

Company number 5728008



**HML HOLDINGS PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

**HML HOLDINGS Plc**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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**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

**AUDITOR**

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**

Daniel Stewart & Company  
Becket House  
36 Old Jewry  
London  
EC2R 8DD

**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 Plc**  
**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT**

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We are pleased to report a growth of 29% in Group revenues to £7.5m with profits (before share based payments charges, amortisation and taxation) up 40% to £441,000. Profit before interest and tax rose by 36% to £312,000 from £229,000 in 2007 and cash generated from operations increased to £747,000 from £417,000 in 2007.

This growth in earnings reflects both the successful implementation of our strategy of carefully integrating acquisitions as well as our ability to grow organically. We are pleased to report continuing growth in units under management which have risen by 19% to over 25,000.

We are pleased to report growth in our ancillary and support services. Surveying fees in Shaw & Company rose 14% to £531,000 and insurance brokerage commissions in Alexander Bonhill grew by 20% to £600,000.

As disclosed in our interim report, the Company raised equity of £1.8m in August to fund a number of property management acquisitions. One of the highlights of our year was the purchase of Knightsbridge based WA Ellis Property Management Limited for £1.3m. Since that time we have successfully moved and integrated the business into HML Hawksworth in our Victoria offices.

In January 2008, HML Mandells Limited, our property management business based in North London purchased the management portfolio of The Avenue Agency for £666,000. This acquisition has proceeded smoothly and is well placed to make a significant contribution to the business in the coming year.

During the course of the year we successfully managed the implementation of our first 'satellite' operation in Aldershot. This office manages over 2,000 units and accommodates 5 property managers servicing our Hampshire and Surrey clients. The office has its service charge accounting resource based in HML Andertons in Croydon. We are pleased to report that having successfully established this model, it will become the benchmark for other satellite operations we plan to set up to service a greater geographical coverage of our clients in Southern England.

In terms of future prospects for the Group, we believe we are well placed to face the challenges in the residential property services market. While the slow down in sales of new build apartments will undoubtedly affect the overall rate of growth in the market, our strong presence in many areas of Southern England enable us to grow through management instructions from established blocks of flats. The reduction in residential property sales impacts only marginally on the Group's revenue streams whilst our ongoing management contracts make income relatively resilient. The board remains confident of our ability to continue to grow our business both organically and through acquisitions, even in this more challenging economic climate.

During the year the Group further developed its infrastructure and systems functionality improving both customer service and our ability to assimilate acquisitions. We are also pleased to report that we have recently successfully completed the purchase of the proprietary residential property management software developed by our former parent company LTC Holdings plc. This will greatly enhance our ability to improve our systems and procedures in the future. Similarly, our improving experience with the assimilation of new staff and the conversion to our standardised systems assists us in meeting the operating challenges that naturally occur in integrating our acquired businesses.

The Groups' approach to maintaining high standards of local service through the provision of locally based management enables us, we believe, to expand the business even in these more demanding economic conditions.

Once again we would like to thank our staff, as their hard work and enthusiasm have enabled the Group to produce these results. With the ongoing development of our employees we look forward to achieving further milestones of growth in the coming year.

Richard Smith (Chairman)

Robert Plumb (Chief Executive)

14 August 2008

The directors submit their report and the group financial statements of HML Holdings Plc for the year ended 31 March 2008.

HML Holdings plc is a public limited company, incorporated and domiciled in England and quoted on AIM.

### **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's result for the year ended 31 March 2008 was a profit of £260,000 (2007 - £212,000). The Directors do not recommend a dividend in respect of the year to 31 March 2008 (2007: £nil)

### **SHARE CAPITAL**

During the year, the company issued 7,955,467 1.5p ordinary shares for total consideration of £2,163,601. Also during the year, £1,798,000 of loan notes was converted by LTC Holdings plc into a total of 7,192,000 1.5p ordinary shares. LTC Holdings plc is a major shareholder in the Company. Full details of the transaction are set out in note 26 to the financial statements.

Full details of the authorised and issued share capital of the Company are set out in note 26 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 page 2. This also includes reference to the Group's future prospects.

### **ACQUISITIONS**

During the year the Group made three principal acquisitions.

In May 2007, HML Andertons Limited purchased Harrisons, a property management business operating in Aldershot.

In August 2007, HML Hawksworth Limited purchased WA Ellis Property Management Limited a company offering property management services in Knightsbridge, London.

In January 2008, HML Mandells Limited purchased The Avenue Agency, a property management business based in Barnet, North London.

Full details of the acquisitions are set out in note 13 to the financial statements.

### **POST BALANCE SHEET EVENTS**

During July 2008, HML Andertons agreed to buy the shares of Grovewood Property Management Limited and Grovewood Property Management (South West) Limited. Further details of this acquisition are set out in note 39 to the financial statements.

### **FUTURE DEVELOPMENTS**

The Directors will continue to expand the property management services of the business through organic growth and acquisitions. The Group's experience of buying and consolidating acquisitions has grown in the past two years and the directors are optimistic that this will assist with the future growth plans of the business.

## **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.

### *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 47% 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.

### *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 there under.

### *Financial Risks*

Information in respect of the financial risk management objectives and policies of the Group and the exposure of the Group to foreign exchange, interest rate risk, credit risk, liquidity risk and cash flow risk is contained in note 22 of the financial statements.

## **KEY PERFORMANCE INDICATORS**

The Directors use a number of key performance indicators to monitor and appraise the trading and performance of the businesses. The main key performance indicators are as follows:

- The operating margins achieved by group companies
- New business generated through marketing
- New surveying and insurance business generated by intra group referrals

The Directors also monitor the following operational performance indicators:

- Potential client enquiries
- Staff retention
- Client complaints

## **DIRECTORS**

The following directors have held office during the year:-

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

## **DIRECTORS' INTERESTS**

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

	31.03.2008	Ordinary shares of 1.5p each 01.04.07
Richard Smith	1,534,025	1,534,025
Robert Plumb	1,631,568	1,596,567
James Howgego	320,000	305,000
Geoffrey Griggs	442,167	442,167

On 26 June 2006 the Company granted the following Enterprise Management Incentive approved (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 (or earlier with the approval of the Board).

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)

On 31 March 2008 the company granted the following Enterprise Management Incentive approved (EMI) and unapproved options to the following directors. Both types of option are exercisable at 19p and have an exercise period of between two and ten years (or earlier with the approval of the Board).

Richard Smith	50,000 ordinary shares (EMI option)
Robert Plumb	200,000 ordinary shares (EMI option)
James Howgego	100,000 ordinary shares (EMI option)
Geoffrey Griggs	20,000 ordinary shares (Unapproved option)

No options were exercised or lapsed during the year.

