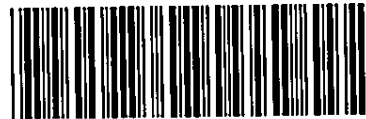


AMENDING

Company Registration Number 267163

HAMPTON TRUST PLC  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2007

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**HAMPTON TRUST PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

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**HAMPTON TRUST PLC**  
**COMPANY INFORMATION**

|                               |   |
|-------------------------------|---|
| <b>The board of directors</b> | J Whittingham - Chief Executive<br>C H B Mills - Director<br>R G Barrett - Director   |
| <b>Company secretary</b>      | JO Hambro Capital Management Limited  |
| <b>Date of incorporation</b>  | 21 July 1932  |
| <b>Registered office</b>      | Ground Floor<br>Ryder Court<br>14 Ryder Street<br>London<br>SW1Y 6QB  |
| <b>Auditor</b>                | BSG Valentine<br>Chartered Accountants<br>& Registered Auditor<br>Lynton House<br>7 - 12 Tavistock Square<br>London<br>WC1H 9BQ |
| <b>Registrar</b>              | Capita Registrars<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU  |

# **HAMPTON TRUST PLC**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2007**

The directors present their report and the financial statements of the group for the year ended 31 December 2007.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activities of the Company and its subsidiary undertakings are property investment, management, development and dealing.

### **Principal risks and uncertainties**

The significant risks faced by the company and group are: inflation risks, fluctuations in the property market, and economic factors.

### **Fair review of the business**

Following completion of the group restructuring in December 2005, the directors have been focused primarily in reviewing and managing the historical transactions entered into by the company and certain of its subsidiary undertakings. The objective of this process is intended to realise assets for the benefit of the unsecured creditors of the group. The directors anticipate that the group will continue the activities outlined above for the foreseeable future.

### **RESULTS AND DIVIDENDS**

The loss for the year amounted to £4,748,000. The directors have not recommended a dividend.

### **FINANCIAL INSTRUMENTS**

Details of the group's financial risk management objectives and policies are included in note 20 to the accounts.

### **DIRECTORS**

The directors who served the company during the year were as follows:

J Whittingham  
C H B Mills  
R G Barrett  
D S Mitchell  
A J Cole

C H B Mills was appointed as a director on 24 January 2007.

R G Barrett was appointed as a director on 24 April 2007.

D S Mitchell retired as a director on 5 April 2007.

A J Cole retired as a director on 28 February 2007.

### **FIXED ASSETS**

In the opinion of the directors there is no material difference between the open market value of the Group's interest in land and buildings and the book value.

### **TREASURY**

The Group's objective is to maintain sufficient facilities to meet its financial requirements at the lowest achievable cost and at minimum risk.

The treasury function is controlled centrally in accordance with prudent procedures approved by the Board. During the year, the Group did not enter into any interest rate swaps, currency swaps, forward contracts, or any other derivative financial instruments.

### **POLICY ON THE PAYMENT OF CREDITORS**

It is the group's policy to agree terms of transactions, including payment terms with suppliers and, provided suppliers perform in accordance with the agreed terms, it is the group's normal practice that payment is made accordingly.

**HAMPTON TRUST PLC**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2007**

**DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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;
- state whether applicable UK 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 group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position 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.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITOR**

A resolution to re-appoint BSG Valentine as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
Ground Floor  
Ryder Court  
14 Ryder Street  
London  
SW1Y 6QB

Signed on behalf of the directors



J WHITTINGHAM  
Director

Approved by the board on 8.5.9

**HAMPTON TRUST PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**HAMPTON TRUST PLC**

**YEAR ENDED 31 DECEMBER 2007**

We have audited the group and parent company financial statements ("the financial statements") of Hampton Trust PLC for the year ended 31 December 2007 on pages 6 to 25, which have been prepared on the basis of the accounting policies set out on pages 11 to 15.

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 AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 group's and 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 group's and the parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

HAMPTON TRUST PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
HAMPTON TRUST PLC *(continued)*

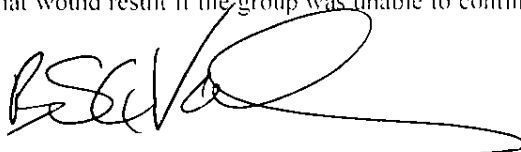
YEAR ENDED 31 DECEMBER 2007

**EMPHASIS OF MATTER - GOING CONCERN**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £4,748,000 during the year ended 31 December 2007 and has net liabilities of £59,895,000 at that date. These conditions together with the following uncertainties indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern.

- the continuation of financial support from the owners and holders of the 15% Loan Stock. Should this support be withdrawn the company would be unable to repay the full value of the Loan Stock;
- the payment of debts as they fall due. The group are reliant upon former subsidiary undertakings not demanding the repayment of debts due from the group.

The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.



