

267163

**Hampton Trust PLC**

Report and Financial Statements

For the nine months to 31 December 2005



# **Hampton Trust PLC**

## **Annual report and financial statements for the nine months to 31 December 2005**

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# **Hampton Trust PLC**

## **Directors and Advisers for the for the nine months to 31 December 2005**

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Directors    Alan Cole  
*Chairman (non-executive)*

Jonathan Whittingham  
*Chief Executive*

David S Mitchell  
*Director*

Secretary    David S Mitchell

Registered office    121 Mount Street  
London  
W1K 3NW

Company number    267163

Registrar and transfer office    Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

Auditors    BDO Stoy Hayward LLP  
Commercial Buildings  
11-15 Cross Street  
Manchester, M2 1WE

## **Hampton Trust PLC**

### **Report of the Directors for the for the nine months to 31 December 2005**

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The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report for the nine months to 31 December 2005.

#### **Results and dividends**

The Group loss for the year after taxation amounted to £26,104,000 (31 March 2005 - £9,322,000). The Directors do not recommend the payment of an ordinary dividend (31 March 2005 - £nil).

#### **Review of the business and future developments**

The principal activities of the Company and its subsidiary undertakings are property investment, management, development and dealing. The Group completed a major solvent restructuring in 30 December 2005.

#### **Business Review**

Following a thorough review of the Group by the Directors, it became clear that its financial position was so precarious that in the absence of a radical alternative, it would not be able to avoid formal insolvency proceedings.

In the circumstances, the board decided to implement a solvent restructuring of the Group. The board concluded that a solvent restructuring was the preferred route because it had the best prospects of maximising returns for creditors. This meant that the company and the Group had to de-list from the London Stock Exchange on 30 December 2005. The intention was for the board to continue to review the historical transactions entered into by Hampton Trust PLC and realise its assets for the benefit of its unsecured creditors.

The effect of the restructuring that took place in December 2005 was to consolidate the subsidiaries of the Group which either owned properties or provided a management function in relation to the Group's property portfolios to two companies: Mount Street Properties Limited, a newly incorporated company ("MSP") and Hampton Investment Properties Limited, a previously wholly owned subsidiary of the Company ("HIP") both of which are owned by the Convertible Unsecured Loan Stocks ("CULS") holders in the same proportions as the CULS was held between them at the time of the restructuring.

Simultaneously with the restructuring taking effect, the CULS was divided into three series of Stock in the following amounts:

- Series A Stock - £16,732,474 15% convertible secured loan stock 2020;
- Series B Stock - £10,803,216 15% loan stock 2020;
- Series C Stock - £2,078,462 15% loan stock 2020.

The amount of Series B Stock reflected the estimated net asset value of HIP (excluding inter-company debt) prior to the assumption of the obligation to repay the Series B Stock. The amount of Series C Stock reflected the estimated net asset value of the subsidiaries (excluding inter-company debt) which were transferred to MSP prior to the assumption of the obligation to repay the Series C Stock. The amount of Series A Stock was the balance of the existing CULS outstanding once the Series B and C Stock had been assigned and remained in Hampton Trust PLC.

## **Hampton Trust PLC**

### **Report of the Directors for the for the nine months to 31 December 2005 (continued)**

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#### **Business review (continued)**

The Group was then reorganised (including the consolidation and streamlining of inter-company balances) with the end result that:

- HIP became a stand alone entity, wholly owned by the CULS holders. The transfer of Hampton Trust PLC's holding of shares in HIP was for nominal consideration. This reflected HIP's financial position following completion of the agreement entered into between HIP, Hampton Trust PLC and the CULS holders.
- Hampton Trust PLC transferred its shares in its remaining valuable subsidiaries to MSP. The consideration for the transfer was the novation of Series C Stock and the provision by MSP of an indemnity to Hampton Trust PLC in respect of any claims which may arise against the Company during the indemnity period (being 18 months but with an ability for it to be extended).
- The Series A Stock, which remains in Hampton Trust PLC, is limited recourse and is only repayable depending upon any realisations being made by Hampton Trust PLC.

Following the completion of the restructuring, Hampton Trust PLC has been primarily focusing on reviewing and managing the historical transactions entered into by the company and realising assets for the benefit of its unsecured creditors.

#### **Directors**

The Directors who served during the year and changes since the year end were as follows:

Jonathan Whittingham

Alan Cole (appointed 21 September 2005)

Paul Sellars (resigned 30 June 2006)

David Mitchell (appointed 30 June 2006)

Edward A Dadley (resigned 27 September 2005)

Graeme Jackson (resigned 9 June 2005)

The Annual General Meeting for 2005 was held on 30 December 2005 and Alan Cole, Paul Sellars and Jonathan Whittingham were re-elected as Directors.

#### **Post Balance Sheet Events**

Details of other post balance sheet events are given in note 28 to the financial statements.

#### **Financial instruments**

The company or the group do not use financial instruments.

#### **Employee Share Ownership Plan**

At 31 December 2005 all the options granted over shares held by the trust had lapsed.

The Trustees have waived the entitlement to receive dividends on all shares held by the trust.

#### **Political and charitable contributions**

During the year, the Company made no political and charitable contributions (31 March 2005: £nil).

#### **Creditors payment policy**

The Group's policy is to pay suppliers on terms agreed with each supplier. The Company's number of trade creditor days outstanding as at 31 March 2005 was 101 days (2005 - 33 days).

## **Hampton Trust PLC**

### **Report of the Directors for the for the nine months to 31 December 2005 (*continued*)**

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#### **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.

#### **Auditors**

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with section 384 of the Companies Act, a resolution for the re-appointment of BDO Stoy Hayward LLP as auditors of the company is to be proposed at the forth coming Annual General Meeting.

By order of the Board



**D. Mitchell**  
**Secretary**

30 October 2006

## **Hampton Trust PLC**

### **Directors' responsibilities**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

## **Hampton Trust PLC**

### **Report of the independent auditors**

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#### **To the shareholders of Hampton Trust PLC**

We have audited the group and parent company financial statements (the "financial statements") of Hampton Trust PLC for the 9 months ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and 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 if the company has not kept property 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 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.



