



HML HOLDINGS PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

Company number 5728008

HML HOLDINGS Pic
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Executive

Richard Smith
Robert Plumb
James Howgego

Chairman
Chief Executive
Finance Director

Non-executive

Geoffrey Griggs

SECRETARY

James Howgego

REGISTERED OFFICE

28 Old Church Street
London
SW3 5BY

AUDITORS

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANK

Barclays Bank plc
One Churchill Place
London
E14 5HP

NOMINATED ADVISOR AND BROKER

Smith & Williamson Corporate Finance
Limited
25 Moorgate
London
EC2R 6AY

PUBLIC RELATIONS AGENTS

Tavistock Communications
131 Finsbury Pavement
London
EC2A 1NT

REGISTRARS

Share Registrars Limited
Craven House
West Street
Farnham
Surrey
GU9 7EN

HML HOLDINGS Pic

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

Following our flotation on AIM in June 2006, this is our first year as a publicly quoted group and we are pleased with the significant progress that has been made both in terms of the improved operational results we have achieved and with the steps we have taken to build our business infrastructure, ensuring we have a strong platform for future growth.

Turnover increased by 37% to £5.8m during the year (2006: £4.2m), of which 14% was attributable to of the contribution of Shaw and Company (Property Management) Limited, which we acquired in April 2006.

The rise in profit contribution from our businesses, before central costs, amortisation of goodwill and the share based payment charge from £0.4m to £0.9m is indicative of the progress we have made. We have seen revenue growth in all four of our divisions with fees from our core property management division growing 33%. The most significant improvement came from the professional building surveying division, where revenues grew £0.4m.

The Group has also developed the centralisation and standardisation of a number of key service offerings. Building surveying is now centrally administered from our Richmond offices and we have set up HML Company Secretarial Services and our Health and Safety Inspections units in our Croydon offices. The streamlining and consistency of these services have contributed to our £0.2m improvement in ancillary fee revenues.

Additionally, we recently set up HML Concierge Services to administer the employment of site staff for a number of our major clients. This is proving successful so far and we believe that there is scope for further growth in this division in the future.

The Group has also made great strides in the establishment of central support services. All our businesses now have their accounting and payroll services undertaken at our Chelsea headquarters. We have further developed our centralised sales and marketing department and strengthened our ability to offer group services to a greater and broader range of clients. We have also established a central information systems department which is already adding significant value to the development and management of our proprietary software.

The Board, recognises that the management of our most valued asset, our employees, is pivotal to our future success and continues to encourage the development of our human resources systems. We have enhanced employee participation in our business, through improved communication tools such as all-employee meetings and our quarterly employee magazine HML News. Similarly we are developing group standardisation of our employee handbook and employee contracts and are in the process of extending our reward and recognition programmes through the expansion of key performance indicator measurement.

We acquired two property management businesses during the course of the year which have been successfully integrated into the Group. Our management teams have further developed their ability to manage the process of acquisition assimilation which bodes well as we continue to explore opportunities going forward.

Since the year end, we have completed a small acquisition in May and in August we purchased the property management business of WA Ellis LLP, an estate agent based on Knightsbridge.

We also completed a fundraising in August 2007 when we raised £1.8m net of expenses. A significant amount of the funds raised have been used to purchase the WA Ellis LLP property management business and pay down the debt of the May acquisition.

HML HOLDINGS Plc
CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

Our drive to improve the quality of our service offering through both the training of our employees and the streamlining of our processes stands us in good stead to grow in an increasingly complicated and regulated property services market. This, and the growing demand for residential accommodation units, underpin the Board's confidence in HML's business model and its future.

At this stage, the Board is not recommending the payment of a dividend.

We would like to extend our thanks to Group employees who have worked so energetically to make our first year as HML Holdings plc such a successful one.

R G Smith (Chairman)

R H C Plumb (Chief Executive Officer)

12 September 2007

The directors submit their report and the group financial statements of HML Holdings Plc for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of property management and related services in the South East of England.

RESULTS AND DIVIDENDS

The Group trading profit for the year, before taxation and minority interests, was £187,000 (2006: £219,000). Included in these results is a profit of £68,000 earned by Shaw and Company (Property Management) Limited from the date of its acquisition on 4 April 2006.

The full results for the year are set out on page 10.

The directors do not recommend payment of a dividend.

SHARE CAPITAL

Details of share capital are given in note 17 to the financial statements.

BUSINESS REVIEW

A review of the development of the business during the year is given in the Chairman's and Chief Executive's Report on pages 2 and 3. This also includes reference to the Group's future prospects.

HML Holdings plc was incorporated on 2 March 2006 and on 15 May 2006 HML Holdings plc acquired the whole of the issued share capital of the HML Group from LTC Holdings plc. This transaction has been accounted for as a group reconstruction and consequently merger accounting has been adopted. The consolidated accounts merge the financial statements of HML Holdings plc with those of the HML Group as if they had always been owned. A more detailed description of the transaction is set out in note 20 to the accounts.