BSG VALENTINE  
Chartered Accountants  
& Registered Auditor

Lynton House  
7 - 12 Tavistock Square  
London  
WC1H 9BQ

8.5.9

**HAMPTON TRUST PLC**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2007**

|  | Note      | 2007<br>£000   | 2006<br>£000   |
|--|-----------|----------------|----------------|
| <b>GROUP TURNOVER</b>                              | <b>2</b>  | <b>5</b>       | <b>5</b>       |
| Cost of sales                                      |           | (2)            | (5)            |
| <b>GROSS PROFIT</b>                                |           | <b>3</b>       | <b>-</b>       |
| Administrative expenses                            |           | (1,548)        | (2,181)        |
| Other operating income                             | <b>3</b>  | 545            | 2,108          |
| <b>OPERATING LOSS</b>                              | <b>4</b>  | <b>(1,000)</b> | <b>(73)</b>    |
| (Loss)/profit on disposal of fixed assets          | <b>7</b>  | (5)            | 4              |
| Amounts written off investments                    | <b>8</b>  | (3)            | (38)           |
| Interest payable and similar charges               | <b>9</b>  | (3,740)        | (3,740)        |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |           | <b>(4,748)</b> | <b>(3,847)</b> |
| Tax on loss on ordinary activities                 | <b>10</b> | -              | -              |
| <b>LOSS FOR THE FINANCIAL YEAR</b>                 | <b>11</b> | <b>(4,748)</b> | <b>(3,847)</b> |

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The notes on pages 11 to 25 form part of these financial statements.

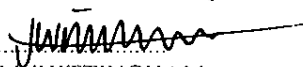


**HAMPTON TRUST PLC**  
**GROUP BALANCE SHEET**

**31 DECEMBER 2007**

|  | Note | 2007<br>£000    | 2006<br>£000    |
|--|------|-----------------|-----------------|
| <b>FIXED ASSETS</b>  |      |                 |                 |
| Tangible assets  | 12   | 27              | 42              |
| Investments  | 13   | —               | 3               |
|  |      | <u>27</u>       | <u>45</u>       |
| <b>CURRENT ASSETS</b>  |      |                 |                 |
| Stocks   | 14   | 163             | 163             |
| Debtors  | 15   | 971             | 2,006           |
| Cash at bank   |      | 587             | —               |
|  |      | <u>1,721</u>    | <u>2,169</u>    |
| <b>CREDITORS: Amounts falling due within one year</b>          | 16   | (30,036)        | (28,772)        |
| <b>NET CURRENT LIABILITIES</b>                                 |      | (28,315)        | (26,603)        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | (28,288)        | (26,558)        |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 17   | (27,005)        | (24,446)        |
|  |      | (55,293)        | (51,004)        |
| <b>PROVISIONS FOR LIABILITIES</b>                              |      |                 |                 |
| Other provisions   | 19   | (4,602)         | (4,845)         |
|  |      | <u>(59,895)</u> | <u>(55,849)</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                 |                 |
| Called-up equity share capital                                 | 24   | 7,481           | 7,481           |
| Share premium account  | 25   | 670             | 670             |
| Revaluation reserve  |      | 18              | 18              |
| Other reserves   | 26   | 41,423          | 40,721          |
| Profit and loss account  | 27   | (109,487)       | (104,739)       |
| <b>DEFICIT</b>   | 28   | <u>(59,895)</u> | <u>(55,849)</u> |

These financial statements were approved by the directors and authorised for issue on 8.5.9 and are signed on their behalf by:

  
J WHITTINGHAM

The notes on pages 11 to 25 form part of these financial statements.

**HAMPTON TRUST PLC**

**BALANCE SHEET**

**31 DECEMBER 2007**

|  | Note | 2007<br>£000     | 2006<br>£000     |
|--|------|------------------|------------------|
| <b>FIXED ASSETS</b>  |      |                  |                  |
| Tangible assets  | 12   | 25               | 40               |
| Investments  | 13   | —                | 3                |
|  |      | <u>25</u>        | <u>43</u>        |
| <b>CURRENT ASSETS</b>  |      |                  |                  |
| Debtors  | 15   | 494              | 1,527            |
| Cash at bank   |      | 586              | —                |
|  |      | <u>1,080</u>     | <u>1,527</u>     |
| <b>CREDITORS: Amounts falling due within one year</b>          | 16   | <u>(45,214)</u>  | <u>(43,949)</u>  |
| <b>NET CURRENT LIABILITIES</b>                                 |      | <u>(44,134)</u>  | <u>(42,422)</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>(44,109)</u>  | <u>(42,379)</u>  |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 17   | <u>(27,005)</u>  | <u>(24,446)</u>  |
|  |      | <u>(71,114)</u>  | <u>(66,825)</u>  |
| <b>PROVISIONS FOR LIABILITIES</b>                              |      |                  |                  |
| Other provisions   | 19   | <u>(4,602)</u>   | <u>(4,845)</u>   |
|  |      | <u>(75,716)</u>  | <u>(71,670)</u>  |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                  |
| Called-up equity share capital                                 | 24   | 7,481            | 7,481            |
| Share premium account  | 25   | 670              | 670              |
| Revaluation reserve  |      | 18               | 18               |
| Other reserves   | 26   | 40,643           | 39,941           |
| Profit and loss account  | 27   | <u>(124,528)</u> | <u>(119,780)</u> |
| <b>DEFICIT</b>   |      | <u>(75,716)</u>  | <u>(71,670)</u>  |

These financial statements were approved by the directors and authorised for issue on 8.5.9 and are signed on their behalf by:

  
J WHITTINGHAM

The notes on pages 11 to 25 form part of these financial statements.