## Hampton Trust PLC

### Report of the independent auditors (*continued*)

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#### *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 2005 and of the group's loss for the period 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.

#### *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 £26,104,000 for the period to 31 December 2005 and has net liabilities of £50,079,000 at this date. These conditions together with the following uncertainties indicate the existence of a material uncertainty which casts significant doubt over 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;
- the payment of debts as they fall due.

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

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditors*  
Manchester

31 October 2006

**Hampton Trust PLC****Consolidated profit and loss account for the for the nine months to 31 December 2005**

	Note	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
<b>Turnover</b>	1	4,476	4,335
Cost of sales	2	(1,070)	(1,552)
<b>Gross profit</b>		<u>3,406</u>	<u>2,783</u>
Administrative expenses	2	(5,354)	(6,115)
Other operating income		142	90
<b>Operating loss</b>	6	<u>(1,806)</u>	<u>(3,242)</u>
Share of associates' operating loss		-	(543)
<b>Group operating loss</b>		<u>(1,806)</u>	<u>(3,785)</u>
Profit on disposal of investment properties		162	-
Loss on sale of subsidiary undertakings	3	(20,720)	-
<b>Loss on ordinary activities before finance costs</b>		<u>(22,364)</u>	<u>(3,785)</u>
Investment income	4	112	53
Amounts written off investments	14	(318)	(937)
Interest payable and similar charges	5	(3,534)	(4,653)
<b>Loss on ordinary activities before taxation</b>		<u>(26,104)</u>	<u>(9,322)</u>
Tax on loss on ordinary activities	9	-	-
<b>Loss on ordinary activities after taxation</b>		<u>(26,104)</u>	<u>(9,322)</u>
Dividends appropriated on non-equity shares	11	-	(479)
<b>Loss for the year deducted from reserves</b>	21	<u>(26,104)</u>	<u>(9,801)</u>

All amounts relate to continuing activities.

The accompanying notes are an integral part of this consolidated profit and loss account.

# Hampton Trust PLC

## Balance sheets as at 31 December 2005

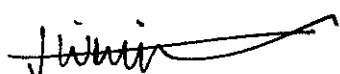
	Notes	Group		Company	
		31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
<b>Fixed assets</b>					
Intangible assets	12	-	537	-	-
Tangible assets	13	181	44,343	179	209
Investments	14	28	532	28	36,621
		<u>209</u>	<u>45,412</u>	<u>207</u>	<u>36,830</u>
<b>Current assets</b>					
Stocks	15	163	1,363	-	-
Properties held for resale	15	-	3,339	-	-
Debtors	16	3,375	8,337	2,567	23,409
Cash at bank and in hand		-	640	-	1
		<u>3,538</u>	<u>13,679</u>	<u>2,567</u>	<u>23,410</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(29,989)</u>	<u>(75,175)</u>	<u>(46,053)</u>	<u>(69,456)</u>
<b>Net current liabilities</b>		<u>(26,451)</u>	<u>(61,496)</u>	<u>(43,486)</u>	<u>(46,046)</u>
<b>Total assets less current liabilities</b>		<u>(26,242)</u>	<u>(16,084)</u>	<u>(43,279)</u>	<u>(9,216)</u>
<b>Creditors: Amounts falling due after more than one year (including convertible debt)</b>	18	(18,676)	(1,100)	(18,676)	-
<b>Provisions for liabilities and charges</b>	19	(5,161)	(5,297)	(5,161)	(4,568)
<b>Net liabilities</b>		<u><u>(50,079)</u></u>	<u><u>(22,481)</u></u>	<u><u>(67,116)</u></u>	<u><u>(13,784)</u></u>

# Hampton Trust PLC

## Balance sheets for the nine months to 31 December 2005 (continued)

	Notes	Group		Company	
		31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
<b>Capital and reserves</b>					
Called-up share capital	20	16,371	16,189	16,371	16,189
Share premium account	21	670	670	670	670
Revaluation reserve	21	18	8,581	18	18
Capital redemption reserve	21	31,106	31,106	31,106	31,106
Other reserve	21	780	780	-	-
Profit and loss account	21	(99,024)	(79,807)	(115,285)	(61,771)
<b>Shareholders' (deficit)</b>		<u>(50,079)</u>	<u>(22,481)</u>	<u>(67,116)</u>	<u>(13,784)</u>
<b>Shareholders' (deficit) are analysed as follows:</b>					
Equity interests		(50,079)	(32,865)	(67,116)	(24,168)
Non-equity interests		-	10,384	-	10,384
		<u>(50,079)</u>	<u>(22,481)</u>	<u>(67,116)</u>	<u>(13,784)</u>

The financial statements were approved by the Board and authorised for issue on 30 October 2006.



J. Whittingham Director



D. Mitchell Director

The accompanying notes are an integral part of these balance sheets.

**Hampton Trust PLC****Consolidated cash flow statement for the for the nine months to 31 December 2005**

	Notes	9 months to 31 December 2005 £	Year ended 31 March 2005 £
Net cash outflow from operating activities	22	(8,030)	(2,956)
Returns on investments and servicing of finance	23	108	(4,868)
Taxation	23	-	(3)
Capital expenditure and financial investment	23	8,154	23,980
Acquisitions and disposals	23	-	(60)
Cash inflow before management of liquid resources and financing		232	16,093
Financing	23	(876)	(16,384)
Decrease in cash in the year	24	(644)	(291)

The accompanying notes are an integral part of this consolidated cash flow statement.