### **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	15,037,931	47.67%
Unicorn Asset Management	2,777,778	11.40%
MD Barnard & Co Limited	2,222,223	9.12%
Robert Plumb	1,641,568	5.20%
Richard Smith	1,534,025	4.86%

### **THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS**

Qualifying third party indemnity provision was in place for the benefit of all directors of the company and its subsidiaries throughout the year, and is still in place at the date of signing of the financial statements.

### **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.

Creditor days based on trade receivables at 31 March 2008 were 54 days (2007 – 43 days).

### **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.

### **EVENTS SINCE THE END OF THE YEAR**

On 1<sup>st</sup> April 2008, the Group purchased the property management software used within the business. The Group paid £520,000 for the software. Further details of events since the end of the year are disclosed in note 39 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.

### **AUDITOR**

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

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

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 auditor is 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.

## **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 but do not fully comply with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance, appropriate to the company's size.

The Group is led and controlled by a Board comprising three executive directors and one non-executive director.

Board meetings are held on a regular basis and effectively no decision of any consequence is made other than by directors. All directors participate in the key areas of decision-making.

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

The board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

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.

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group: the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the group and company 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 they have been prepared in accordance with IFRS adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue 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 also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detections of fraud and other irregularities.

**HML HOLDINGS Plc**  
**DIRECTORS' REPORT**

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The directors are also responsible for the maintenance and integrity of the HML Holdings plc website.

The work carried out by the auditor does not involve consideration of these matters and, accordingly the auditor accepts 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  
14 August 2008

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

We have audited the group and parent company financial statements on pages 11 to 50.

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 AUDITOR**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") 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 whether the financial statements have been 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. 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 Director's Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman 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.

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

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;
- 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.

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

**HML HOLDINGS Plc**  
**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 March 2008**

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	Notes	2008 £'000 Total	2007 £'000 Total
CONTINUING OPERATIONS			
REVENUE	2	7,497	5,810
Direct operating expenses		6,336	4,942
Central operating overheads		709	555
Share based payment charge	5	71	59
Amortisation of intangibles		58	26
Other operating expenses	8	7,174	5,582
PROFIT FROM OPERATIONS		323	228
Finance income	6	3	2
Finance costs	7	(14)	(1)
PROFIT BEFORE TAX	4	312	229
Income tax expense	10	(52)	(17)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		260	212
EARNINGS PER SHARE			
Basic	12	1.1p	2.0p
Diluted	12	1.1p	1.6p

**HML HOLDINGS Plc**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**  
**For the year ended 31 March 2008**

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ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

	Share capital £'000s	Share premium £'000s	Other reserve £'000s	Merger reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 April 2006	39	-	-	(15)	(1,121)	(1,097)
Issue of shares	207	2,946	-	-	-	3,153
Issue costs	-	(243)	-	-	-	(243)
Equity element of loan notes	-	-	175	-	-	175
Profit for the year	-	-	-	-	212	212
Share based payment charge	-	-	-	-	59	59
Balance at 31 March 2007	246	2,703	175	(15)	(850)	2,259
Issue of shares	227	3,734	-	-	-	3,961
Issue costs	-	(106)	-	-	-	(106)
Loan note adjustment	-	-	(175)	-	-	(175)
Profit for the year	-	-	-	-	260	260
Share based payment charge	-	-	-	-	71	71
Balance at 31 March 2008	473	6,331	-	(15)	(519)	6,270

**HML HOLDINGS Plc**  
**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**  
**For the year ended 31 March 2008**

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ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

	Share capital £'000s	Share premium £'000s	Other reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance on incorporation	-	-	-	-	-
Issue of shares	246	2,946	-	-	3,192
Issue costs	-	(243)	-	-	(243)
Equity element of loan notes	-	-	175	-	175
Loss for the year	-	-	-	(612)	(612)
Share based payment charge	-	-	-	59	59
<b>Balance at 31 March 2007</b>	<b>246</b>	<b>2,703</b>	<b>175</b>	<b>(553)</b>	<b>2,571</b>
Issue of shares	227	3,734	-	-	3,961
Issue costs	-	(106)	-	-	(106)
Loan note adjustment	-	-	(175)	-	(175)
Loss for the year	-	-	-	(777)	(777)
Share based payment charge	-	-	-	71	71
<b>Balance at 31 March 2008</b>	<b>473</b>	<b>6,331</b>	<b>-</b>	<b>(1,259)</b>	<b>5,545</b>

**HML HOLDINGS Plc**  
**CONSOLIDATED BALANCE SHEET**  
**31 March 2008**

<b>ASSETS</b>	Notes	2008 £'000	2007 £'000
<b>NON CURRENT ASSETS</b>			
Goodwill	14	4,102	2,845
Other intangible assets	15	2,011	720
Property, plant and equipment	16	301	219
		6,414	3,784
<b>CURRENT ASSETS</b>			
Trade and other receivables	18	1,189	1,069
Cash and cash equivalents	19	380	368
		1,569	1,437
<b>TOTAL ASSETS</b>		7,983	5,221
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,226	1,103
Borrowings		125	-
Current tax liabilities		80	17
	20	1,431	1,120
<b>NON CURRENT LIABILITIES</b>			
Borrowings	21	-	1,623
Deferred tax liability	23	157	-
Provisions	24	125	219
		282	1,842
<b>TOTAL LIABILITIES</b>		1,713	2,962
<b>NET ASSETS</b>		6,270	2,259
<b>EQUITY</b>			
Called up share capital	26	473	246
Share premium account	28	6,331	2,703
Other reserve	29	-	175
Merger reserve	30	(15)	(15)
Retained earnings	31	(519)	(850)
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>	32	6,270	2,259

The financial statements were approved by the board of directors and authorised for issue on 14 August 2008 and are signed on its behalf by:

Robert Plumb

James Howgego

**HML HOLDINGS Plc**  
**COMPANY BALANCE SHEET**  
**31 March 2008**

	Notes	2008 £'000	2007 £'000
<b>ASSETS</b>			
NON CURRENT ASSETS			
Property, plant and equipment	16	7	4
Investment in subsidiary companies	17	6,117	2,819
		<hr/>	<hr/>
		6,124	2,823
CURRENT ASSETS			
Trade and other receivables	18	1,245	2,633
Cash and cash equivalents	19	-	24
		<hr/>	<hr/>
		1,245	2,657
<b>TOTAL ASSETS</b>			
		<hr/>	<hr/>
		7,369	5,480
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	20	1,699	1,067
		<hr/>	<hr/>
NON CURRENT LIABILITIES			
Borrowings	21	-	1,623
Provisions	24	125	219
		<hr/>	<hr/>
		125	1,842
<b>TOTAL LIABILITIES</b>			
		<hr/>	<hr/>
		1,824	2,909
<b>NET ASSETS</b>			
		<hr/>	<hr/>
		5,545	2,571
<b>EQUITY</b>			
Share capital	26	473	246
Share premium	28	6,331	2,703
Other reserve	29	-	175
Retained earnings	31	(1,259)	(553)
		<hr/>	<hr/>
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>			
	32	5,545	2,571
		<hr/>	<hr/>