# HAMPTON TRUST PLC

## GROUP CASH FLOW

YEAR ENDED 31 DECEMBER 2007

|   | 2007 |      | 2006 |      |
|---|------|------|------|------|
|   | £000 | £000 | £000 | £000 |
| <b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>              |      | 580  |      | (89) |
| <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>                     |      |      |      |      |
| Payments to acquire tangible fixed assets                               | —    |      | (6)  |      |
| Receipts from sale of fixed assets                                      | 10   |      | 109  |      |
| Acquisition of investments  | —    |      | (13) |      |
| <b>NET CASH INFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b> |      | 10   |      | 90   |
| <b>INCREASE IN CASH</b>   |      | 590  |      | 1    |

### RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

|   | 2007    |  | 2006    |  |
|---|---------|--|---------|--|
|   | £000    |  | £000    |  |
| Operating loss                                      | (1,000) |  | (73)    |  |
| Depreciation  | —       |  | 40      |  |
| Decrease in debtors                                 | 1,035   |  | 1,369   |  |
| Increase/(decrease) in creditors                    | 788     |  | (1,109) |  |
| Decrease in provisions                              | (243)   |  | (316)   |  |
| Net cash inflow/(outflow) from operating activities | 580     |  | (89)    |  |

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

|  | 2007     |      | 2006     |      |
|--|----------|------|----------|------|
|  | £000     | £000 | £000     | £000 |
| Increase in cash in the period               | 590      |      | 1        |      |
| Change in net debt resulting from cash flows | 590      |      | 1        |      |
| Other differences                            | (2,559)  |      | (2,559)  |      |
| Movement in net debt in the period           | (1,969)  |      | (2,558)  |      |
| Net debt at 1 January 2007                   | (24,449) |      | (21,891) |      |
| Net debt at 31 December 2007                 | (26,418) |      | (24,449) |      |

The notes on pages 11 to 25 form part of these financial statements.

**HAMPTON TRUST PLC**  
**GROUP CASH FLOW** *(continued)*  
**YEAR ENDED 31 DECEMBER 2007**

**ANALYSIS OF CHANGES IN NET DEBT**

|                          | At<br>1 Jan 2007<br>£000 | Cash flows<br>£000 | Other changes<br>£000 | At<br>31 Dec 2007<br>£000 |
|--------------------------|--------------------------|--------------------|-----------------------|---------------------------|
| Net cash:                |                          |                    |                       |                           |
| Cash in hand and at bank | —                        | 587                | —                     | 587                       |
| Overdrafts               | (3)                      | 3                  | —                     | —                         |
|                          | <u>(3)</u>               | <u>590</u>         | <u>—</u>              | <u>587</u>                |
| Debt:                    |                          |                    |                       |                           |
| Debt due after 1 year    | (24,446)                 | —                  | (2,559)               | (27,005)                  |
| Net debt                 | <u>(24,449)</u>          | <u>590</u>         | <u>(2,559)</u>        | <u>(26,418)</u>           |

The notes on pages 11 to 25 form part of these financial statements.

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**I. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments and in accordance with applicable accounting standards.

**Going concern**

The financial statements have been prepared on the assumption that the group remains a going concern. The following paragraphs summarise the issues and the basis on which the directors have reached their conclusion.

As the largest unsecured creditor of the company the future intentions of the holders of the Convertible Unsecured Loan Stock (CULS) are clearly key to the long term future of the company. The CULS loan stock is however limited recourse and is only repayable depending upon any realisations being made by Hampton Trust PLC.

No element of the principal debt falls due for payment until 2020 save upon the occurrence of one or more events of default. In addition interest payments on this loan stock are contingent upon the company being solvent at the payment date. In preparing the group's cash flow forecasts the directors have therefore assumed that there will be no cash outflow in the medium term in respect of the CULS. Payments of interest will be accrued and added to the principal amount owed.

The significant other creditors of the Group include balances with former subsidiary undertakings and preference share liabilities. The cash flow forecasts assume that there will be no payments within the next 12 months from the date of approval of these financial statements in respect of these creditors. The preference shares are not due for redemption until 30 June 2016 and dividends on these preference shares can not be paid unless the company has distributable reserves. The directors have received assurances from the former subsidiary undertakings that they will not demand repayments of the amounts owed to them within the next 12 months unless the group have sufficient available funds to make the repayments without prejudicing its ongoing business.

As a result of the group restructuring in December 2005, Mount Street Properties Group (MSP), which comprised a number of former Hampton Trust PLC subsidiaries, provided an indemnity to Hampton Trust PLC in respect of any claims which may arise against the company during the indemnity period. In preparing the group's cash flow forecast the directors have assumed that any amounts payable in respect of the provisions made in these financial statements would be covered by this indemnity.