## Hampton Trust PLC

### Other Statements

#### Consolidated statement of total recognised gains and losses

For the for the nine months to 31 December 2005

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Loss for the financial year	(26,104)	(9,322)
Unrealised surplus on revaluation of investment properties	-	2,947
Total recognised gains and losses relating to the year	<u>(26,104)</u>	<u>(6,375)</u>
Effect of adoption of FRS 25 on 1 April 2005	<u>(1,676)</u>	
Total recognised gains and loss recognised since the last annual report	<u>(27,780)</u>	

#### Consolidated note of historical cost profits and losses

For the for the nine months to 31 December 2005

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Reported loss on ordinary activities before taxation	(26,104)	(9,322)
Realisation of property revaluation surpluses of previous years	8,563	1,701
Historical cost loss on ordinary activities before taxation	<u>(17,541)</u>	<u>(7,621)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(17,541)</u>	<u>(8,100)</u>

#### Reconciliation of movements in Group shareholders' funds

For the for the nine months to 31 December 2005

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Loss for the financial year	(26,104)	(9,322)
Other recognised gains and losses relating to the period	-	2,819
Net reduction to shareholders' funds	<u>(25,922)</u>	<u>(6,503)</u>
Opening shareholders' deficit	(22,481)	(15,978)
Effect of adoption of FRS 25 on 1 April 2005 (see note 1)	(1,494)	-
Closing shareholders' deficit	<u>(50,079)</u>	<u>(22,481)</u>

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards. Compliance with Statement of Standard Accounting Practice 19 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given under the heading "Investment properties and development properties" below. The treatment of government grants is not in accordance with Schedule 4 of the Companies Act 1985 and an explanation of the departure is given under the heading of Government Grants below.

In preparing these financial statements the group has adopted for the first time FRS 21 : 'Events after the balance sheet date' FRS 25 : 'financial instruments : Disclosure and presentation' and FRS 28 : 'corresponding amounts'. Further details of the effect are given on page 18.

**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.

Prior to the restructuring which took place in December 2005, the Group's financial arrangements included £29.7 million 8% Convertible Unsecured Loan Stock 2020 ("CULS"). Having missed interest payments and breached financial covenants, the CULS became repayable on request by either the Trustees of CULS, or one fifth of stockholders or following an extraordinary resolution of the stockholders.

In the circumstances, the board decided to implement a solvent restructuring of the Group. The board concluded that a solvent restructuring was the preferred route because it had the best prospects of maximising returns for creditors. This meant that the company and the Group had to de-list from the London Stock Exchange on 30 December 2005. The intention was for the board to continue to review the historical transactions entered into by Hampton Trust PLC and realise its assets for the benefit of its unsecured creditors.

The effect of the restructuring that took place in December 2005 was to consolidate the subsidiaries of the Group which either owned properties or provided a management function in relation to the Group's property portfolios to two companies: Mount Street Properties Limited, a newly incorporated company ("MSP") and Hampton Investment Properties Limited, a previously wholly owned subsidiary of the Company ("HIP") both of which are owned by the Cumulative Unsecured Loan Stocks ("CULS") holders in the same proportions as the CULS was held between them at the time of the restructuring.

Simultaneously with the restructuring taking effect, the CULS was divided into three series of Stock in the following amounts:

- Series A Stock - £16,732,474 15% convertible secured loan stock 2020;
- Series B Stock - £10,803,216 15% loan stock 2020;
- Series C Stock - £2,078,462 15% loan stock 2020.

## **Hampton Trust PLC**

### **Statement of accounting policies for the for the nine months to 31 December 2005 (*continued*)**

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#### **Going concern (*continued*)**

The amount of Series B Stock reflected the estimated net asset value of HIP prior to the assumption of the obligation to repay the Series B Stock. The amount of Series C Stock reflected the estimated net asset value of the subsidiaries (including the fair value of the indemnity) which were transferred to MSP prior to the assumption of the obligation to repay the Series C Stock. The amount of Series A Stock was the balance of the existing CULS outstanding once the Series B and C Stock had been assigned and remained in Hampton Trust PLC.

The Group was then reorganised (including the consolidation and streamlining of inter-company balances) with the end result that:

- HIP became a stand alone entity, wholly owned by the CULS holders. The transfer of Hampton Trust PLC's holding of shares in HIP was for nominal consideration. This reflected HIP's financial position following completion of the agreement entered into between HIP and the CULS holders.
- Hampton Trust PLC transferred its shares in its remaining valuable subsidiaries to MSP. The consideration for the transfer was the novation of Series C Stock and the provision by MSP of an indemnity to Hampton Trust PLC in respect of any claims which may arise against the Company during the indemnity period (being 18 months but with an ability for it to be extended).
- The Series A Stock, which remains in Hampton Trust PLC, is limited recourse and is only repayable depending upon any realisations being made by Hampton Trust PLC.

Having taken into account the foregoing and noting in particular the limited recourse nature of the CULS which remains in the Company, the existence of the MSP indemnity, net proceeds from asset realisations and a review of cashflows and forecasts the Directors have formed a judgment that, at the time of 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 Group changed its accounting year end from 31 March to 31 December. The Group accounts consolidate the accounts of Hampton Trust PLC and all its subsidiary undertakings drawn up to 31 December. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

#### **Intangible assets – goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

Goodwill arising on the acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.



**Investment properties and development properties**

Completed properties held for long term investment are revalued annually at open market value as at the balance sheet date. Valuations are carried out by external valuers at least every third year. Properties in the course of development included in tangible fixed assets are stated at cost or at valuation at the commencement of the development plus all development costs incurred subsequently. 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. On completion of a development the property is reclassified as either an investment property or property held for resale as appropriate.

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 is temporary.

On disposal of a fixed asset property, any surplus or deficit calculated by comparing 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.

**Tangible fixed assets**

Tangible fixed assets, other than investment properties, are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties, at rates estimated to write off the cost of each asset on a straight-line basis as follows:

Leasehold property improvements	Term of lease
Plant and equipment	Between 25% and 33% per annum

**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 only of the shares issued. Any premium is ignored.

**Properties held for resale**

Properties held for resale are stated at the lower of cost and net realisable value.

**Building work-in-progress**

Work-in-progress is stated at the lower of cost and net realisable value.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

**Turnover and cost of sales**

Turnover includes sale proceeds, less associated selling costs, of properties held for resale and 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.

**Foreign currency**

Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful economic lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

**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.

**Government grants**

Government grants relating to work in progress are treated as deferred income and released to the profit and loss account on a basis consistent with the recognition of profit on the relevant work in progress project. Grants receivable in respect of the development of investment properties are netted off the cost of the asset when the development of the asset has been completed. This treatment is not in accordance with Schedule 4 to the Companies Act 1985 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 227(6) of the Companies Act 1985 in order to show a true and fair view as, in the opinion of the Directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account. The accumulated impact of this treatment is to reduce the deferred income and investment property costs by £2.9 million (2005 - £2.9 million).