On 1 July 2006 the company was admitted to the AIM market of London Stock Exchange.

A review of the Key Performance Indicators (KPIs) is contained in the Chairman's and Chief Executive's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the business are set out below:

Acquisitions and investments

Part of the Group's strategy is to acquire and make investments in complementary businesses, services or products as appropriate opportunities arise. The risks the Group may face should it acquire or invest in complementary businesses include:

- Difficulties with the integration and assimilation of the acquired business;
- Diversion of the attention of the Group's management team from other business concerns;
- Availability of favourable acquisition or investment financing; and
- Loss of key employees of any acquired business.

Acquisitions or investments may require the Group to expend significant amounts of cash, which could result in the Group's inability to use the funds for other business purposes. Additionally, if the Group funds acquisitions through issuances of ordinary shares, the interests of its shareholders will be diluted, which may cause the market price of the ordinary shares to decline. There is no guarantee that the Directors will be able to complete acquisitions of complementary companies on acceptable terms. Failure to do so over an extended period would limit the Directors' ability to carry out their strategy and would reduce the long term prospects of the Group.

HML HOLDINGS Plc DIRECTORS' REPORT

Attraction and retention of key employees

The Group depends on its directors and other key employees and whilst it has entered into contractual arrangements with these individuals, retention of these services cannot be guaranteed. The Group has attempted to reduce this risk by offering competitive remuneration packages including the opportunity to participate in a share option scheme. The Group also invests in training and development.

Ownership of the Company

LTC Holdings plc (LTCH) currently owns approximately 32% of the ordinary shares of the Group. As a result, it is able to exercise a high degree of control over all matters requiring approval by shareholders. LTCH may take actions with which investors do not agree. As there are also loan notes outstanding, LTCH may convert loan notes into additional equity. If this occurs, the shareholders of the Company will experience dilution to their ownership interest in the Company.

Competition

The large majority of the Group's work for existing or new clients or on new projects is won competitively. The Group may face significant competition, including from larger companies which have greater capital and other resources. There is no assurance that the Group will be able to compete successfully in such a marketplace in the future.

Regulatory Risks

The Group may be affected by the prevailing regulatory and legal environment relating to its business and the insurance services provided by its subsidiary Alexander Bonhill Limited in particular. This includes the regulatory regime of the Financial Services and Markets Act 2000 and the Conduct of Business rules published thereunder.

DIRECTORS

The following directors were appointed on and have held office since 2 March 2006:-

Richard Smith (Chairman)
Robert Plumb (Chief Executive)
James Howgego (Finance Director)
Geoffrey Griggs

DIRECTORS' INTERESTS

Directors' interests in the shares of the company were as follows:-

	Ordinary shares of 1.5p (2006: 1p) each	
	31.03.2007	02.03.2006
Richard Smith	1,534,025	-
Robert Plumb	1,596,567	-
James Howgego	305,000	-
Geoffrey Griggs	442,167	-

On 26 June 2006 the Company granted the following EMI and unapproved options to the following directors. Both types of option are exercisable at 17p and have an exercise period of between two and ten years.

Richard Smith	225,000 ordinary shares (EMI option)
Robert Plumb	275,000 ordinary shares (EMI option)
James Howgego	137,500 ordinary shares (EMI option)
Geoffrey Griggs	112,500 ordinary shares (Unapproved option)

No options were exercised or lapsed during the period.

HML HOLDINGS Plc DIRECTORS' REPORT

SIGNIFICANT SHAREHOLDINGS

At the time of approving the financial statements, the Directors had been notified that the following persons had interests amounting to 3% or more in the issued voting share capital of the Company.

	Shares	Percentage
LTC Holdings plc	7,845,931	32.21%
Unicorn Asset Management	2,777,778	11.40%
MD Barnard & Co Limited	2,222,223	9.12%
Robert Plumb	1,596,567	6.55%
Richard Smith	1,534,025	6.30%
Hoodless Brennan	925,926	3.80%

In addition to these shareholdings, LTC Holdings plc currently holds £1.798m of convertible loan notes in the company. These loan notes are non interest bearing and convert at 25p per share. In accordance with the terms of the loan notes, LTC Holdings plc can only convert these loan notes to hold a maximum of 49.99% of the issued share capital in the company. Further details of these loan notes are disclosed in note 15 of the financial statements.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision was put in place for the benefit of all directors of the company.

POLICY ON PAYMENT OF CREDITORS

It is group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice.

Trade creditor days based on creditors at 31 March 2007 were 43 days. (2006 – 35 days)

EVENTS SINCE THE END OF THE YEAR

Details of events since the end of the year are disclosed in note 25 of the financial statements.

POLITICAL AND CHARITABLE DONATIONS

The group did not make any political or charitable donations during the year or the preceding year.

AUDITORS

During the year, the directors appointed Baker Tilly as the first auditors of the company. The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditors with effect from 1 April 2007 in accordance with the provisions of the Companies Act 1989 s26 (5).