The financial statements were approved by the board of directors and authorised for issue on 14 August 2008 and are signed on its behalf by:

Robert Plumb

James Howgego

**HML HOLDINGS Plc**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 March 2008**

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	Notes	2008 £'000	2007 £'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	34a	747	417
Income taxes paid		11	-
Interest received		3	2
Interest paid		(14)	(1)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>747</b>	<b>418</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(186)	(81)
Acquisition of businesses		(2,501)	(1,094)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,687)</b>	<b>(1,175)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in long term loan		-	600
Proceeds from issuance of ordinary shares		1,827	410
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>1,827</b>	<b>1,010</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(113)</b>	<b>253</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>368</b>	<b>115</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>255</b>	<b>368</b>

This format represents an indirect method of determining operating cash flow

**HML HOLDINGS Plc**  
**COMPANY CASH FLOW STATEMENT**  
**for the year ended 31 March 2008**

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	Notes	2008 £'000	2007 £'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	34b	(671)	(293)
Interest received		-	1
		<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(671)</b>	<b>(292)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(4)	(5)
Acquisition of businesses		(1,235)	(728)
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,239)</b>	<b>(733)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in long term loan		-	600
Proceeds from issuance of ordinary shares		1,934	692
Share issue costs		(107)	(243)
		<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>1,827</b>	<b>1,049</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(83)</b>	<b>24</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>24</b>	<b>-</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>(59)</b>	<b>24</b>

This format represents an indirect method of determining operating cash flow

## **HML HOLDINGS Plc**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **General information**

HML Holdings plc and its subsidiaries specifically focus on residential property management. The Group operates in the UK.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 28 Old Church Street, London, SW3 5BY. The Company is listed on the AIM stock exchange.

The Group consolidated financial statements were authorised for issue by the board of directors on 14 August 2008.

#### **Consolidated financial statements**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Companies Act 1985 as applicable to companies reporting under IFRS (and International Financial Interpretations Committee ("IFRIC") interpretations). This is the Group's first full year report prepared in accordance with IFRS accounting policies. Note 33 to the financial statements explains the effect of the transition from UK GAAP to IFRS.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. The preparation of the financial statements require the use of estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from those estimates.

The Company has taken advantage of S.230 of the Companies Act 1985 not to present its own income statement.

#### **Basis of consolidation**

The consolidation financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 March each year. Subsidiaries are all entities over which the company has the power to govern the financial and operating policies as to benefit from its activities. The excess of costs of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the income statement.

The consolidated financial statements merge the financial statements of HML Holdings plc with those of HML Hawksworth 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 the previous years are re-stated.

The purchase method of accounting is used to account for the acquisition of other subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date (irrespective of the extent of any minority interest).

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## HML HOLDINGS Plc

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### Standards and Interpretations not yet effective

At the date of authorisation of these financial statements, the following standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 2	Share based payment – Amendments relating to vesting conditions and cancellations
IFRS 3	Business Combinations – Amendments
IFRS 7	Financial Instruments: Disclosures – Consequential amendments arising from amendments to IAS 32
IFRS 8	Operating Segments (endorsed)
IAS 1	Presentation of Financial Statements – Revised
IAS 1	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
IAS 23	Borrowing Costs – Amendment
IAS 27	Consolidated and separate Financial Statements – Consequential amendments arising from amendments from IFRS 3
IAS 28	Investments in Associates – Consequential amendments arising from the amendments to IFRS 3
IAS 31	Interest in Joint Ventures – Consequential amendments arising from amendments to IFRS 3
IAS 32	Financial Instruments – Presentation – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
IAS 39	Financial Instruments – Recognition and Measurement – Consequential amendments arising from the amendments to IAS 32 and hedged items
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments – Consequential amendments arising from amendments to IAS 32
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions (endorsed)
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

#### REVENUE

Revenue represents fees receivable from the provision of a range of property services to the residential property sector. Revenue 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 within property management companies comprises mainly of fees for property management which are usually levied on a per block basis. Other revenues are derived from supplementary services provided to the properties under management.

Revenue in Shaw & Co (Surveyors) Limited comprises of fees for chartered surveying services typically provided by chartered surveyors including building repair and maintenance specifications and supervision of surveys and valuations.

Revenue is recognised for services during the year. If services have been provided during the year and not invoiced, the revenues are accrued. Revenue from property management is spread over the period in which the services are being provided.

## **HML HOLDINGS Plc**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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, net of discounts, VAT and other sales related taxes.

Revenue derived from property insurance services is comprised of broking and insurance commissions, which are recognised when the right to receive consideration is obtained which is the policy inception date.

#### **SHARE BASED PAYMENTS**

The group has applied the requirements of IFRS 2 Share based payments. IFRS 2 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 income statement over the appropriate vesting period. Restricted shares are expensed over the restricted period using the most appropriate valuation techniques.

#### **PURCHASED GOODWILL**

Goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a business at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets of liabilities of the Group are assigned to those units.

Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generation unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses on goodwill cannot be reversed in future periods.

#### **OTHER INTANGIBLE ASSETS**

Intangible assets acquired separately are measured on initial recognition at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangibles assets with finite lives are amortised over their useful life and assessed for impairment whenever there is an indication of impairment. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is provided on straight line basis on intangible assets with finite lives as follows:

Customer Relationships	25 years
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#### **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at historical cost. Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant, plant and equipment	between 4 and 6 years.
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**HML HOLDINGS Plc**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL**

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**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.

**INVESTMENTS**

Investments in subsidiary undertakings held as non current assets are stated at cost less provision for impairment.

**FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

**TRADE RECEIVABLES**

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with maturities of less than three months.

**HML HOLDINGS Plc**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**BORROWINGS**

Loans are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the income statement over the term of the instrument using an effective rate of interest.