Having taken into account the limited recourse nature of the CULS, the existence of the MSP indemnity, net proceeds from asset realisations, support from former subsidiary undertakings and a review of cash flows and forecasts for the next 18 months, the directors have formed a judgement that at the time of the approval of the financial statements, the group has sufficient resources to continue to operate for the foreseeable future. For these reasons, the directors continue to prepare the financial statements on a going concern basis.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**I. ACCOUNTING POLICIES** *(continued)*

**Turnover**

Turnover relates to rental income from investment properties, net of VAT.

Any costs incurred on behalf of tenants and any recharge thereof to tenants are both treated within cost of sales.

**Fixed assets**

All fixed assets are initially recorded at cost.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                                 |                                 |
|---------------------------------|---------------------------------|
| Leasehold property improvements | - over the term of the lease    |
| Plant and machinery             | - between 25% and 33% per annum |

**Investment properties and development properties**

Completed properties held for long-term investment are revalued annually at open market value at the balance sheet date. Valuations are carried out by external valuers at least every third year. Properties are reviewed regularly by the directors and if in their opinion, there has been an impairment the property is written down to its valuation.

Surpluses and deficits on valuation are transferred to a revaluation reserve. Any deficit below original cost is an impairment in which case it is charged to the profit and loss account unless the directors believe the deficit are temporary.

On disposal of a fixed asset property any surplus or deficit calculated by compromising net sale proceeds with book value is included in profit on ordinary activities before taxation and any realised revaluation surplus or deficit is reclassified within reserves to the profit and loss account.

In accordance with Statement of Standard Accounting Practice No. 19 no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run, although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets. The directors believe that the policy of not providing depreciation in respect of these fixed assets is necessary in order to give a true and fair view since the current value of investment properties and changes in that current value are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the facets reflected in the annual valuation and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**1. ACCOUNTING POLICIES** *(continued)*

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currencies**

*Company*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

*Group*

For the purposes of preparing consolidated financial statements, the assets and liabilities of foreign subsidiary undertakings are translated at the exchange rates ruling at the balance sheet date. Profit and loss items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly in the year, in which case the exchange rates ruling at the dates of the transactions are used. Exchange differences arising are taken to the Group's foreign currency translation reserve. Such exchange differences are recognised in the profit and loss account in the year in which a foreign subsidiary undertaking is disposed of.

Goodwill and fair adjustments arising on the acquisition of a foreign subsidiary undertaking are treated as assets and liabilities of the foreign subsidiary and translated at the closing rate.

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. ACCOUNTING POLICIES** *(continued)*

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

*Investments*

Fixed asset investments are stated at cost less provision for impairment. In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued. Any premium is ignored.

*Trade and other debtors*

Trade and other debtors are recognised and carried forward at invoices amounts less provisions for any doubtful debts. Bad debts are written off when identified.

*Cash and cash equivalents*

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

*Interest-bearing loans and borrowings*

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process.

**Finance costs**

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs of non-equity shares are not equal to the dividends on these instruments the difference is also accounted for in the profit and loss account as an appropriation of profits.

Interest payable on borrowings directly attributable to financing properties in the course of development is capitalised gross as a cost of the development.



**HAMPTON TRUST PLC**  
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**YEAR ENDED 31 DECEMBER 2007**

**1. ACCOUNTING POLICIES** *(continued)*

**Convertible debt**

The proceeds received on issue of the group's convertible debt are allocated into their liability and equity components and presented separately on the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

**Onerous leases**

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it a provision is made for the present value of the obligations under the lease.

**2. TURNOVER**

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

|                | 2007<br>£000 | 2006<br>£000 |
|----------------|--------------|--------------|
| United Kingdom | 5            | 5            |

Turnover and all of the operating loss on ordinary activities before tax was derived from UK property activities. All net assets were employed in the United Kingdom.

**3. OTHER OPERATING INCOME**

|                               | 2007<br>£000 | 2006<br>£000 |
|-------------------------------|--------------|--------------|
| Management charges receivable | 266          | –            |
| Other operating income        | 279          | 2,108        |
|                               | 545          | 2,108        |

Other operating income receivable during the year relates to a litigation claim. Amounts receivable in the prior period relate to amounts recoverable from former directors.

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**4. OPERATING LOSS**

Operating loss is stated after charging:

|                                    | 2007<br>£000      | 2006<br>£000      |
|------------------------------------|-------------------|-------------------|
| Depreciation of owned fixed assets | —                 | 40                |
| Auditor's remuneration             |                   |                   |
| - as auditor                       | 57                | 60                |
| - for other services               | —                 | 10                |
| Operating lease costs:             |                   |                   |
| Plant and equipment                | —                 | 32                |
|                                    | <u>          </u> | <u>          </u> |

**5. PARTICULARS OF EMPLOYEES**

The aggregate payroll costs of the above were:

|                       | 2007<br>£000 | 2006<br>£000 |
|-----------------------|--------------|--------------|
| Wages and salaries    | 441          | 502          |
| Social security costs | 67           | 87           |
|                       | <u>508</u>   | <u>589</u>   |

The average number of employees including directors during the year was 5 (2006: 12).