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint Baker Tilly UK Audit LLP as auditors will be put to the members at the Annual General Meeting.

HML HOLDINGS Plc DIRECTORS' REPORT

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

FINANCIAL INSTRUMENTS

The Group manages its treasury position by placing surplus cash on short term deposit. The Group does not speculate with derivative instruments and continues to conduct all of its business in sterling.

CORPORATE GOVERNANCE

The board recognises the importance of sound corporate governance and following admission to AIM, the company has adopted policies and procedures which reflect the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance, appropriate to the company's size.

The company has established an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities.

The board has complied with Rule 21 of the AIM Rules relating to Directors' dealings as applicable to AIM companies and reasonable steps have been taken to ensure compliance by the company's applicable employees including adopting a share dealing code for this purpose.

STATEMENT OF 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. 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 requirements of the Companies Act 1985. They are responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HML HOLDINGS Plc
DIRECTORS' REPORT

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the HML Holdings plc website.

The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

James Howgego
Secretary

12 September 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HML HOLDINGS PLC

We have audited the financial statements on pages 13 to 34.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

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 and whether the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's and Chief Executive's Report that is cross referenced from the Business Review section of the Directors' Report. We also 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's and Chief Executive's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with 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 parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended and 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.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
12 September 2007

HML HOLDINGS Pic
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2007

	Notes	2007 £'000 Continuing operations	2007 £'000 Acquisitions	2007 £'000 Total	2006 £'000 Total
TURNOVER	1	4,985	825	5,810	4,224
Direct operating expenses		4,205	737	4,942	3,853
Central operating overheads		555	-	555	103
Share based payment charge	3	59	-	59	-
Amortisation of goodwill		48	20	68	50
Other operating expenses	5	4,867	757	5,624	4,006
OPERATING PROFIT		118	68	186	218
Interest receivable				2	1
Interest payable and similar charges	4			(1)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,5			187	219
Taxation	7			(17)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				170	219
Minority interests				-	(19)
PROFIT FOR THE FINANCIAL YEAR	21			170	200
EARNINGS PER SHARE					
Basic	9			1.6p	7.8p
Diluted	9			1.3p	7.8p

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Turnover and operating profit in 2006 arose solely on continuing activities.

HML HOLDINGS Plc
GROUP BALANCE SHEET
31 March 2007

	Notes	2007 £'000	2006 £'000
FIXED ASSETS			
Intangible assets	10	3,523	2,365
Tangible assets	11	219	249
Investments	12	-	4
		<u>3,742</u>	<u>2,618</u>
CURRENT ASSETS			
Debtors	13	1,069	900
Cash at bank and in hand		368	161
		<u>1,437</u>	<u>1,061</u>
Creditors: amounts falling due within one year	14	(1,120)	(1,078)
NET CURRENT ASSETS /(LIABILITIES)		<u>317</u>	<u>(17)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,059</u>	<u>2,601</u>
CREDITORS: amounts falling due after more than one year (including convertible debt)	15	(1,842)	(3,698)
NET ASSETS/(LIABILITIES)		<u>2,217</u>	<u>(1,097)</u>
CAPITAL AND RESERVES			
Called up share capital	17	246	39
Share premium account	18	2,703	-
Other reserve	19	175	-
Merger reserve	20	(15)	(15)
Profit and loss account	21	(892)	(1,121)
EQUITY SHAREHOLDERS' FUNDS	22	<u>2,217</u>	<u>(1,097)</u>

The financial statements on pages 13 to 34 were approved by the board of directors and authorised for issue on 12 September 2007 and are signed on its behalf by:

R H C Plumb

HML HOLDINGS Plc
COMPANY BALANCE SHEET
31 March 2007

	Notes	2007 £'000
FIXED ASSETS		
Tangible assets	11	4
Investments	12	2,819
		<u>2,823</u>
CURRENT ASSETS		
Debtors	13	2,633
Cash at bank and in hand		24
		<u>2,657</u>
Creditors: amounts falling due within one year	14	<u>(1,067)</u>
NET CURRENT ASSETS		<u>1,590</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,413</u>
CREDITORS: amounts falling due after more than one year (including convertible debt)	15	<u>(1,842)</u>
NET ASSETS		<u>2,571</u>
CAPITAL AND RESERVES		
Called up share capital	17	246
Share premium account	18	2,703
Other reserve	19	175
Profit and loss account	21	(553)
		<u>2,571</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2,571</u>

The financial statements on pages 13 to 34 were approved by the board of directors and authorised for issue on 12 September 2007 and are signed on its behalf by:

R H C Plumb

HML HOLDINGS Plc
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Cash flow from operating activities	23a	417	(192)
Returns on investments and servicing of finance	23b	1	(19)
Capital expenditure and financial investment	23c	(67)	(187)
Acquisitions	23d	(1,108)	-
CASH OUTFLOW BEFORE FINANCING		(757)	(398)
Financing	23e	1,010	333
INCREASE/ (DECREASE) IN CASH IN THE YEAR		253	(65)