**CONVERTIBLE LOAN NOTES**

Instruments where the holder has the option to redeem for cash or convert into a pre-determined quantity of equity instruments are classified as compound instruments in the balance sheet and presented partly as a liability and partly within equity.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instrument. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Transaction costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

**TRADE PAYABLES**

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

**LEASES**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

**TAXATION**

The tax expense represents the sum of the current tax expense and deferred tax expense.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively

## **HML HOLDINGS Plc**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

#### **PENSIONS**

The Group contributes to the personal pension plans of certain employees. The Group's contributions are charged to the income statement 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.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Impairment of goodwill and other intangible assets*

Determining whether goodwill and other intangible assets are impaired requires an evaluation of earnings and turnover of the cash-generating units to which goodwill and intangible assets have been allocated. The earnings and turnover of the cash generating units enable a valuation to be derived and thus an estimate made on whether or not there has been any impairment.

##### *Valuation of share based payments*

The charge for share based payments is calculated in accordance with the analysis described in note 5. The model requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield and risk-free interest rates. The directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

##### *Valuation and useful lives of intangible assets*

In order to determine the value of the separately identifiable intangible assets on the acquisition of a business combination, management are required to make estimates of incremental profits when applying the Group's valuation methodologies. Assets lives are estimated to be 25 years.

##### *Contingent and deferred consideration*

Contingent and deferred consideration relating to acquisitions has been included based on management's estimate of the most likely outcome.

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial information has been prepared using the recognition and measurement principles of IFRS as adopted by the European Union and the Companies Act 1985 applicable to companies reporting under IFRS.

The financial information is presented in pounds sterling, prepared on a historical cost basis and, unless otherwise stated, rounded to the nearest thousand.

2. REVENUE STREAMS

The principal revenue streams of the group are set out below:

	2008 £'000	2007 £'000
Property management	6,366	4,846
Professional services	531	464
Insurance broking	600	500
Total	7,497	5,810

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

**Business segments**

From management purposes, the Group is currently organised into three operating divisions – property management, professional services and insurance broking. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Property management: residential property management.
- Property services: chartered surveying services.
- Insurance broking: insurance broking services.

All of the Group's operations are carried out within the United Kingdom.

Analysis of the segment information about these businesses is presented in the next page. Segment assets include intangibles, plant and equipment, receivables and operating cash. Segment liabilities comprise of operating liabilities and deferred consideration for acquisitions.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

	2008	2008	2008	2008	2008	2007	2007	2007	2007	2007
	Property	Professional	Insurance	Unallocated/	Consolidated	Property	Professional	Insurance	Unallocated/	Consolidated
	Management	Services	Broking	Corporate		Management	Services	Broking	Corporate	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>										
External revenues	6,366	531	600	-	7,497	4,846	464	500	-	5,810
<b>Result</b>										
Profit/(loss) from operations	546	113	444	(780)	323	363	111	366	(612)	228
Net finance costs					(11)					1
Profit before tax					312					229
Income tax expense					(52)					(17)
Profit for the year					260					212
<b>Other information</b>										
Capital expenditure – property, plant and equipment	181	3	-	4	188	75	1	-	5	81
Intangible assets	1,349	-	-	-	1,349	746	-	-	-	746
Amortisation	(58)	-	-	-	(58)	(26)	-	-	-	(26)
Share based payment charge	-	-	-	(71)	(71)	-	-	-	(59)	(59)
<b>Balance sheet</b>										
<b>Assets</b>										
Segment assets	7,626	316	1	40	7,983	4,939	198	52	32	5,221
<b>Liabilities</b>										
Segment liabilities	1,354	64	25	270	1,713	2,641	50	19	252	2,962

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

4. 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

	2008 £'000	2007 £'000
Revenue	7,497	5,810
Direct operating expenses	(6,336)	(4,942)
<hr/>		
Profit contribution from businesses	1,161	868
Central operating overheads	(709)	(555)
Finance income	3	2
Finance costs	(14)	(1)
<hr/>		
Profit before share based payment charge, amortisation of other intangible and taxation	441	314
Amortisation of other intangible assets	(58)	(26)
Share based payment charge	(71)	(59)
<hr/>		
Profit before taxation	312	229
<hr/>		

Direct operating expenses and central operating overheads include depreciation and staff costs.

5. SHARE BASED PAYMENT TRANSACTIONS

In accordance with IFRS 2 Share based payments, 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 income statement over the restricted and vesting periods respectively. Note 27 contains more detail on the share options issued during the year.

The share based payment charge for the year is £71,000 (2007: £59,000).

6. FINANCE INCOME	2008 £'000	2007 £'000
Interest receivable on bank deposits	3	2
	<hr/>	<hr/>
	3	2
	<hr/>	
7. FINANCE COSTS	2008 £'000	2007 £'000
Interest payable on bank loans and overdrafts	14	1
	<hr/>	<hr/>
	14	1
	<hr/>	

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

8.	PROFIT FROM OPERATIONS	2008 £'000	2007 £'000
	Profit from operations is stated after charging:		
	Depreciation and amounts written off property, plant and equipment:		
	- charge for the year on owned assets	104	111
	Amortisation of intangible assets	58	26
	Operating lease rentals:		
	- land and buildings	311	233

Set out below is an analysis of other operating expenses;

		2008 £'000	2007 £'000
	Employee expenses	5,175	3,931
	Travel costs	82	71
	Advertising costs	41	45
	Communications	191	128
	Premises costs	749	633
	Professional fees	370	391
	IT costs	211	138
	Depreciation	104	111
	Amortisation	58	26
	Share based payment charges	71	59
	Other expenses	122	49
	Other operating expenses	7,174	5,582

Amounts payable to the auditor and its related entities in respect of both audit and non-audit services are set out below:

		2008 £'000	2007 £'000
	Fees payable for the statutory audit of the company's annual accounts	18	10
	Fees payable to auditor for other services:		
	Statutory audit of the company's subsidiaries	32	21
	Corporate finance transactions	-	80
	Other services	-	7
	Total fees payable to the auditor	50	118

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.

