aber Road Limited	Property trading and development	(4,820)	11,395
HMG Flintshire Retail Park Limited	Dormant Company	1	-
Glencullen Limited	Dormant Company	90	-
Biltoneton Limited	Dormant Company	90	-
Matrix Property Investment Limited	Dormant Company	90	-
21.3. HMG Trading Limited holds 100% of the issued share capital of the following companies:			
HMG Management Limited	Management	3,757	72,424
HMG Developments Limited	Property investment and trading	16,051	124,675
HMG Prestwich Limited	Property trading and development	1	70,124
HMG (King Street) Limited	Property investment and trading	1	(153,915)
Priorspur Limited	Property investment and trading	2,069,612	24,003
Joneston Limited	Property investment and trading	2,356,545	81,633
21.4. Glencullen Limited holds 100% of the issued share capital of Matrix Property Investment (Manchester 2) Limited.	Dormant Company	1	-

All the subsidiary companies of The Hollins Murray Group Limited are incorporated in England and Wales. Registered Office: St John's House, Barrington Road, Altrincham, Cheshire WA14 1TJ.

All subsidiary companies are included in the consolidated accounts.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 2019

22. Contingent Liabilities

The Company has given the following guarantees:

- **to Santander UK plc in respect of a bank loan of £35,022,500 (2018: £34,522,500) 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

- **to Lloyds Bank plc in respect of a bank loan of £16,280,000 (2018: £16,680,000) in respect of its subsidiary company HMG Investments Limited.**

23. Post Balance Sheet Events

There are no events arising since the date of the Balance Sheet which require comment.

24. Capital Commitments

There were no capital commitments authorised by the Directors as at 31 August 2019 (2018: £nil).

25. Related Party Disclosures

The dividends paid to directors and their associates during the year are as follows:-

Bill Murray	**£14,250**
Nick Casson	**£15,495**
Charles Murray	**£62,790**
Bruce Murray	**£9,611**
Ted Murray	**£32,372**

Rental payments of £6,970 were received during the year from King Street Commercial Limited, a company in which Ted Murray has a controlling interest, relating to a lease at 41 South King Street, Manchester.

Payments of £5,600 relating to letting fees were made during the year to Regional Property Solutions Limited, a company in which Charles Murray has a controlling interest.

26. Company Status

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE HOLLINS MURRAY GROUP LIMITED

FOR THE YEAR ENDED 31ST AUGUST 2019

Opinion

We have audited the financial statements of The Hollins Murray Group Limited (the 'company') and its subsidiaries (the 'group') for the year ended 31st August 2019 which comprise the Group profit and loss account, the Group and Parent Company Balance sheets, the Group statement of cash flows, the Group statement of Other Comprehensive Income, the Group and Parent company statement of changes in equity, and related notes, including a summary of significant accounting policies.The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 31 August 2019 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.**

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- **the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or**
- **the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE HOLLINS MURRAY GROUP LIMITED

(cont.)

Other information

The directors are responsible for the other information. The other information comprises the information in the annual report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006.

In our opinion based on the work undertaken in the course of the audit:

- **the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and**
- **the strategic report and directors' report have been prepared in accordance with applicable legal requirements.**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or**
- **the 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.**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE HOLLINS MURRAY GROUP LIMITED

(cont.)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE HOLLINS MURRAY GROUP LIMITED

(cont.)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Paul Robert Campbell (Senior Statutory Auditor)
for and on behalf of Hardy & Company (Hyde) Ltd
Onward Chambers
34 Market Street, Hyde
Cheshire, SK14 1AH

Date: 11th November 2019

NOTICE OF MEETING

Notice is hereby given that the seventh Annual General Meeting of the Company will be held in the Boardroom, St John's House, Barrington Road, Altrincham, WA14 1TJ, on Friday 13th December 2019 at 12:00pm for the following purposes:

To receive and adopt the Directors' Report and Statement of Accounts for the year ended 31st August 2019.

To re-elect Bill Murray as Director.

To re-elect Bruce Murray as Director.

To confirm the Chairman's remuneration for the year ending 31st August 2020 of £64,500.

To confirm the non-executive Directors' remuneration for the year ending 31st August 2020 of £21,748.

To re-appoint Hardy & Company (Hyde) Ltd as Auditors and authorise the Directors to fix their remuneration.

To transact any other ordinary business of the Company.

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.

CHAIRMAN
BILL MURRAY BA HONS

CEO
NICK CASSON BSC HONS MRICS

DIRECTORS
JOY BAGGALEY BA HONS FCA
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Report & Accounts 2019

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