	Notes	2007 £'000	2006 £'000
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/ (decrease) in cash in the year		253	(65)
Cash inflow from change in debt		(600)	(333)
Change in net debt resulting from cash flows		(347)	(398)
Change in net debt resulting in non-cash changes		2,375	-
MOVEMENT IN NET DEBT IN THE YEAR		2,028	(398)
NET DEBT AT 1st APRIL		(3,283)	(2,885)
NET DEBT AT 31st MARCH	23f	(1,255)	(3,283)

HML HOLDINGS Plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The consolidated financial statements merge the financial statements of HML Holdings Plc with those of Hawksworth Management Limited and its subsidiaries as if they had always so been owned. Accordingly, the whole of the results, assets, liabilities and shareholders' funds of the merged companies are consolidated, regardless of the actual merger date, and corresponding figures for previous years are re-stated. Further details of this transaction are explained in note 20.

The consolidated financial statements incorporate the results of other subsidiaries acquired in the year using the acquisition method of accounting. All financial statements are drawn up to 31 March each year.

SHARE BASED PAYMENTS

The group has adopted FRS 20 "Share Based Payment" in the current year. FRS 20 requires the recognition of a charge for share based payment transactions which include for example share options or restricted shares granted to employees that require a certain length of service before vesting. The fair value of the options granted is measured on the date at which they are granted by using the Black Scholes option pricing model and is expensed to the profit and loss account over the appropriate vesting period. Restricted shares are expensed over the restricted period using the most appropriate valuation techniques.

PURCHASED GOODWILL

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over its useful economic life which is considered to be a maximum of 50 years. In accordance with FRS 10, an impairment review is performed annually.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant and machinery over between 4 and 6 years.

CLIENT MONIES

The management of client monies is part of the group's residential management activities. This money belongs to clients, but the group has operational control over the monies in order to perform management services. As with many property services companies, these monies are not recognised on the group balance sheet.

FIXED ASSET INVESTMENTS

Investments held as fixed assets are stated at cost less provision for impairment.

LEASES

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

HML HOLDINGS Plc
ACCOUNTING POLICIES

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 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 Group'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.

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

PENSIONS

The Group contributes to the personal pension plans of certain employees. The Group's contributions are charged to the profit and loss account as they become due.

DEFERRED CONSIDERATION

Deferred contingent consideration in the balance sheet represents the fair value of the directors' estimate of future consideration payable in connection with acquisitions.

TURNOVER

Turnover represents fees receivable from the provision of a range of property services to the residential property sector. Turnover is stated net of discounts, VAT and other sales related taxes.

REVENUE RECOGNITION

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue in property services companies is recorded on an accruals basis. Revenue is accrued for services provided by the accounting date but not invoiced and deferred if services are invoiced but not fully provided by the accounting date.

Revenue derived from property insurance services comprises of broking and insurance commissions which are recognised when the right to receive consideration is obtained.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

1. TURNOVER

All of the group's turnover related to continuing operations, arose in the United Kingdom and was derived from the group's principal activity.

2. PROFIT RECONCILIATION

The reconciliation set out below provides additional information to enable the reader to reconcile to the numbers discussed in the Chairman's and Chief Executive's report

	2007 £'000	2006 £'000
Turnover	5,810	4,224
Direct operating expenses	4,942	3,853
Profit contribution from businesses	868	371
Central operating overheads	555	103
Net interest receivable	1	1
Profit on ordinary activities before share based payment charge, amortisation of goodwill and taxation	314	269
Amortisation of goodwill	68	50
Share based payment charge	59	-
Profit on ordinary activities before taxation	187	219

3. SHARE BASED PAYMENT CHARGE

In accordance with Financial Standard No. 20 Share based payment, the fair value of shares issued to management prior to flotation and the fair value at date of grant of the group's share options issued on flotation are being charged to the profit and loss account over the restricted and vesting periods respectively. The share based payment charge for the year is £59,000 (2006: £nil).

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
On bank loans and overdrafts	1	-
	1	-

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

5.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
		2007	2006
		£'000	£'000
	Profit on ordinary activities before taxation is stated after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	- charge for the year on owned assets	111	88
	Amortisation of goodwill	68	50
	Operating lease rentals:		
	- land and buildings	233	133
	Amounts payable to the auditor and its related entities in respect of both audit and non-audit services are set out below:		
			2007
			£'000
	Fees payable for the audit of the company's annual accounts		10
	Fees payable to auditor for other services:		
	The audit of the company's subsidiaries		21
	Corporate finance transactions		80
	Other services		7
			<hr/>
			108
			<hr/>
	Total fees payable to the auditor		118
			<hr/>

The fees payable to the auditor for the audit of the company's annual accounts and those of its subsidiaries represent the directors' estimate of the fees payable to Baker Tilly UK Audit LLP. All other fees were amounts paid to Baker Tilly.