**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 cashflows 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 remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transactions 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.

**Changes in Accounting Policy**

**FRS 21 'Events after the balance sheet'**

The adoption of FRS 21 has resulted in no adjustment to the financial statements.

**FRS 25 'Financial instruments : disclosure and presentation' ('FRS25')**

Both the group and the company have taken advantage of the exemption in FRS 25 from the requirement to restate comparative information and have instead restated the amounts included in these financial statements as at 1 April 2005.

*Redeemable preference shares*

The group has adopted the presentational requirements of FRS 25. In accordance with the requirements of the standard, redeemable preference shares previously included within share capital have been reclassified as liabilities, as the company has an obligation to redeem the shares on a specified date. As a result of this reclassification, dividends on these shares have been recognised as an interest expense. The option to convert to equity within the preference shares, has meant the instrument should be accounted for as a compound financial instrument and therefore, an element will remain within share capital.

The effect of this change in accounting policy on the opening results is that the arrears of the dividend previously appropriated have now been disclosed as an interest accrual and consequently net assets have been reduced by £1,676,000. The current year interest expense in the profit and loss account is £413,000. The impact on the group statement of total recognised gains and losses is to include an additional recognised loss of £1,676,000 representing the cumulative amount of unpaid dividends relating to prior years that would have been classified as interest expense had FRS 25 been applied. Accruals have increased by £2,089,000, which comprises of £1,676,000 and £413,000. This, together with £5,821,000, an amount previously recognised within share capital, has been recognised as a liability and therefore, long term liabilities have increased by £7,910,000.

*Convertible redeemable loan stock*

The convertible debt was previously classified wholly as a liability. As a result of the adoption of FRS 25, any debt convertible into a fixed number of ordinary shares is classified as a compound financial instrument. Therefore, the Loan Stock comprises a liability and equity component and must be presented separately on the balance sheet.

The effect of this accounting policy change on the opening results is that the net assets have been increased £6,003,170 which is the amount now disclosed as equity which was previously disclosed as a liability. The remaining amount of Loan Stock of £10,729,000 continues to be recognised as a liability.

The main effect of the primary financial statements in the comparative period had the requirements of FRS 25 had been applied retrospectively to that year would have been similar to the adjustments that have been made in the current year.

These adjustments have meant that share capital has increased by £182,000 together with the cumulative dividend unpaid now disclosed as an interest accrual of £1,676,000 has meant an adjustment to opening reserves of £1,494,000 at 1 April 2005.

# Hampton Trust PLC

## Notes forming part of the financial statements for the for the nine months to 31 December 2005 (continued)

### 1 Segment information

Turnover has arisen from continuing activities as follows:

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Rental income	2,839	4,284
Sale of developments	1,470	15
Property management	167	36
	<u>4,476</u>	<u>4,335</u>

Turnover was derived from within the United Kingdom for continuing operations.

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.

### 2 Cost of sales, gross profit and other operating expenses (net)

	9 months to 31 December 2005 Total £'000	Year ended 31 March 2005 Total £'000
Cost of sales	(1,070)	(1,552)
Gross profit	<u>3,406</u>	<u>2,783</u>
<b>Administrative expenses</b>		
Increase in provisions	(1,192)	314
Investment/property impairment losses	(318)	(1,045)
Development property provision	-	(631)
Onerous lease costs	-	1
Reorganisation costs	-	(940)
Restructuring costs	(2,239)	-
Other	(1,605)	(3,814)
	<u>(5,354)</u>	<u>(6,115)</u>

The Company has received various claims in respect of guarantees given by the Company in prior years relating to the crystallisation of liabilities of certain companies. During 2005, one of these claims was agreed via a settlement agreement, with a deferred payment schedule, which is fully reflected in these accounts. Other claims, which have not yet been agreed, have been provided for by the Company based on the information presently available to the Directors. This has resulted in a charge of £1,192,000 (31 March 2005 – credit of £314,000) in the period.

**2 Cost of sales, gross profit and other operating expenses (net) (continued)**

The Company has a long-term lease for office space that it no longer occupies. Future rent, service charges, and insurance costs have been provided in full giving rise to a credit of £1,000 in the year ended 31 March 2005 for onerous leases, and no charge in the period to 31 December 2005.

As part of the Group's strategy to reduce overheads and move away from developments, redundancy costs of £940,000 were incurred in the year ended 31 March 2005.

Investments held have been fully impaired during the period, as the directors believe that they now hold no value. This has meant a charge of £318,000 in the current period.

During the period, the company went through a solvent restructuring which has resulted in exceptional costs of £2,239,000. These primarily relate to professional fees in relation to the restructuring.

**3 Loss on sale of subsidiary undertakings**

		<b>Group 9 months to 31 December 2005 £'000</b>
Loss on sale of HIP		9,901
Loss on sale of other subsidiaries		10,819
		<hr/> 20,720 <hr/>
		<b>£'000</b>
Proceeds		2,078
Net assets disposed of:		
Tangible fixed assets	36,147	
Investments	186	
Stocks - work in progress	1,200	
- properties held for resale	3,393	
Debtors	86,367	
Cash	873	
Creditors	(105,368)	
Loss on disposal	<hr/>	22,798
Loss on sale of subsidiaries		<hr/> 20,720 <hr/>

**3 Loss on sale of subsidiary undertakings (continued)****Sale of subsidiary undertakings**

As set out in note 1 above, the Group went through a major restructuring in December 2005. The effect of the restructuring was to consolidate the subsidiaries of Hampton Trust PLC which either owned properties or provided a management function in relation to the group's property portfolios to two companies, Mount Street Properties Limited ("MSP") and Hampton Investment Properties Ltd ("HIP"), both of which are now owned by the CULS holders in the same proportions as the CULS was held prior to the restructuring. MSP is a newly incorporated company and HIP was previously a wholly owned subsidiary of the Group.

Simultaneously with the restructuring taking effect, the CULS was divided into three series of Stock in the following amounts:

- Series A Stock - £16,732,474 15% convertible secured loan stock 2020;
- Series B Stock - £10,803,216 15% loan stock 2020;
- Series C Stock - £2,078,462 15% loan stock 2020.