9.	EMPLOYEES AND STAFF COSTS	2008 No.	2007 No.
	The average monthly number of persons (including directors) employed by the group during the year was:		
	Management	10	9
	Property Management	96	66
	Administration and accounts	67	45
		173	120

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

9.	EMPLOYEES AND STAFF COSTS (CONTINUED)	2008 £'000	2007 £'000
	Staff costs for the above persons:		
	Wages and salaries	4,281	3,237
	Social security costs	415	297
	Other pension costs	3	3
	Share based payment charge	71	59
		<u>4,770</u>	<u>3,596</u>
	DIRECTORS	2008 £'000	2007 £'000
	Directors' emoluments	252	206
	Directors' emoluments disclosed above include the following payments	2008 £'000	2007 £'000
	Emoluments of highest paid director	119	106
10.	INCOME TAX	2008 £'000	2007 £'000
	UK Corporation tax:		
	Current tax on profits of the year	52	17
	Deferred tax	-	-
	Tax attributable to the company and its subsidiaries	<u>52</u>	<u>17</u>
	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 of 30% (2007-30%). The differences are explained below:	2008 £'000	2007 £'000
	Profit before tax	312	229
	Profit before tax multiplied by the standard rate of corporation tax in the UK of 30% (2007 – 30%).	94	69
	Effects of:		
	Expenses not deductible for tax purposes	27	23
	Utilisation of tax losses	(41)	(61)
	Benefit of small companies tax rate	(28)	(14)
	Tax charge for the year	<u>52</u>	<u>17</u>

Future tax charges may be 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. The Group has losses carried forward in its subsidiary, HML Hawksworth Limited which can be recovered against future profits arising from the same trade. The total tax losses carried forward to future years are £592,000 (2007: £734,000). The unprovided deferred tax asset in respect of these losses is £118,000 (2007: £140,000).

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

11.	LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		
		2008	2007
		£'000	£'000
	Dealt with in the financial statements of the parent company	777	612

12. EARNINGS PER SHARE

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

		2008	2007
		£'000	£'000
<i>Earnings</i>			
	Earnings for the purposes of basic earnings per share	260	212
	Earnings for the purposes of diluted earnings per share	260	212
<i>Number of shares</i>			
		2008	2007
		000s	000s
	Weighted average number of ordinary shares for the purposes of basic earnings per share	23,966	10,651
	Effect of dilutive potential ordinary shares:		
	- convertible loan notes	-	2,174
	- share options	397	423
	Weighted average number of ordinary shares for the purposes of diluted earnings per share	24,363	13,248
	Basic earnings per ordinary share	1.1p	2.0p
	Fully diluted earnings per ordinary share	1.1p	1.6p

The diluted earnings per share are the basic earnings per share adjusted for the dilutive effect of the conversion into fully paid shares of the outstanding share options.

13. BUSINESS COMBINATIONS (ACQUISITIONS)

All the acquisitions set out below have been made by subsidiaries of HML Holdings plc. The name of the acquiring subsidiary is detailed in the narrative of each acquisition.

On 1 May 2007, the trade and assets of Harrisons, a property management business based in Aldershot were acquired by HML Andertons Limited. The fair values of the assets acquired are set out in the table below:

	Fair value
	£'000
Intangible assets	189
Goodwill	153
Consideration	342
Satisfied by:	
Cash paid to vendors	342

The book value of the assets and liabilities acquired was £nil.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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13. BUSINESS COMBINATIONS (ACQUISITIONS) (continued)

On 14 August 2007, 100% of the share capital of WA Ellis Property Management Limited, a property management business based in Knightsbridge, London was acquired by HML Hawksworth Limited. The fair values of the assets acquired are set out in the table below:

	Fair value £'000
Intangible assets	754
Property, plant and equipment	7
Current assets	238
Current liabilities	(245)
Deferred taxation	(151)
	<hr/>
Net assets acquired	603
Goodwill	711
	<hr/>
Consideration	1,314
Satisfied by:	
Cash paid to vendors	1,014
Shares issued to vendors	130
Deferred consideration	170
	<hr/>
Total consideration	1,314
	<hr/>

WA Ellis Property Management Limited has been consolidated from 14 August 2007. The book value of the net assets and liabilities acquired was £nil. WA Ellis Property Management Limited's most recent financial statements were drawn up to 30 April 2007 and disclosed revenue of £840,000, operating profit of £20,000, profit before taxation of £52,000, taxation of £1,000 and profit after taxation of £51,000.

481,481 shares were issued as part of the consideration for the acquisition. The market price of the shares issued was 27p per share.

Post acquisition revenues of £544,000 and profit of £97,000 relating to WA Ellis Property Management Limited has been included in the consolidated income statement. If the company had been acquired on the first day of the accounting period, the revenue for the year would have been £865,000 and the profit for the year would have been £69,000.

During October 2007 the businesses of London and Coastal and Howard Best Property Management Limited were purchased. Both businesses were immaterial to Group operations and therefore no further disclosure has been made.

On 1 January 2008, the trade of The Avenue Agency, a property management business based in Barnet were acquired by HML Mandells Limited. The fair values of the assets acquired are set out in the table below.

	Fair value £'000
Intangible assets	377
Goodwill	275
	<hr/>
Consideration	652
Satisfied by:	
Cash paid to vendors	652
	<hr/>

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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13. BUSINESS COMBINATIONS (ACQUISITIONS) (continued)

The book value of the assets and liabilities was £nil.

The trades of Harrisons, London and Coastal, Howard Best Property Management Limited and The Avenue Agency were immediately integrated into Group operations, therefore separate analysis of post acquisition turnover and results is not possible.

Goodwill arising on acquisitions represents the value attributable to synergies and a skilled workforce.

14. GOODWILL

	Purchased Goodwill £'000
GROUP	
Cost:	
1 April 2006	2,488
Additions	1,264
Reduction in contingent deferred consideration	(38)
IFRS transition adjustment	(746)
	2,968
31 March 2007	2,968
Cost:	
1 April 2007	1,257
Additions	2,968
	4,225
31 March 2008	4,225
Accumulated amortisation:	
1 April 2006	123
Charged in the year	68
IFRS transition adjustment	(68)
	123
31 March 2007	123
Accumulated amortisation	
1 April 2007	123
Charged in the year	-
	123
31 March 2008	123
Net book value:	
31 March 2008	4,102
31 March 2007	2,845
31 March 2006	2,365

Additions in the year of £1,257,000 comprise of £711,000 in connection with the acquisition of WA Ellis Property Management Limited by HML Hawksworth Limited, £190,000 to acquire the businesses of Harrisons and Howard Best Property Management by HML Andertons Limited and £348,000 to acquire the businesses of London and Coastal and The Avenue Agency by HML Mandells Limited and £8,000 in relation to Shaw & Co (Property Management) Limited by HML Shaw Limited.

For more details of the assets acquired see note 15.

14. GOODWILL (CONTINUED)

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

HML Hawksworth Limited  
HML Andertons Limited  
HML Mandells Limited  
HML Shaw Limited  
Shaw & Co (Surveyors) Limited

The carrying amount of goodwill and other intangible assets was allocated to the cash-generating units as follows:

	Goodwill		Other intangible assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
HML Hawksworth	711	-	737	-
HML Andertons	1,150	960	210	-
HML Mandells	1,528	1,180	509	141
HML Shaw	592	584	555	579
Shaw & Co (Surveyors)	121	121	-	-
	<u>4,102</u>	<u>2,845</u>	<u>2,011</u>	<u>720</u>

GOODWILL AND OTHER INTANGIBLE ASSETS

The recoverable amount of each cash-generating unit is determined based on the forecast average turnover over the next two years and other standard valuation metrics based on revenue that are commonly used in the industry. The forecast average turnover has been estimated to increase between 6% and 10% over the next two years.