During the year ended 31 March 2006, audit fees were paid for by LTC Holdings Plc, the former parent, and it is not practical for the directors to estimate the element relating to this group.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

6. EMPLOYEES

	2007 No.	2006 No.
The average monthly number of persons (including directors) employed by the group during the year was:		
Management	9	9
Property Management	66	49
Administration and accounts	45	36
	<u>120</u>	<u>94</u>

	2007 £'000	2006 £'000
Staff costs for the above persons:		
Wages and salaries	3,237	2,240
Social security costs	297	208
Other pension costs	3	3
Share based payment charge	59	-
	<u>3,596</u>	<u>2,451</u>

	2007 £'000	2006 £'000
DIRECTORS		
Emoluments	206	-

Directors' emoluments disclosed above include the following payments

	Highest paid director	
	2007 £'000	2006 £'000
Emoluments	106	-

The emoluments of the directors of HML Holdings plc were paid by LTC Holdings plc in the year ended 31 March 2006 and therefore there was no charge in the group profit and loss in that year.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

7. TAXATION

	2007 £'000	2006 £'000
UK Corporation tax:		
Current tax on profits of the year	17	-
	17	-

Factors affecting tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	187	219
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 – 30%).	56	66
Effects of:		
Expenses not deductible for tax purposes	28	7
Capital allowances less than/ (in excess) of depreciation	4	(3)
Utilisation of tax losses	(61)	-
Group relief received	-	(64)
Minority interest in profits	-	(6)
Benefit of small companies tax rate	(10)	-
Current tax charge for the year	17	-

Future tax charges maybe affected by the fact that no deferred tax asset is recognised in respect of losses carried forward. Deferred tax assets are not recognised until the utilisation of the losses is foreseeable. These losses would be recovered against future profits arising from the same trade. The total tax losses carried forward to future years are £734,000 (2006: £938,000). The unprovided deferred tax asset in respect of these losses is £140,000 (2006: £178,000)

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

	2007 £'000	2006 £'000
Dealt with in the financial statements of the parent company	612	-

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data

<i>Earnings</i>	2007 £'000	2006 £'000
Earnings for the purposes of basic earnings per share	170	200
Earnings for the purposes of diluted earnings per share	170	200
<i>Number of shares</i>	2007 000s	2006 000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	10,651	2,577
Effect of dilutive potential ordinary shares:		
- convertible loan notes	2,174	-
- share options	423	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	13,248	2,577

10. INTANGIBLE FIXED ASSETS

	Purchased Goodwill £'000
GROUP	
Cost:	
1 April 2006	2,488
Additions	1,264
Reduction in contingent deferred consideration in respect of prior year acquisition.	(38)
31 March 2007	3,714
Amounts written off:	
1 April 2006	123
Amortisation charged in the year	68
31 March 2007	191
Net book value:	
31 March 2007	3,523
31 March 2006	2,365

Additions in the year of £1,264,000 comprise of £1,054,000 in connection with the acquisition of Shaw & Company (Property Management) Limited (see note 12) and £210,000 to acquire the business of London and Provincial Properties.

In the opinion of the directors, the goodwill arising on the acquisition of the property management companies has an economic life of approximately 50 years. This is because these businesses operate in an exceptionally stable marketplace in which the provision of services to clients are not subject to normal product life cycles. The majority of the purchase goodwill as at 31 March 2007 comprises the property management companies and is amortised evenly over a 50 year period.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

11. TANGIBLE FIXED ASSETS

	Plant and Machinery £'000
GROUP	
Cost:	
1 April 2006	644
Additions	67
On acquisition of subsidiary	14
	<hr/>
31 March 2007	725
	<hr/> <hr/>
Depreciation:	
1 April 2006	395
Charged in the year	111
	<hr/>
31 March 2007	506
	<hr/>
Net book value:	
31 March 2007	219
	<hr/> <hr/>
31 March 2006	249
	<hr/> <hr/>
	Plant and Machinery £'000
COMPANY	
Cost:	
On incorporation	-
Additions	5
	<hr/>
31 March 2007	5
	<hr/> <hr/>
Depreciation:	
On incorporation	-
Charged in the year	1
	<hr/>
31 March 2007	1
	<hr/> <hr/>
Net book value:	
31 March 2007	4
	<hr/> <hr/>

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

12. FIXED ASSET INVESTMENTS

	Other Investments £'000
GROUP	
Cost:	
1 April 2006	4
Disposals	(4)
	<hr/>
31 March 2007	-
	<hr/>
Net book value:	
31 March 2007	-
	<hr/>
31 March 2006	4
	<hr/> <hr/>
	Shares in subsidiaries £'000
COMPANY	
Cost and net book value	
On incorporation	-
Additions	2,819
	<hr/>
31 March 2007	2,819
	<hr/>

Additions comprise £1,112,000 to acquire HML Shaw Limited (formerly Shaw and Company (Property Management) Limited), £1,500,000 of loan to HML Hawksworth Limited which was capitalised and £207,000 to acquire various subsidiaries that were directly owned by HML Hawksworth Limited.