The amount of Series B Stock reflected the estimated net asset value of HIP (excluding inter-company debt) prior to the assumption of the obligation to repay the Series B Stock. The amount of Series C Stock reflected the estimated net asset value of the subsidiaries (excluding inter-company debt) which were transferred to MSP prior to the assumption of the obligation to repay the Series C Stock. The amount of Series A Stock was the balance of the existing CULS outstanding once the Series B and C Stock had been assigned and remained in Hampton Trust PLC.

The transfer of HIP was for nominal consideration. This reflected HIP's financial position following of the agreement entered into between HIP, the Company and the CULS holders. The Company transferred its shares in its remaining valuable subsidiaries to MSP. The consideration for the transfer was the novation of the Series C Stock and the provision by MSP of an indemnity to the Company in respect of contingent liabilities. The loss on sale of subsidiary undertakings above represents the difference between the net assets transferred to the CULS (excluding inter-company balances) and the agreed consideration in respect of the transfer of both HIP and MSP.

**4 Investment income**

	<b>9 months to 31 December 2005 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
Income from fixed asset investments	-	6
Other interest receivable and similar income	112	47
	<u>112</u>	<u>53</u>

**5 Interest payable and similar charges**

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Bank loans and overdrafts	1,142	2,346
8% convertible unsecured loan stock 2020	1,975	2,369
Other interest payable	4	21
5.5% preference shares	413	-
	<u>3,534</u>	<u>4,736</u>
Interest capitalised	-	(83)
	<u>3,534</u>	<u>4,653</u>

During the period, the group adopted the presentation requirements of FRS 25 : 'Financial Instruments' this has meant that redeemable preference shares are now disclosed as a liability and the 5.5% coupon payable is accrued and is disclosed as an interest charge.

**6 Operating loss**

Operating loss is stated after charging/(crediting):

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Depreciation and amounts written off tangible fixed assets	23	71
Profit on disposal of plant and equipment	-	(10)
Amortisation and impairment losses of goodwill	79	80
Provision against properties held for resale	-	395
Increase/(decrease) in provisions	1,692	(314)
Onerous lease costs	-	(1)
Operating lease rentals		
- plant and machinery	56	50
- other	-	183
Reorganisation costs	-	940
Auditors' remuneration		
- audit fees	60	100
- other	10	253
	<u></u>	<u></u>

Included in audit fees above are £15,000 (31 March 2005 - £15,000) in respect of the Company.



## Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (continued)

### 7 Staff costs

The average number of employees including Directors was 27 (31 March 2005 - 27) of whom 2 (31 March 2005 - 5) are engaged at certain properties with the costs being recoverable through service charges.

Their aggregate remuneration comprised:

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Wages and salaries	699	1,410
Social security costs	71	159
	<u>770</u>	<u>1,569</u>

### 8 Directors' remuneration and interests

#### Directors' remuneration

	Fees/ basic salary £'000	Taxable benefits £'000	Total 9 months to 31 December 2005 £'000	Pension 31 December 2005 £'000	Total Year ended 31 March 2005 £'000
<b>Executive:</b>					
P. Sellars	130	9	139	11	-
G. Jackson	71	2	73	-	329
E.A. Dadley	-	-	-	-	446
J. Whittingham	90	10	100	4	10
<b>Non-executive:</b>					
R.J.I. Parker	-	-	-	-	17
R. Wright	-	-	-	-	7
P. Sellars	-	-	-	-	21
A. Cole	10	-	10	-	-
Aggregate emoluments	<u>301</u>	<u>21</u>	<u>322</u>	<u>15</u>	<u>830</u>

Benefits receivable consists primarily of car and healthcare benefits. Pension contributions were not paid on behalf of any of the Directors in the year ended 31 March 2005.

None of the Directors were materially interested in any contract of significance in relation to the company's business entered into by the Company or its subsidiaries during the year.

## Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (continued)

### 9 Tax on loss on ordinary activities

The tax charge is based on the loss for the year and comprises:

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
UK corporation tax liability	-	-
Adjustments in respect of prior year UK corporation tax	-	-
	<u>-</u>	<u>-</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Group loss on ordinary activities before tax	(26,104)	(9,322)
Tax on group loss on ordinary activities at standard UK corporation tax rate of 30% (2005 - 30%)	(7,831)	(2,800)
Effects of:		
Expenses not deductible for tax purposes	733	-
Permanent differences	6,433	660
Capital allowances in excess of depreciation	154	178
Movements in provisions	(4)	(178)
Chargeable gains	(176)	-
Increase on losses carried forward	691	2,140
Group current tax charge for the year	<u>-</u>	<u>-</u>

The Group has surplus ACT amounting to £4,220,000 (31 March 2005 - £4,220,000) available to offset against future corporation tax liabilities. In addition, Group companies have tax losses of approximately £123,872,909 (31 March 2005 - £152,696,251) which may be available when suitable taxable profits arise.

### 10 Loss attributable to Hampton Trust PLC

The loss for the financial year dealt with in the accounts of Hampton Trust PLC was £51,842,000 (31 March 2005 - loss of £19,593,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of Hampton Trust PLC.

## Hampton Trust PLC

### Notes forming part of the financial statements for the for the nine months to 31 December 2005 (continued)

#### 11 Dividends appropriated on non-equity shares

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Non-equity shares:		
- 5½% (net) cumulative convertible redeemable preference dividend appropriated	-	479

In the prior year, both 6 monthly dividends in January and July totalling £479,000 on the 5½% (net) cumulative convertible redeemable preference shares were not paid as the Company had no distributable reserves on the due dates to enable payment. These amounts can only be paid once the Company has sufficient distributable reserves and consequently these amounts have been appropriated to non-equity interests at 31 March 2005. At 31 March 2005, the total amount in arrears was £1,676,000.