ANNUAL TEST FOR IMPAIRMENT

During the year, the Group assessed the recoverable amount of each cash-generating unit and determined that none were impaired.

ADDITIONS TO GOODWILL

The additions to goodwill and other intangibles assets during the year were as follows:

	Goodwill £'000	Other intangibles £'000
Cost:		
1 April 2007	2,968	746
Addition – HML Hawksworth	711	754
Addition – HML Andertons	190	218
Addition – HML Mandells	348	377
Adjustment – HML Shaw	8	-
31 March 2008	<u>4,225</u>	<u>2,095</u>
Impairment:		
1 April 2007 and 31 March 2008	<u>-</u>	<u>-</u>

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

15.	OTHER INTANGIBLE ASSETS	Client Relationships £'000
	GROUP	
	Cost:	
	1 April 2006	-
	IFRS transition adjustment	746
		746
	31 March 2007	746
	Cost:	
	1 April 2007	746
	Additions	1,349
		2,095
	31 March 2008	2,095
	Accumulated amortisation:	
	1 April 2006	-
	IFRS transition adjustment	26
		26
	31 March 2007	26
	Accumulated amortisation	
	1 April 2007	26
	Amortisation charged in the year	58
		84
	31 March 2008	84
	Net book value:	
	31 March 2008	2,011
		2,011
	31 March 2007	720
		720
	31 March 2006	-
		-

Additions in the year of £1,349,000 comprise of £754,000 in connection with the acquisition of WA Ellis Property Management Limited by HML Hawksworth Limited, £218,000 to acquire the businesses of Harrisons and Howard Best Property Management by HML Andertons Limited and £377,000 to acquire the businesses of London and Coastal and The Avenue Agency by HML Mandells Limited.

Client relationships arising on acquisitions of property management companies are capitalised and classified as other intangible assets on the balance sheet. As property management companies operate in exceptionally stable marketplaces, the client relationships are considered to have a life of 25 years.

The client relationships capitalised have a remaining amortisation period of between 23 and 24 years.

For more detail on the other intangibles assets and impairment reviews relating to these assets, see note 14.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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16.	PROPERTY, PLANT AND EQUIPMENT	Plant and Machinery £'000
	GROUP	
	Cost:	
	1 April 2006	644
	Additions	81
	31 March 2007	<hr/> 725
	1 April 2007	725
	Additions	188
	Disposals	(241)
	31 March 2008	<hr/> 672
	Accumulated depreciation:	
	1 April 2006	395
	Charged in the year	111
	31 March 2007	<hr/> 506
	1 April 2007	506
	Charged in the year	104
	Disposals	(239)
	31 March 2008	<hr/> 371
	Net book value:	
	31 March 2008	<hr/> 301
	31 March 2007	<hr/> 219
	31 March 2006	<hr/> 249

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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16.	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	Plant and Machinery £'000
	COMPANY	
	Cost:	
	On incorporation	-
	Additions	5
		<hr/>
	31 March 2007	5
		<hr/>
	1 April 2007	5
	Additions	4
		<hr/>
	31 March 2008	9
		<hr/>
	Accumulated depreciation:	
	On incorporation	-
	Charged in the year	1
		<hr/>
	31 March 2007	1
		<hr/>
	1 April 2007	1
	Charged in the year	1
		<hr/>
	31 March 2008	2
		<hr/>
	Net book value:	
	31 March 2008	7
		<hr/>
	31 March 2007	4
		<hr/>
	31 March 2006	-
		<hr/> <hr/>

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

17. INVESTMENTS IN SUBSIDIARY COMPANIES

COMPANY	Shares in subsidiaries £'000
Cost:	
On Incorporation	-
Additions	2,819
31 March 2007	2,819
1 April 2007	2,819
Additions	3,298
31 March 2008	6,117

Additions in the year represent increased investment in HML Andertons Limited and HML Mandells Limited.

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

Subsidiary undertakings:	Class of holding	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
HML Hawsworth Limited	Ordinary	100%	100%	Property Management
HML Andertons Limited	Ordinary	100%	100%	Property Management
HML Mandells Limited	Ordinary	100%	100%	Property Management
HML Shaw Limited	Ordinary	100%	100%	Property Management
Shaw and Company (Surveyors) Limited	Ordinary	100%	100%	Surveyors
Alexander Bonhill Limited	Ordinary	100%	100%	Insurance Brokers
HML Concierge Services Limited	Ordinary	100%	100%	Concierge Services

All the companies set out above are incorporated in England & Wales.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade receivables	728	643	-	-
Amount owed by subsidiary undertakings	-	-	1,211	2,605
Other receivables	100	173	9	15
Prepayments and accrued income	361	253	25	13
	<b>1,189</b>	<b>1,069</b>	<b>1,245</b>	<b>2,633</b>

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash at bank and in hand	380	368	-	24
	<b>380</b>	<b>368</b>	<b>-</b>	<b>24</b>

The Group has a £400,000 overdraft facility with its' bankers. The terms and conditions of the facility are described in more detail in note 22 to the financial statements. The facility is renewable on 31 March 2009 and is secured via cross guarantees and debentures with Group companies.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank overdraft	125	-	59	-
Trade payables	343	199	38	27
Amounts owed to subsidiary undertakings	-	-	1,428	815
Corporation tax	80	17	-	-
Other taxation and social security costs	423	282	9	6
Other payables	107	56	85	2
Accruals and deferred income	183	139	80	52
Deferred consideration	170	427	-	165
	<b>1,431</b>	<b>1,120</b>	<b>1,699</b>	<b>1,067</b>

The deferred consideration relates to the acquisition of WA Ellis Property Management Limited. £170,000 is due to be paid during August 2008.

21. BORROWINGS

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Convertible loan notes	-	1,623	-	1,623
	-	1,623	-	1,623

CONVERTIBLE LOAN NOTES

During the year the convertible loan notes were all converted into ordinary shares. The loan notes were convertible into 1.5p ordinary shares at a rate of 25p per share and were non-interest bearing.

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

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities and its capital structure expose it to a variety of financial risks; foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Risk management is carried out centrally under policies approved by the board of directors. The board provides written principles for overall risk management.

(a) Foreign exchange risk

The Group operates in the UK and is currently not exposed to foreign exchange risk.