The company directly holds more than 20% of the equity of the following undertakings:-

Subsidiary undertakings:	Class of holding	Proportion directly held	Nature of business
HML Hawksworth Limited	Ordinary	100%	Property Management
HML Andertons Limited	Ordinary	100%	Property Management
HML Mandells Limited	Ordinary	100%	Property Management
HML Shaw Limited	Ordinary	100%	Property Management
Shaw and Company (Surveyors) Limited	Ordinary	100%	Surveyors
Alexander Bonhill Limited	Ordinary	100%	Insurance Brokers
HML Concierge Services Limited	Ordinary	100%	Dormant

All the companies set out above are incorporated in England.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

12. FIXED ASSET INVESTMENTS (continued)

In April 2006, the group acquired the entire share capital of Shaw and Company (Property Management) Limited. The assets and liabilities of Shaw and Company (Property Management) Limited have been consolidated at their fair values to the group, as set out below.

	Fair value at date of acquisition £'000
Tangible fixed assets	14
Trade debtors	201
Trade creditors	(157)
	<hr/>
Net assets acquired	58
Goodwill	1,054
	<hr/>
	1,112
	<hr/>
Discharged by:	
Cash paid	728
Deferred consideration (see note 15)	384
	<hr/>
	1,112
	<hr/>

Shaw and Company (Property Management) Limited has been consolidated with effect from 1 April 2006 as there was no material difference compared to the acquisition date. There was no difference between the book value and fair value of the assets and liabilities acquired. Shaw & Company (Property Management) Limited's most recent financial statements were drawn up to 31 March 2006 and disclosed turnover of £855,096, operating profit of £158,745, profit before taxation of £174,749, taxation of £36,688 and profit after taxation of £138,061.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

13. DEBTORS

	Group		Company
	2007	2006	2007
	£'000	£'000	£'000
Due within one year:			
Trade debtors	643	238	-
Amounts owed by former parent company	-	367	-
Amount owed by subsidiary undertakings	-	2	2,605
Other debtors	173	82	15
Prepayments and accrued income	253	211	13
	<u>1,069</u>	<u>900</u>	<u>2,633</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company
	2007	2006	2007
	£'000	£'000	£'000
Bank overdraft	-	46	-
Trade creditors	199	116	27
Amounts owed to subsidiary undertakings	-	-	815
Amounts owed to former parent company	-	519	-
Corporation tax	17	-	-
Other taxation and social security costs	282	107	6
Other creditors	56	89	2
Accruals and deferred income	139	31	52
Deferred consideration (see note 15)	427	170	165
	<u>1,120</u>	<u>1,078</u>	<u>1,067</u>

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company
	2007	2006	2007
	£'000	£'000	£'000
Amounts owed to former parent company	-	3,398	-
Deferred consideration	219	300	219
	219	3,698	219
Convertible loan notes	1,623	-	1,623
	1,842	3,698	1,842

DEFERRED CONSIDERATION

Deferred consideration comprises cash payable in respect of the acquisition of Shaw & Company (Property Management) Limited in April 2006 and the business of Mandells in June 2004. The deferred consideration is contingent based on the financial performance of these businesses subsequent to acquisition and the balance at 31 March 2007 of £646,000 (2006: £470,000) is the directors' estimate of further amounts payable in respect of these acquisitions. The directors' estimates are the maximum that will be potentially payable in respect of these acquisitions with the final payments falling due during the year ended 31 March 2010.

CONVERTIBLE LOAN NOTES

During the year, the company issued £2,798,000 of loan notes to replace existing debt due to LTC Holdings plc, the former parent company. The loan notes are convertible into 1.5p ordinary shares at a rate of 25p per share and are non-interest bearing. During the year, £1,000,000 of the loan notes were converted into 4,000,000 ordinary shares, leaving a balance of £1,798,000 outstanding as at 31 March 2007.

The loan notes can be converted at any time at the option of the holder, subject to the fact that the holder's shareholding cannot exceed 50% of the company's total issued share capital. On 30 June 2009, subject to the same 50% threshold, all loan notes will be automatically converted into ordinary shares. Any loan notes that have not been converted by 30 June 2016 will be redeemable at par.

Based on the issued share capital as at 31 March 2007, approximately £175,000 of the convertible loan notes will be automatically converted into shares on 30 June 2009 and consequently this element of the loan notes has been reclassified as equity (see note 19).

As explained in note 25, subsequent to the balance sheet date additional shares have been issued to third parties. This increases the 50% threshold referred to above and as a result all of the outstanding loan notes will now automatically be converted on 30 June 2009. No adjustment has been made to reduce the liability of £1,623,000 to £nil because this is a non-adjusting post balance sheet event as defined by FRS 21.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

16. FINANCIAL INSTRUMENTS

The Group's policy on financial instruments is summarised in the Directors' Report. The Group's financial instruments comprise cash, loan notes and various items such as trade debtors and trade creditors that arise directly from operations. All of the Group's financial assets and financial liabilities are denominated in sterling.

As permitted by FRS 13, short term debtors and creditors have been excluded from the following disclosures.