**6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

|                       | 2007<br>£000 | 2006<br>£000 |
|-----------------------|--------------|--------------|
| Emoluments receivable | 161          | 338          |

**Emoluments of highest paid director:**

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Total emoluments (excluding pension contributions) | 141          | 143          |

Benefits receivable consists primarily of car and healthcare benefits.

**7. LOSS/PROFIT ON DISPOSAL OF FIXED ASSETS**

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| (Loss)/profit on disposal of fixed assets | (5)          | 4            |

**8. AMOUNTS WRITTEN OFF INVESTMENTS**

|                                | 2007<br>£000 | 2006<br>£000 |
|--------------------------------|--------------|--------------|
| Amount written off investments | 3            | 38           |

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. INTEREST PAYABLE AND SIMILAR CHARGES**

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| 15% convertible unsecured loan stock 2020 | 3,110        | 3,110        |
| 5.5% preference shares                    | 630          | 630          |
|   | <u>3,740</u> | <u>3,740</u> |

**10. TAXATION ON ORDINARY ACTIVITIES**

**Factors affecting current tax charge**

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Loss on ordinary activities before taxation  | (4,748)      | (3,847)      |
| Loss on ordinary activities by rate of tax   | (1,424)      | (1,154)      |
| Expenses not deductible for tax purposes     | 96           | 355          |
| Capital allowances in excess of depreciation | (5)          | (10)         |
| Movements in provisions                      | (72)         | 933          |
| Movement in losses carried forward           | 1,405        | (124)        |
| Total current tax                            | <u>-</u>     | <u>-</u>     |

**Factors that may affect future tax charges**

The group has surplus ACT amounting to £4,220,000 (2006: £4,220,000) available to offset against future corporation tax liabilities. In addition, group companies have tax losses of approximately £52,000,000 which may be available when suitable taxable profits arise.

**11. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss dealt with in the accounts of the parent company was £(4,748,000) (2006 - £(3,927,000)).

**12. TANGIBLE FIXED ASSETS**

| Group                    | Freehold<br>investment<br>property<br>£000 | Leasehold<br>property<br>£000 | Plant and<br>machinery<br>£000 | Total<br>£000 |
|--------------------------|--|-------------------------------|--------------------------------|---------------|
| <b>COST OR VALUATION</b> |  |                               |                                |               |
| At 1 January 2007        | 25   | 152                           | 77                             | 254           |
| Disposals                | -  | (152)                         | (72)                           | (224)         |
| At 31 December 2007      | <u>25</u>                                  | <u>-</u>                      | <u>5</u>                       | <u>30</u>     |
| <b>DEPRECIATION</b>      |  |                               |                                |               |
| At 1 January 2007        | -  | 145                           | 67                             | 212           |
| On disposals             | -  | (145)                         | (64)                           | (209)         |
| At 31 December 2007      | <u>-</u>                                   | <u>-</u>                      | <u>3</u>                       | <u>3</u>      |
| <b>NET BOOK VALUE</b>    |  |                               |                                |               |
| At 31 December 2007      | 25   | -                             | 2                              | 27            |
| At 31 December 2006      | 25   | 7                             | 10                             | 42            |

**HAMPTON TRUST PLC**  
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**12. TANGIBLE FIXED ASSETS** *(continued)*

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

|                          | 2007                                 |                            | 2006                        |               |
|--------------------------|--------------------------------------|----------------------------|-----------------------------|---------------|
|                          | £000                                 |                            | £000                        |               |
| Historical cost          | 7                                    |                            | 7                           |               |
| Company                  | Freehold investment property<br>£000 | Leasehold property<br>£000 | Plant and machinery<br>£000 | Total<br>£000 |
| <b>COST OR VALUATION</b> |                                      |                            |                             |               |
| At 1 January 2007        | 25                                   | 152                        | 72                          | 249           |
| Disposals                | —                                    | (152)                      | (72)                        | (224)         |
| At 31 December 2007      | 25                                   | —                          | —                           | 25            |
| <b>DEPRECIATION</b>      |                                      |                            |                             |               |
| At 1 January 2007        | —                                    | 145                        | 64                          | 209           |
| On disposals             | —                                    | (145)                      | (64)                        | (209)         |
| At 31 December 2007      | —                                    | —                          | —                           | —             |
| <b>NET BOOK VALUE</b>    |                                      |                            |                             |               |
| At 31 December 2007      | 25                                   | —                          | —                           | 25            |
| At 31 December 2006      | 25                                   | 7                          | 8                           | 40            |

Investment properties were valued on an open market value basis at 31 May 2005 by King Sturge LLP Chartered Surveyors. The valuations were undertaken in accordance with the RICS appraisal and valuation manual. In November 2006, King Sturge undertook a desktop valuation of the property portfolio. The directors consider this to reflect the value of properties at 31 December 2007.