(b) Interest rate risk

Interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the use of its overdraft and short term borrowing.

The Group's only financial liability subject to interest rate risk at the year end was a bank overdraft. The overdraft is repayable on demand and bears variable interest charge of 2% above the Bank of England's base rate.

The Group invests surplus cash in bank deposits which bear interest based on short term money market rates and in doing so exposes itself to fluctuations in money market interest rates.

If interest rates has been 1% higher or lower and all other variables were held constant the Group's profit for the year ended 31 March 2008 and its equity at 31 March 2008 would have decreased or increased by £2,000 in each case. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonable change in interest rates.

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Trade receivables comprise of a large number of individual clients none of which represents in excess of 5% of trade receivables. Receivables in respect of residential property management fees are considered by management to be low risk as the non payment of service charges can result in forfeiture of the respective leases. Receivables balances are also monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

All of the Group's cash and bank balances are held with recognised UK clearing banks.

The maximum exposure to credit risk is £1,208,000 (2007: £1,184,000) and the contractual cash flows relating to this credit risk are set out below in the tables below.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. The Group monitors its risk to a shortage of funds using cashflow forecasting. The cashflow forecast considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from the operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Contractual cash flows relating to the Group's financial liabilities are set out below.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities analysed by the categories defined in IAS39 were as follows:

	2008 £'000	2007 £'000
Financial assets		
Trade and other receivables	828	816
Cash and bank balances	380	368
	<hr/> 1,208	<hr/> 1,184
Financial liabilities		
Trade and other payables	(1,056)	(964)
Bank overdraft	(125)	-
	<hr/> (1,181)	<hr/> (964)
	<hr/> <hr/> 27	<hr/> <hr/> 220

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Contractual cash flows relating to the Group's financial liabilities are as follows:

	2008 £'000	2007 £'000
Financial liabilities payable within one year		
Trade and other payables	(931)	(745)
Bank overdraft	(125)	-
	(1,056)	(745)
Financial liabilities payable between one and two years		
Trade and other payables	(125)	(219)
	(1,181)	(964)

23. DEFERRED TAX

	Group	
	2008 £'000	2007 £'000
Deferred tax liabilities	157	-
	157	-

The deferred tax liability arising during the year related to intangible assets of business combinations acquired during the year.

24. PROVISIONS

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Deferred consideration	125	219	125	219
	125	219	125	219

DEFERRED CONSIDERATION

Deferred consideration comprises cash payable in respect of the acquisition of Shaw & Company (Property Management) Limited in April 2006. The deferred consideration to be paid totals £125,000 (2007: £219,000) and falls due during the year ending 31 March 2010.

25. NON CASH TRANSACTIONS

During the year, LTC Holdings plc, the former parent company of HML Hawksworth Limited converted all of the £1,798,000 of loan notes outstanding at a rate of 25p per ordinary share.

The difference between the conversion of £1,798,000 of loan notes and the carried forward balance of £1,623,000 was represented by £175,000 recognised as equity and posted to other reserves during the year ended 31 March 2007.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

26. SHARE CAPITAL

	Group	
	2008	2007
	£'000	£'000
Authorised:		
163,733,200 ordinary shares of 1.5p each	2,456	2,456
	2,456	2,456
	Group	
	2008	2007
	£'000	£'000
Allotted, issued and fully paid:		
31,544,366 (2007 - 16,396,898) ordinary shares of 1.5p each	473	246
	473	246

SHARE ISSUES DURING THE YEAR

During the year, the company issued 7,955,467 1.5p ordinary shares for total consideration of £2,163,601.

Also during the year, £1,798,000 of loan notes was converted by LTC Holdings plc into a total of 7,192,000 1.5p ordinary shares.

27. 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 (or earlier with the approval of the Board).

Options were valued using the Black Scholes model. The fair value per option granted and the assumption used on the calculation are as follows:

Grant date	31 March 2008	12 February 2008	7 December 2007	26 June 2007	27 June 2006
Share price at grant date	19p	22p	24p	39p	17p
Exercise price	19p	22p	24p	39p	17p
Number of employees	75	8	5	55	103
Share options granted	763,000	80,000	50,000	288,000	1,147,500
Vesting period	2	2	2	2	2
Expected volatility	20%	20%	20%	20%	20%
Option life (years)	10	10	10	10	10
Expected life (years)	6	6	6	6	6
Risk free rate	4.17%	4.17%	4.17%	4.17%	4.17%
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of option	2.85p	4.27p	3.60p	5.84p	2.55p

The total fair value of options issued in the year was £44,000 (2007: £29,000). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

27. SHARE OPTIONS (CONTINUED)

A reconciliation of option movements over the year to 31 March 2008 are:

	Number	Weighted average exercise price
1 April 2006	-	-
Granted	1,147,500	17p
Lapsed	(27,500)	17p
Exercised	-	-
31 March 2007	1,120,000	17p
Granted	1,181,000	24p
Lapsed	(21,500)	24p
Exercised	-	-
31 March 2008	2,279,500	21p

28. SHARE PREMIUM

	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
Premium on shares allotted during the year	3,734	3,734
Share issue expenses	(106)	(106)
31 March 2008	6,331	6,331

This reserve relates to the premium on shares issued.  
For details of shares issued during the year, see note 26.

29. OTHER RESERVE

	Group £'000	Company £'000
1 April 2006/On incorporation	-	-
Loan note conversion adjustment	175	175
31 March 2007	175	175
Loan notes conversion adjustment	(175)	(175)
31 March 2008	-	-

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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30. 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.

31. RETAINED EARNINGS	Group £'000	Company £'000
1 April 2006/On incorporation	(1,121)	-
Profit/(loss) for year	170	(612)
Share based payment charge (see note 5)	59	59
	<hr/>	<hr/>
31 March 2007	(892)	(553)
	<hr/>	<hr/>
IFRS transition adjustment	42	-
	<hr/>	<hr/>
31 March 2007 restated	(850)	(553)
Profit/(loss) for year	260	(777)
Share based payment charge (see note 5)	71	71
	<hr/>	<hr/>
31 March 2008	(519)	(1,259)
	<hr/>	<hr/>

32. RECONCILIATION OF MOVEMENT IN EQUITY  
 SHAREHOLDERS' FUNDS

GROUP	2008 £'000	2007 £'000
Profit for the financial year	260	212
Issue of share capital	3,961	3,153
Share issues expenses	(106)	(243)
Equity element of loan notes adjustment (see note 29)	(175)	175
Share based payment charge (see note 5)	71	59
	<hr/>	<hr/>
Net addition to equity shareholders' funds	4,011	3,356
Opening equity shareholders' funds	2,259	(1,097)
	<hr/>	<hr/>
Closing equity shareholders' funds	6,270	2,259
	<hr/>	<hr/>

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

32. RECONCILIATION OF MOVEMENT IN EQUITY  
 SHAREHOLDERS' FUNDS (CONTINUED)

COMPANY	2008 £'000	2007 £'000
Loss for the financial year	(777)	(612)
Issue of share capital	3,961	3,192
Share issues expenses	(106)	(243)
Equity element of loan notes adjustment (see note 29)	(175)	175
Share based payment charge (see note 5)	71	59
Net addition to equity shareholders' funds	2,974	2,571
Opening equity shareholders' funds	2,571	-
Closing equity shareholders' funds	5,545	2,571

33. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING  
 STANDARDS ("IFRS")

The year ended 31 March 2008 is the Group's first full year of reporting in accordance with the IFRS as adopted by the EU.