The Group had cash balances on deposit as at 31 March 2007 of £368,000 (2006: £161,000) which were earning interest at variable market rates.

Details of the Group's convertible loan notes are disclosed in note 15. The loan notes are non-interest bearing.

There is no material difference between the book value and fair value of the Group's financial instruments.

BORROWING FACILITIES

The Group had undrawn committed borrowing facilities at 31 March 2007, in respect of which all conditions precedent had been met, as follows:

	2007 £'000	2006 £'000
Expiring in one year or less	100	-
Total	100	-

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

17. SHARE CAPITAL

	Company 2007 £'000	
Authorised:		
163,733,200 ordinary shares of 1.5p each	2,456	
	<u>2,456</u>	
	Group	
	2007	2006
	£'000	£'000
Allotted, issued and fully paid:		
16,396,898 (2006: 2,577,143) ordinary shares of 1.5p each	246	39
	<u>246</u>	<u>39</u>
	Company	
	2007	2006
	£'000	£'000
Allotted, issued and fully paid:		
16,396,898 ordinary shares of 1.5p each	246	-
	<u>246</u>	<u>-</u>

SHARE ISSUE ON GROUP RECONSTRUCTION:

In June 2006, the company issued 2,577,143 1.5p ordinary shares in exchange of 100% of the share capital of Hawksworth Management Limited to facilitate the demerger from LTC Holdings plc. As explained in note 20, this transaction has been accounting for using merger accounting and consequently this share issue is deemed to have taken place on 1 April 2005.

OTHER SHARE ISSUES:

During the year, the company issued 5,534,041 1.5p ordinary shares for total cash consideration of £653,000.

Also during the year, £1,500,000 of a loan and £1,000,000 of loan notes was converted by LTC Holdings plc into a total of 8,285,714 1.5p ordinary shares.

SHARE OPTIONS:

In May 2006, the Company adopted an Enterprise Management Incentive Share Option Plan and an Unapproved Share Option Plan. The options issued have an exercise period of between two to ten years.

Details of the options granted in the year and outstanding at 31 March 2007 are set out below:

	Number of shares	Option price per share	Option period ending
Employee share option scheme	1,122,500	0.17	22 June 2016
Unapproved options	152,500	0.17	22 June 2016

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

18.	SHARE PREMIUM ACCOUNT	Group £'000	Company £'000
	1 April 2006/on incorporation	-	-
	Premium on shares allotted during the year	2,946	2,946
	Share issue expenses	(243)	(243)
	31 March 2007	2,703	2,703
19.	OTHER RESERVE	Group £'000	Company £'000
	1 April 2006/ on incorporation	-	-
	Loan notes equity element (see note 15)	175	175
	31 March 2007	175	175
20.	MERGER RESERVE		
	On 15 May 2006, a demerger agreement was entered into whereby LTC Holdings Plc agreed to transfer the business of Hawksworth Management Limited and its subsidiaries to a newly incorporated company, HML Holdings plc. The demerger completed on 2 June 2006 when HML Holdings plc issued 2,577,143 1.5p ordinary shares to acquire the entire share capital of Hawksworth Management Limited.		
	This transaction has been accounted for as a group reconstruction and consequently merger accounting had been adopted. The difference of £15,000 between the nominal value of the share capital issued of £39,000 and the share capital and premium account of Hawksworth Management Limited of £24,000 has been recognised as a merger reserve.		
21.	PROFIT AND LOSS RESERVE	Group £'000	Company £'000
	1 April 2006/ on incorporation	(1,121)	-
	Profit/(loss) for year	170	(612)
	Share based payment charge (see note 3)	59	59
	31 March 2007	(892)	(553)
22.	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	Group	
		2007 £'000	2006 £'000
	Profit for the financial year	170	200
	Issue of share capital	3,153	-
	Share issues expenses	(243)	-
	Equity element of loan notes (see note 15)	175	-
	Share based payment charge (see note 3)	59	-
	Net addition to equity shareholders' funds	3,314	200
	Opening equity shareholders' funds	(1,097)	(1,297)
	Closing equity shareholders' funds	2,217	(1,097)

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

23. CASH FLOWS	2007 £'000	2006 £'000
a. Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	186	218
Depreciation	111	87
Amortisation	68	50
Loss on disposal of investments	4	-
Share based payment charge	59	-
Decrease/ (Increase) in debtors	32	(391)
Decrease in creditors	(43)	(156)
Net cash flow from operating activities	<u>417</u>	<u>(192)</u>
Analysis of cash flows for headings netted in the cash flow statement		
b. Returns on investments and servicing of finance		
Interest received	2	1
Interest paid	(1)	-
Minority interests	-	(20)
Net cash inflow/(outflow) for returns on investment and servicing of finance	<u>1</u>	<u>(19)</u>
c. Capital expenditure and financial investment		
Purchase of tangible fixed assets	(67)	(187)
Net cash outflow for capital expenditure and financial investment	<u>(67)</u>	<u>(187)</u>
d. Acquisitions		
Payment of deferred consideration	(170)	-
Purchase of unincorporated business	(210)	-
Purchase of subsidiary undertaking	(728)	-
Net cash outflow for acquisitions	<u>(1,108)</u>	<u>-</u>
e. Financing		
Issue of ordinary share capital	653	-
Share issue expenses	(243)	-
Increase in long term loan	600	333
Net cash inflow from financing	<u>1,010</u>	<u>333</u>