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

|                 | 2007 | 2006 |
|-----------------|------|------|
|                 | £000 | £000 |
| Historical cost | 7    | 7    |

**HAMPTON TRUST PLC**  
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**13. INVESTMENTS**

| <b>Group</b>                           | <b>Other investments</b> |
|--|--------------------------|
|  | £000                     |
| <b>COST</b>                            |                          |
| At 1 January 2007 and 31 December 2007 | 1,196                    |
| <b>AMOUNTS WRITTEN OFF</b>             |                          |
| At 1 January 2007                      | 1,193                    |
| Written off in year                    | 3                        |
| At 31 December 2007                    | 1,196                    |
| <b>NET BOOK VALUE</b>                  |                          |
| At 31 December 2007                    | -                        |
| At 31 December 2006                    | 3                        |

| <b>Company</b>                         | <b>Other investments</b> |
|--|--------------------------|
|  | £000                     |
| <b>COST</b>                            |                          |
| At 1 January 2007 and 31 December 2007 | 1,196                    |
| <b>AMOUNTS WRITTEN OFF</b>             |                          |
| At 1 January 2007                      | 1,193                    |
| Written off in year                    | 3                        |
| At 31 December 2007                    | 1,196                    |
| <b>NET BOOK VALUE</b>                  |                          |
| At 31 December 2007                    | -                        |
| At 31 December 2006                    | 3                        |

Details of subsidiary undertakings which do not make a material contribution to the assets or results of the group have been omitted as permitted by Section 231 (5) of the Companies Act 1985 and it would lead to a statement of excessive length. A full list will be attached to the annual return.

Listed investments are included at cost less a provision of £954,000 (2006: £953,000). The net book value and market value of listed investments at the year end is £nil (2006: £1).

**14. STOCKS**

|       | <b>Group</b> |      | <b>Company</b> |      |
|-------|--------------|------|----------------|------|
|       | 2007         | 2006 | 2007           | 2006 |
|       | £000         | £000 | £000           | £000 |
| Stock | 163          | 163  | -              | -    |

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. DEBTORS**

|                                | Group      |              | Company    |              |
|--------------------------------|------------|--------------|------------|--------------|
|                                | 2007       | 2006         | 2007       | 2006         |
|                                | £000       | £000         | £000       | £000         |
| Trade debtors                  | –          | 14           | –          | 13           |
| VAT recoverable                | 120        | –            | 120        | –            |
| Other debtors                  | 844        | 1,982        | 374        | 1,511        |
| Directors current accounts     | –          | 3            | –          | 3            |
| Prepayments and accrued income | 7          | 7            | –          | –            |
|                                | <u>971</u> | <u>2,006</u> | <u>494</u> | <u>1,527</u> |

**16. CREDITORS: Amounts falling due within one year**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2007          | 2006          | 2007          | 2006          |
|   | £000          | £000          | £000          | £000          |
| Overdrafts  | –             | 3             | –             | 3             |
| Trade creditors   | 203           | 743           | 203           | 743           |
| Amounts owed to group undertakings                      | –             | –             | 17,715        | 17,706        |
| Other creditors including taxation and social security: |               |               |               |               |
| Other taxation and social security                      | –             | 29            | –             | 29            |
| Other creditors   | 29,810        | 27,858        | 27,279        | 25,335        |
| Accruals and deferred income                            | 23            | 139           | 17            | 133           |
|   | <u>30,036</u> | <u>28,772</u> | <u>45,214</u> | <u>43,949</u> |

**17. CREDITORS: Amounts falling due after more than one year**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2007          | 2006          | 2007          | 2006          |
|   | £000          | £000          | £000          | £000          |
| 15% Convertible Secured Loan Stock      | 20,403        | 17,995        | 20,403        | 17,995        |
| Shares classed as financial liabilities | 6,602         | 6,451         | 6,602         | 6,451         |
|   | <u>27,005</u> | <u>24,446</u> | <u>27,005</u> | <u>24,446</u> |

The Loan Stock in issue at 31 December 2007 can be converted at the option of the holders into ordinary shares of 5p each at a rate of £5.88235 in nominal amount of ordinary shares per £100 nominal of stock. The conversion date is any business days in any of the years 2005 to 2020 inclusive while the stock remains outstanding. The Company is required to redeem at par all of the outstanding unconverted stock on 31 December 2020. The debt has a nominal value of £20,295,017 and pays interest of 15% per annum. Interest is only payable to the extent there is cash available.

Unpaid interest in the year has been added to the principal amount owed in line with the Loan Stock Trust Deed. The movement in the year on the Loan Stock reflects unpaid interest capitalised as part of the principal of £2,342,000 and the unwinding of the discount on the issue of the instrument totalling £66,000.

The movement in the year on the preference share liability is the unwinding of the discount on the issue of the instrument totalling £151,000.