During the current period, the group adopted the presentational requirements of FRS 25 'financial instruments' disclosures and presentation (FRS 25). Redeemable preference shares were classified as equity before the adoption of FRS 25. In accordance with the requirements FRS 25, redeemable preference shares have been classified as a compound financial instrument which has meant that the instrument is now disclosed in part as a liability (as the company has an obligation to redeem the shares on a specified date) and in part as equity (as the instruments are also convertible). Dividends on these shares are now recognised as an interest expense. The charge for the period is £413,000 with an adjustment to opening reserves of £1,676,000 being the dividend arrears now accrued and disclosed as interest accrual.

#### 12 Intangible fixed assets

	Goodwill £'000
<b>Group</b>	
<b>Cost</b>	
At 1 April 2005	6,436
Disposal of subsidiaries	(6,436)
At 31 December 2005	-
<b>Amortisation</b>	
At 1 April 2005	5,899
Charge for the year	79
Disposal of subsidiaries	(5,978)
At 31 December 2005	-
<b>Net book value</b>	
At 31 December 2005	-
At 31 March 2005	537

13 Tangible fixed assets

Group	Leasehold property improvements £'000	Investment properties			Plant and equipment £'000	Total £'000
		Freehold £'000	Long leasehold £'000	Development properties £'000		
<b>Cost or valuation</b>						
At 1 April 2005	152	38,511	2,749	3,004	464	44,880
Disposals of properties	-	(8,380)	-	-	-	(8,380)
Disposal of subsidiaries	-	(30,001)	(2,749)	(3,004)	(393)	(36,147)
At 31 December 2005	152	130	-	-	71	353
<b>Depreciation</b>						
At 1 April 2005	91	-	-	-	446	537
Charge for the year	23	-	-	-	-	23
Disposals	-	-	-	-	(388)	(388)
At 31 December 2005	114	-	-	-	58	172
<b>Net book value</b>						
At 31 December 2005	38	130	-	-	13	181
At 31 March 2005	61	38,511	2,749	3,004	18	44,343

13 Tangible fixed assets (continued)

	Leasehold property improvements £'000	Investment properties				Total £'000
		Freehold £'000	Long leasehold £'000	Development properties £'000	Plant and equipment £'000	
<b>Company</b>						
<b>Cost or valuation</b>						
At 1 April 2005	152	130	-	-	459	741
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	(393)	(393)
At 31 December 2005	152	130	-	-	66	348
<b>Depreciation</b>						
At 1 April 2005	91	-	-	-	441	532
Charge for the year	23	-	-	-	-	23
Disposals	-	-	-	-	(386)	(386)
At 31 December 2005	114	-	-	-	55	169
<b>Net book value</b>						
At 31 December 2005	38	130	-	-	11	179
At 31 March 2005	61	130	-	-	18	209

Investment properties were valued on an open market value basis at 31 March 2005 by King Sturge LLP, chartered surveyors. Such properties are not depreciated.

If investment and development properties had not been revalued they would have been included at the following amounts:

	Group		Company	
	31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
Investment properties				
- freehold	130	30,316	108	108
- long leasehold	-	1,935	-	-
Development properties	-	2,901	-	-
	130	35,152	108	108

## Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (*continued*)

### 14 Fixed asset investments

	Group		Company	
	31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
Subsidiary undertakings	-	-	-	36,274
Associates	-	186	-	1
Other investments	28	346	28	346
	<u>28</u>	<u>532</u>	<u>28</u>	<u>36,621</u>

#### Principal Group Investments

As a result of the restructuring which took place in December 2005, all the principal group investments have been disposed of.

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.

# Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (*continued*)

## 14 Fixed asset investments (*continued*)

### *Subsidiary undertakings*

	£'000
<b>Cost</b>	
At 1 April 2005	45,107
Disposals	(38,963)
	<u>6,144</u>
<b>Provisions</b>	
At 1 April 2005	(8,833)
Disposals	8,833
Impairment	(6,144)
	<u>(6,144)</u>
<b>Net book value</b>	
At 31 December 2005	-
At 31 March 2005	<u>36,274</u>

### *Associates*

	Group £'000	Company £'000
<b>Share of net assets/cost and net book value</b>		
At 1 April 2005	186	1
Share of loss for the year	-	-
Disposal	(186)	(1)
Other	-	-
At 31 December 2005	<u>-</u>	<u>-</u>

Provisions for liabilities and charges (note 19) includes £nil (31 March 2005 - £729,000) in respect of the Group's share of net liabilities of associates.

## Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (*continued*)

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### 14 Fixed asset investments (*continued*)

The following information is given in respect of the Group's share of all associates:

	31 December 2005 £'000	31 March 2005 £'000
Current assets	-	5,484
	<u>          </u>	<u>          </u>
Liabilities due within one year	-	6,028
	<u>          </u>	<u>          </u>

All associates were disposed of during the period.



# Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (continued)

## 14 Fixed asset investments (continued)

### Other investments

Group and Company	Listed on The London Stock Exchange £'000	Other £'000	Total £'000
At 1 April 2005	1	345	346
Impairment	-	(318)	(318)
At 31 December 2005	<u>1</u>	<u>27</u>	<u>28</u>

Listed investments are included at cost less a provision of £953,000 (2005 - £953,000).

## 15 Stocks and properties held for resale

	Group 31 December 2005 £'000	31 March 2005 £'000	Company 31 December 2005 £'000	31 March 2005 £'000
Building work-in-progress	163	1,363	-	-
Properties held for resale	-	3,339	-	-
	<u>163</u>	<u>4,702</u>	<u>-</u>	<u>-</u>

Building work in progress was disposed of during the solvent restructuring.

# Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (*continued*)

## 16 Debtors

	Group		Company	
	31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	11	395	10	7
Amounts owed by subsidiary undertakings	2,468	-	-	21,630
Amounts owed by former subsidiary undertakings	-	7,451	2,451	1,694
Corporation tax	-	-	-	-
Other debtors	874	339	92	19
Prepayments and accrued income	22	152	14	59
	<u>3,375</u>	<u>8,337</u>	<u>2,567</u>	<u>23,409</u>

# Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (continued)

## 17 Creditors: Amounts falling due within one year

	Group		Company	
	31 December	31 March	31 December	31 March
	2005	2005	2005	2005
	£'000	£'000	£'000	£'000
<b>Convertible debt</b>				
8% convertible unsecured loan stock 2020	-	29,650	-	29,650
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other creditors</b>				
Bank loans and overdrafts	4	27,491	4	-
Trade creditors	1,048	436	1,048	119
Amounts owed to subsidiary undertakings	-	-	17,593	37,237
Amounts owed to former subsidiary undertakings	23,506	13,873	23,263	36
Other creditors	434	401	37	-
Other taxes and social security	30	99	30	105
Accruals and deferred income	4,967	3,225	4,078	2,309
	<u>29,989</u>	<u>45,525</u>	<u>46,053</u>	<u>39,806</u>
	<u>29,989</u>	<u>75,175</u>	<u>46,053</u>	<u>69,456</u>

As part of the solvent restructuring, the 8% Convertible Unsecured Loan Stock 2020 was renegotiated and has become 15% Convertible Secured Loan Stock 2020, now disclosed as due after one year.

Bank loans and overdrafts in the Group and Company are secured on certain of the Group's properties. No bank loans exist at the year end.

**18 Creditors: Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
15% Convertible Secured Loan Stock (Loan Stock)	10,766	-	10,766	-
Bank loans	-	370	-	-
Preference shares	7,910	-	7,910	-
Accruals and deferred income	-	730	-	-
	<u>18,676</u>	<u>1,100</u>	<u>18,676</u>	<u>-</u>

In the prior year, bank loans in the Group and the Company were secured on certain of the Group's properties. No bank loans exist at the year end.

Following the restructuring which was completed in December 2005, the Loan Stock has been renegotiated. The Loan Stock in issue at 31 December 2005 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 1998 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 £16,732,474 and pays interest of 15% per annum. Interest is only payable to the extent there is cash available.

The interest (previously disclosed in accruals) has been added to the principal amount owed in line with the Loan Stock trust deed.

18 Creditors: Amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	Group		Company	
	31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
<b>Convertible debt</b>				
On demand or within one year	-	29,650	-	29,650
Due after five years	18,676	-	18,676	-
	<u>18,676</u>	<u>29,650</u>	<u>18,676</u>	<u>29,650</u>
<b>Bank loans and overdrafts</b>				
Between one and two years	-	120	-	-
Between two and five years	-	250	-	-
After five years	-	-	-	-
	<u>-</u>	<u>370</u>	<u>-</u>	<u>-</u>
On demand or within one year	4	27,491	4	-
	<u>4</u>	<u>27,861</u>	<u>4</u>	<u>-</u>
<b>Total borrowings</b>				
Between one and two years	-	120	-	-
Between two and five years	-	250	-	-
After five years	18,676	-	18,676	-
	<u>18,676</u>	<u>370</u>	<u>18,676</u>	<u>-</u>
On demand or within one year	-	57,141	-	29,650
	<u>18,676</u>	<u>57,511</u>	<u>18,676</u>	<u>29,650</u>

19 Provisions for liabilities and charges

Group	Onerous occupational leases £'000	Guarantees £'000	Interest in net liabilities of associates £'000	Onerous ground rents £'000	Litigation £'000	Total £'000
At 1 April 2005	468	4,000	729	100	-	5,297
Charged to the profit and loss account	-	1,192	-	-	500	1,692
Utilised in period	(147)	(851)	-	-	(101)	(1,099)
Disposal	-	-	(729)	-	-	(729)
At 31 December 2005	321	4,341	-	100	399	5,161
<b>Company</b>						
At 1 April 2005	468	4,000	-	100	-	4,568
Charged to the profit and loss account	-	1,192	-	-	500	1,692
Utilised in period	(147)	(851)	-	-	(101)	(1,099)
At 31 December 2005	321	4,341	-	100	399	5,161

All associates were sold during the period.

The provision for onerous ground rent guarantees represent the directors' estimates of the amount payable in respect of guarantees given by the company in prior years to the freeholder of a property which was disposed of with the sale of Southend Property Holdings PLC ("Southend") a former subsidiary. Ground rent is repayable to the freeholder based on a percentage of rents received. As the property is significantly vacant the ground rent payable by Southend was below the amount guaranteed by the Company thus necessitating a claim by the freeholder on the Company as guarantor. (see note 28).

The provision for guarantees represent the Directors' current view of the value of a claim being made against the company in respect of certain guarantees. The Directors are taking legal advice to ensure that these claims are mitigated to the fullest extent possible and have provided £4.3 million at 31 December 2005. The Directors believe this provision is sufficient to cover any likely outcome arising from these claims.

# Hampton Trust PLC

## Notes forming part of the financial statements for the for the nine months to 31 December 2005 *(continued)*

### 19 Provisions for liabilities and charges *(continued)*

Deferred tax provided/(recognised) and not provided/(unrecognised) can be analysed as follows:

	Provided		Not provided	
	31 December 2005 £'000	31 March 2005 £'000	31 December 2005 £'000	31 March 2005 £'000
<b>Group</b>				
Accelerated capital allowances	-	334	(20)	-
Tax losses available	-	(334)	(38,120)	(39,661)
	<u>-</u>	<u>-</u>	<u>(38,140)</u>	<u>(39,661)</u>
<b>Company</b>				
Accelerated capital allowances	-	-	(72)	(72)
Tax losses available	-	-	(15,828)	(11,080)
	<u>-</u>	<u>-</u>	<u>(15,900)</u>	<u>(11,152)</u>

The deferred tax assets have not been recognised due to the uncertainty over the recoverability of the assets held by Hampton Trust PLC.

**20 Called-up share capital**

	<b>31 December 2005 £'000</b>	<b>31 March 2005 £'000</b>
<i>Authorised</i>		
237,500,000 (31 March 2005 – 237,500,000) ordinary shares of 5p each	11,875	11,875
40,770,000 5½% (net) cumulative convertible redeemable preference shares of £1 each	40,770	40,770
	<u>52,645</u>	<u>52,645</u>
<i>Allotted, called-up and fully paid</i>		
149,621,481 (31 March 2005 – 149,621,481) ordinary shares of 5p each	7,481	7,481
8,707,759 5½% (net) cumulative convertible redeemable preference shares of £1 each – equity element	2,887	8,708
Equity element of Convertible Secured Loan Stock	6,003	-
	<u>16,371</u>	<u>16,189</u>

*The 5½% (net) cumulative convertible redeemable preference shares*

During the year, the group adopted the presentational requirements of FRS 25 : 'financial instruments' ('FRS 25'). This has meant that the preference shares previously disclosed as equity are now disclosed as a compound financial instrument with an element of the value now included within liabilities. The 5.5% coupon is now disclosed as interest.