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

f. Analysis of changes in net debt

	At 1 April 2006 £'000	Cash flow £'000	Non cash changes £'000	At 31 March 2007 £'000
Cash in hand, at bank	161	207	-	368
Overdrafts	(46)	46	-	-
		253		
Debt due after more than one year	(3,398)	(600)	2,375	(1,623)
Total	(3,283)	(347)	2,375	(1,255)

The main non-cash changes arise from the conversion of £1,500,000 of loan and £1,000,000 of loan notes into ordinary shares.

- g. The subsidiary undertaking acquired during the year contributed £102,000 to the group's net operating cash flows, paid £nil in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £16,000 for capital expenditure.

24. COMMITMENTS UNDER OPERATING LEASES

	2007 Land and buildings £'000	2006 Land and buildings £'000
At 31 March 2007 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:-		
Expiring within 1 year	60	8
Expiring between 2 and 5 years	175	178
	235	186

The group's leases of land and buildings are subject to rent review periods ranging between 3 and 5 years.

The Company has commitments under operating leases relating to land and buildings of £30,000 per annum. This commitment expires in between 2 to 5 years time.

25. POST BALANCE SHEET EVENTS

On 1st May 2007, HML Andertons Limited purchased the trade and assets of Harrisons, a property management business based in Aldershot. The total consideration paid was £324,000.

On 1st August 2007, HML Holdings plc placed 7,161,486 new ordinary shares raising gross proceeds of £1.9 million.

On 13th August 2007, HML Hawksworth Limited purchased 100% of the shares of WA Ellis Property Management Limited a property management business based in Knightsbridge. The total consideration paid was £1.3 million.

26. RELATED PARTY TRANSACTIONS

As explained in note 20, prior to the group reconstruction, LTC Holdings plc was the 100% shareholder of Hawksworth Management Limited. Subsequent to that date, LTC Holdings plc remains a related party.

As at 31 March 2007, LTC Holdings plc held 47% of the Company's issued share capital and £1,798,000 of convertible loan notes. In addition, Richard Smith and Geoffrey Griggs, both directors of HML Holdings plc, are also directors of LTC Holdings plc.

During the year, the company paid LTC Holdings plc £20,000 for the use of office space and services and £30,000 for use of computer software.

There is no provision against any related party transaction at the year end and no amounts have been written off during the year and there is no balance outstanding as at 31 March 2007 except the loan notes as disclosed in note 15.

27. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s230 Companies Act 1985, the company has not presented its own profit and loss account.

HML HOLDINGS PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of HML Holdings plc will be held at the offices of Smith & Williamson, 25 Moorgate, London, EC2R 6AY on 18 October 2007, at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2007.
2. To re-appoint the auditors Baker Tilly and authorise the Directors to fix their remuneration.
3. To re-elect Geoffrey Griggs who retires by rotation and offers himself for re-election.

BY ORDER OF THE BOARD

J A L Howgego
Secretary

12 September 2007

Note: A member entitled to vote may appoint the chairman or another proxy to attend and vote in his stead: a proxy need not be a member of the company.

HML HOLDINGS PLC

I, _____ being a member of the above-named Company hereby appoint the chairman of the meeting as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Thursday 18 October 2007 and at every adjournment thereof. I request such proxy to vote on the following resolutions as indicated below:

Resolutions	FOR	AGAINST
1. To adopt the Company's accounts and the reports of the Directors and Auditors for the year ended 31 March 2007	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint the Auditors Baker Tilly and authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect G J Griggs who retires by rotation and offers himself for re-election	<input type="checkbox"/>	<input type="checkbox"/>

Names of holder.....

Signed this day of2007

Signature

Notes:

1. Please indicate with an 'X' in the appropriate boxes how you wish the proxy to vote. The proxy will exercise his discretion as to how he votes or whether he abstains from voting:
 - (a) on any resolution set out above if no instruction is given in respect of that resolution; and
 - (b) on any business or resolution considered at the meeting other than the resolutions set out above.
2. If you wish to appoint someone other than the chairman of the meeting as your proxy please delete the words 'the chairman of the meeting' and insert the name of the person you wish to appoint. A proxy need not be a member of the Company.
3. To be effective this form, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the Company's registered office, 28 Old Church Street, London SW3 5BY not less than 48 hours before the time for holding the meeting.
4. Where the member is a corporation this form must be under its common seal or signed by an officer, attorney or other person duly authorised by the corporation.
5. In the case of joint holders only one need sign this form, but the names of the other joint holders should be shown in the space provided. The vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names of the holders appear in the register of members in respect of the joint holding