**HAMPTON TRUST PLC**  
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**17. CREDITORS: Amounts falling due after more than one year (continued)**

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2007          | 2006          | 2007          | 2006          |
|                                    | £000          | £000          | £000          | £000          |
| 15% Convertible Secured Loan Stock | <u>20,403</u> | <u>17,995</u> | <u>20,403</u> | <u>17,995</u> |

**18. DEFERRED TAXATION**

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

| Group   | 2007             |                    | 2006             |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | Provided<br>£000 | Unprovided<br>£000 | Provided<br>£000 | Unprovided<br>£000 |
| Excess of taxation allowances over depreciation on fixed assets | -                | 62                 | -                | 62                 |
| Tax losses available  | -                | <u>15,625</u>      | -                | <u>14,754</u>      |
|   | -                | <u>15,687</u>      | -                | <u>14,816</u>      |

The elements of the company's deferred taxation, which result in a nil balance at the end of the year, together with details of other amounts not provided for, are as follows:

| Company   | 2007             |                    | 2006             |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | Provided<br>£000 | Unprovided<br>£000 | Provided<br>£000 | Unprovided<br>£000 |
| Excess of taxation allowances over depreciation on fixed assets | -                | 62                 | -                | 62                 |
| Tax losses available  | -                | <u>15,056</u>      | -                | <u>14,185</u>      |
|   | -                | <u>15,118</u>      | -                | <u>14,247</u>      |

The deferred tax assets have not been recognised due to uncertainty over future recoverability.

**HAMPTON TRUST PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. OTHER PROVISIONS**

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2007         | 2006         | 2007         | 2006         |
|   | £000         | £000         | £000         | £000         |
| Provision for onerous occupational leases | 144          | 179          | 144          | 179          |
| Provision for guarantees                  | 4,059        | 4,084        | 4,059        | 4,084        |
| Provision for onerous ground rents        | -            | 183          | -            | 183          |
| Provision for litigation                  | 399          | 399          | 399          | 399          |
|   | <u>4,602</u> | <u>4,845</u> | <u>4,602</u> | <u>4,845</u> |

The provision for onerous ground rents represented the remaining balance of the agreed settlement amount in respect of guarantees given by the Company in prior years to the freeholder of the property which was disposed of with the sale of Southend Property Holdings Plc, a former subsidiary. This amount was settled during the year.

The provision for guarantees represents the Directors' current view of the value of claims being made against the Company in respect of certain guarantees. The Directors are taking legal advice to ensure that these claims are defended to the fullest extent possible but have however provided £4.1 million at 31 December 2007. The Directors believe this provision is sufficient to cover any likely outcome that may arise from these claims.

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The group holds or issues financial instruments in order to achieve three main objectives, being:

(a) to finance its operations;

(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

(c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the group's operations.

Transactions in financial instruments result in the group assuming or transferring to another party one or more of the financial risks described below.

*Credit risk*

The group monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The group has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.



**HAMPTON TRUST PLC**  
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**21. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as set out below.

| Group                          | 2007                       |                     | 2006                       |                     |
|--------------------------------|----------------------------|---------------------|----------------------------|---------------------|
|                                | Land and buildings<br>£000 | Other items<br>£000 | Land and buildings<br>£000 | Other items<br>£000 |
| Operating leases which expire: |                            |                     |                            |                     |
| Within 1 year                  | -                          | -                   | 107                        | 1                   |

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below.

| Company                        | 2007                       |                     | 2006                       |                     |
|--------------------------------|----------------------------|---------------------|----------------------------|---------------------|
|                                | Land and buildings<br>£000 | Other items<br>£000 | Land and buildings<br>£000 | Other items<br>£000 |
| Operating leases which expire: |                            |                     |                            |                     |
| Within 1 year                  | -                          | -                   | 107                        | 1                   |

**22. CONTINGENCIES**

The company has received claims in respect of certain guarantees for which provision has been made. Other claims against the company in respect of certain guarantees have not been provided for based on the directors consideration of the latest legal advice available with respect to these claims.

**23. RELATED PARTY TRANSACTIONS**

The following payable and receivable balances relating to former group undertakings in which Mr J Whittingham is a director are outstanding at the year end. Mr C Mills was also a director of Hampton Investment Properties Limited.

**Amounts owed by former group undertakings**

Broadhall Hampton Limited - £nil (2006: £471,000)  
 BSS (Swindon) Limited - £16,000 (2006: £nil)  
 Mount Street Properties Limited - £358,000 (2006: £188,000)

**Amounts owed to former group undertakings**

Europe Property Management Limited - £2,285,000 (2006: £2,152,000)  
 Hampton Land & Estates Limited - £5,000 (2006: £4,000)  
 Linegarden Limited - £6,000 (2006: £6,000)  
 Formflight Limited - £2,207,000 (2006: £2,207,000)  
 Broadhall Hampton Limited - £194,000 (2006: £nil)  
 Hampton Investment Properties Limited - £22,437,000 (2006: £21,322,000)

During the year the company entered into the following transactions:

A management fee of £96,000 and £170,000 was charged to Hampton Investment Properties Limited and Mount Street Properties Limited respectively.