Adopting FRS 25 has meant that the convertible secured loan stock is also a compound financial instrument as it has an option to convert to equity and therefore, an element has been disclosed as equity.

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.



21 Reserves

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss account £'000
<b>Group</b>					
At 1 April 2005	-	-	-	-	(79,807)
Effect of adoption of FRS 25	-	-	-	-	(1,676)
Restated as at 1 April 2005	670	8,581	31,106	780	(81,483)
Transfer on disposal	-	(8,563)	-	-	8,563
Revaluation surplus (net)	-	-	-	-	-
Loss for the year	-	-	-	-	(26,104)
At 31 December 2005	670	18	31,106	780	(99,024)
<b>Company</b>					
At 1 April 2005	670	22	31,106	-	(61,771)
Effect of adoption of FRS 25	-	-	-	-	(1,676)
Restated as at 1 April 2005	670	22	31,106	-	(63,447)
Revaluation surplus	-	(4)	-	-	4
Loss for the year	-	-	-	-	(51,842)
At 31 December 2005	670	18	31,106	-	(115,285)

The cumulative amount of goodwill written off directly to reserves at 31 December 2005 is £nil (31 March 2005 - £5,658,000).

22 Reconciliation of operating loss to net cash outflow from operating activities

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
Operating loss	(1,806)	(3,242)
Depreciation and amounts written-off fixed assets	23	71
Profit on sale of plant and equipment	-	(10)
Amortisation and impairment losses of goodwill	79	80
Decrease in work-in-progress	-	1,556
Decrease in properties held for resale	-	264
Decrease in debtors	7,430	803
(Decrease) in creditors	(14,349)	(1,236)
Increase/(decrease) in provisions for liabilities and charges	593	(1,242)
Net cash outflow from operating activities	(8,030)	(2,956)

# Hampton Trust PLC

Notes forming part of the financial statements for the for the nine months to 31 December 2005 (*continued*)

## 23 Analysis of cash flows

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	112	47
Interest paid	4	(4,921)
Dividends received	-	6
Net cash outflow	108	(4,868)
<b>Taxation</b>		
Corporation tax paid	-	(3)
Net cash inflow/(outflow)	-	(3)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	-	(167)
Sale of tangible fixed assets	8,154	24,147
Net cash inflow		23,980
<b>Acquisitions and disposals</b>		
Disposals in prior years of subsidiary undertakings	-	(60)
Net cash outflow	-	(60)
<b>Financing</b>		
Repayment of mortgage loan	-	-
Repayment of bank loans	4,924	(16,384)
New bank loans	(5,800)	-
Net cash outflow	(876)	(16,384)

24 Analysis and reconciliation of net debt

	1 April 2005 £'000	Cash flow £'000	Other non-cash changes £'000	31 December 2005 £'000
Bank loans due within one year	(27,491)	(266)	27,757	-
Bank loans due after one year	(370)	-	370	-
Other loans due within one year	(29,650)	-	29,650	-
Other loans due after one year	-	-	(18,676)	(18,676)
		(266)		
Overdrafts	-	(4)	-	(4)
Cash at hand and in bank	640	(640)	-	-
		(644)		
Net debt	(56,871)	(910)	39,101	(18,680)

	9 months to 31 December 2005 £'000	Year ended 31 March 2005 £'000
(Decrease) in cash in the year	(644)	(291)
Cash outflow from (decrease)/increase in debt financing	(266)	16,187
Change in net debt arising from cash flows	(910)	15,896
Loans and finance leases disposed with subsidiaries	39,101	-
Movement in net debt in the year	38,191	15,896
At 1 April 2005	(56,871)	(72,767)
At 31 December 2005	(18,680)	(56,871)

**25 Operating lease commitments**

	31 December 2005		31 March 2005	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Group</b>				
Expiry date				
within one year	58	-	56	-
between two and five years	5	-	-	32
after five years	-	-	115	-
	<u>63</u>	<u>-</u>	<u>171</u>	<u>32</u>
	<u><u>63</u></u>	<u><u>-</u></u>	<u><u>171</u></u>	<u><u>32</u></u>
<b>Company</b>				
Expiry date				
within one year	58	-	56	-
between two and five years	5	-	-	32
	<u>63</u>	<u>-</u>	<u>56</u>	<u>32</u>
	<u><u>63</u></u>	<u><u>-</u></u>	<u><u>56</u></u>	<u><u>32</u></u>

**26 Capital commitments**

There are no capital commitments outstanding as at 31 December 2005 (31 March 2005 - £nil).

**27      Contingent liabilities**

As set out in note 2 and 19 the Company has received claims in respect of certain guarantees for which no provision has been made. The Company is aware of an additional claim, however, no provision has been made in these accounts as the Directors believe that they would successfully defend any such claim.

**28      Post balance sheet events**

Subsequent to the year end redundancy costs of £0.1 million have been incurred.

As set out in notes 2 and 19 provision has been made for onerous ground rent guarantees of £0.1 million given by the Company in prior years to the freeholder of a property which was disposed of with the sale of Southend Property Holdings PLC Group ("Southend") during 2003. Southend subsequently disposed of the property in February 2005 following which the Company's legal advice suggests that the guarantee became extinguished and accordingly the amount provided for by the Company reflects the amount guaranteed to that date. The freeholder continued to claim that the guarantee is effective and should be calculated based on the maximum exposure to the Company from discounting the full guarantee in perpetuity at the Group's cost of capital. Since the balance sheet date, the Company has reached agreement with the freeholder to settle this guarantee in full and final settlement of all outstanding claims at a cost of £2.25 million. This settlement will be achieved by the freeholder disposing of their superior interests in the properties. As this transaction is scheduled to occur shortly, and thereafter all claims against HT would have extinguished, no adjustment has been made to the accounts in respect of this.