**HAMPTON TRUST PLC**  
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**24. SHARE CAPITAL**

**Authorised share capital:**

|  | 2007<br>£000  | 2006<br>£000  |
|--|---------------|---------------|
| 237,500,000 Ordinary shares of £0.05 each                                      | 11,875        | 11,875        |
| 40,770,000 5.5% cumulative convertible redeemable preference shares of £1 each | 40,770        | 40,770        |
|  | <u>52,645</u> | <u>52,645</u> |

**Allotted and called up:**

|   | 2007<br>No         | £000          | 2006<br>No         | £000          |
|---|--------------------|---------------|--------------------|---------------|
| Ordinary shares of £0.05 each                                       | 149,621,481        | 7,481         | 149,621,481        | 7,481         |
| 5.5% cumulative convertible redeemable preference shares of £1 each | 8,707,759          | 8,708         | 8,707,759          | 8,708         |
|   | <u>158,329,240</u> | <u>16,189</u> | <u>158,329,240</u> | <u>16,189</u> |

|                                     | 2007<br>£000 | 2006<br>£000 |
|-------------------------------------|--------------|--------------|
| <b>Amounts presented in equity:</b> |              |              |
| Ordinary shares of £0.05 each       | 7,481        | 7,481        |

**Amounts presented in liabilities:**

|   |       |       |
|---|-------|-------|
| 5.5% cumulative convertible redeemable preference shares of £1 each | 8,708 | 8,708 |
|---|-------|-------|

**The 5.5% (net) cumulative convertible redeemable preference shares**

These shares may be converted at the option of the shareholders into ordinary shares of 5p each on the basis of 42.30765 ordinary shares for every £100 in nominal amount of convertible redeemable preference shares. Conversion dates are 31 October in any year up to and including 2015.

On a winding-up commenced before the final conversion date, holders of convertible redeemable preference shares are entitled to repayment of the capital paid up on their shares and rateably with holders of ordinary shares, are entitled to share in any further assets available for distribution (after first paying to holders of ordinary shares an amount equal to any such capital repayment) on the basis of an assumed conversion of their shares.

Holders of convertible preference shares are entitled to vote at general meetings of the Company only if the dividends on their shares are six months or more in arrears or on resolutions concerning their rights or privileges.

The Company is required to redeem at par all the outstanding unconverted convertible redeemable preference shares on 30 June 2016 and may redeem at par all the outstanding unconverted convertible redeemable preference shares at any time after the conversion date in 2015.

In line with the requirements of FRS 25 'Financial Instruments', as a compound financial instrument, the preference shares are split into debt and equity components, the equity component shown within reserves.

**25. SHARE PREMIUM ACCOUNT**

There was no movement on the share premium account during the financial year.

**HAMPTON TRUST PLC**  
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**26. OTHER RESERVES**

|                                    | Group  |        | Company |        |
|------------------------------------|--------|--------|---------|--------|
|                                    | 2007   | 2006   | 2007    | 2006   |
|                                    | £000   | £000   | £000    | £000   |
| <b>Capital redemption reserve:</b> |        |        |         |        |
| Balance brought forward            | 31,106 | 31,106 | 31,106  | 31,106 |

There was no movement on the capital redemption reserve during the financial year.

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2007         | 2006         | 2007         | 2006         |
|  | £000         | £000         | £000         | £000         |
| <b>Equity element of convertible debt reserve:</b> |              |              |              |              |
| Balance brought forward                            | 8,835        | 8,133        | 8,835        | 8,133        |
| Equity element of capitalised interest             | 702          | 702          | 702          | 702          |
|  | <u>9,537</u> | <u>8,835</u> | <u>9,537</u> | <u>8,835</u> |

|                         | Group |      | Company |      |
|-------------------------|-------|------|---------|------|
|                         | 2007  | 2006 | 2007    | 2006 |
|                         | £000  | £000 | £000    | £000 |
| <b>Other reserve:</b>   |       |      |         |      |
| Balance brought forward | 780   | 780  | -       | -    |

There was no movement on the reserve during the financial year.

**27. PROFIT AND LOSS ACCOUNT**

|                             | 2007             |      | 2006             |
|-----------------------------|------------------|------|------------------|
|                             | £000             | £000 | £000             |
| Balance brought forward     | (104,739)        |      | (100,892)        |
| Loss for the financial year | (4,748)          |      | (3,847)          |
| Balance carried forward     | <u>(109,487)</u> |      | <u>(104,739)</u> |

**28. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|  | 2007            |      | 2006            |
|--|-----------------|------|-----------------|
|  | £000            | £000 | £000            |
| Loss for the financial year            | (4,748)         |      | (3,847)         |
| Equity element of capitalised interest | 702             |      | 702             |
| Net reduction to shareholders' deficit | (4,046)         |      | (3,145)         |
| Opening shareholders' deficit          | <u>(55,849)</u> |      | <u>(52,704)</u> |
| Closing shareholders' deficit          | <u>(59,895)</u> |      | <u>(55,849)</u> |

**29. POST BALANCE SHEET EVENTS**

The group lodged a claim against one of its former advisers. Since the year end the claim has been settled, as a result of which Hampton Trust Plc has received £8 million. Hampton Trust Plc expect to recover a further amount for its costs in bringing the claim.