The following disclosures are required in the year of transition under the provisions of IFRS 1 and show the effects of transition to IFRS on the Group's reported performance and financial position for the comparative periods and on the date of transition. The last financial statements prepared under UK GAAP were for the year ended 31 March 2007 and the date of transition to IFRS is therefore 1 April 2006.

The reconciliations of balance sheets and equity at 1 April 2006 (date of transition to IFRS) and 31 March 2007 (date of last UK GAAP financial statements) are set out below. In addition there is a reconciliation of profit for the year to 31 March 2007.

These reconciliations will enable comparison of the 2007 full year figures under IFRS with those published under UK GAAP in the annual report for the year ended 31 March 2007.

FIRST TIME ADOPTION - EXEMPTIONS IN IFRS 1

The Group has applied IFRS 1 – First Time Adoption of International Financial Reporting Standards to provide a starting point for reporting under IFRS. The rules regarding transitional arrangements are set out in IFRS 1 which generally requires full retrospective adoption of all standards effective at the reporting date. The primary IFRS exemption the Group has taken is that business combinations that occurred prior to 1 April 2006 have not been restated.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

33a. CONSOLIDATED BALANCE SHEET AS AT 1 APRIL 2006

	UK GAAP £'000	Effect of Transition £'000	IFRS £'000
<b>Non-Current Assets</b>			
Goodwill	2,365	-	2,365
Other intangible assets	-	-	-
Property, plant and equipment	253	-	253
<b>Total Non-Current Assets</b>	<b>2,618</b>	<b>-</b>	<b>2,618</b>
<b>Current Assets</b>			
Trade and other receivables	900	-	900
Cash and short term deposits	161	-	161
<b>Total Current Assets</b>	<b>1,061</b>	<b>-</b>	<b>1,061</b>
<b>Total Assets</b>	<b>3,679</b>	<b>-</b>	<b>3,679</b>
<b>Current Liabilities</b>			
Trade and other payables	(1,078)	-	(1,078)
Current tax liabilities	-	-	-
<b>Total current Liabilities</b>	<b>(1,078)</b>	<b>-</b>	<b>(1,078)</b>
<b>Net Current Liabilities</b>	<b>(17)</b>	<b>-</b>	<b>(17)</b>
<b>Non-Current Liabilities</b>			
Contingent consideration	(300)	-	(300)
Other payables	(3,398)	-	(3,398)
<b>Total Non-Current Liabilities</b>	<b>(3,698)</b>	<b>-</b>	<b>(3,698)</b>
<b>Total Liabilities</b>	<b>(4,776)</b>	<b>-</b>	<b>(4,776)</b>
<b>Net Assets</b>	<b>(1,097)</b>	<b>-</b>	<b>(1,097)</b>

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

33b. CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

	Note	UK GAAP £'000	Effect of Transition £'000	IFRS £'000
<b>Non-Current Assets</b>				
Goodwill	a	3,523	(678)	2,845
Other intangible assets	a	-	720	720
Property, plant and equipment		219	-	219
<b>Total Non-Current Assets</b>		<b>3,742</b>	<b>42</b>	<b>3,784</b>
<b>Current Assets</b>				
Trade and other receivables		1,069	-	1,069
Cash and short term deposits		368	-	368
<b>Total Current Assets</b>		<b>1,437</b>	<b>-</b>	<b>1,437</b>
<b>Total Assets</b>		<b>5,179</b>	<b>42</b>	<b>5,221</b>
<b>Current Liabilities</b>				
Trade and other payables		(1,103)	-	(1,103)
Current tax liabilities		(17)	-	(17)
<b>Total Current Liabilities</b>		<b>(1,120)</b>	<b>-</b>	<b>(1,120)</b>
<b>Net Current Assets</b>		<b>317</b>	<b>-</b>	<b>317</b>
<b>Non-Current Liabilities</b>				
Contingent consideration		(219)	-	(219)
Other payables		(1,623)	-	(1,623)
<b>Total Non-Current Liabilities</b>		<b>(1,842)</b>	<b>-</b>	<b>(1,842)</b>
<b>Total Liabilities</b>		<b>(2,962)</b>	<b>-</b>	<b>(2,962)</b>
<b>Net Assets</b>		<b>2,217</b>	<b>42</b>	<b>2,259</b>

33c. CONSOLIDATED RECONCILIATION OF CHANGES IN EQUITY

	Note	31 March 2007 £'000	1 April 2006 £'000
Total adjustment to equity	a	42	-
Total equity under UK GAAP	a	2,217	(1,097)
Total equity under IFRS		2,259	(1,097)

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

33d. CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Revenue		5,810	-	5,810
Direct operating expenses		(4,942)	-	(4,942)
Central operating overheads		(555)	-	(555)
Share based payment charge		(59)	-	(59)
Amortisation of intangible assets	a	(68)	42	(26)
Total operating expenses		(5,624)	42	(5,582)
Operating Profit		186	42	228
Finance income		2	-	2
Finance costs		(1)	-	(1)
Profit before Taxation		187	42	229
Taxation		(17)	-	(17)
Profit for the Period		170	42	212
Earnings per share (in pence)				
Basic		1.6	0.4	2.0p
Diluted		1.3	0.3	1.6p

Notes to the reconciliation of shareholders equity:

a) Goodwill and intangible assets

The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place before 1 April 2006. The Group has adopted IFRS 3 'Business Combinations' in full for all acquisitions that have occurred after this date. This has resulted in the recognition of net other intangible assets of £720,000 (after amortisation of intangible assets of £26,000) at 31 March 2007.

The adjustment in goodwill and intangible assets at 31 March 2007 comprises:

	Goodwill £'000	Other intangible assets £'000
HML Shaw client relationships	(603)	603
HML Mandells client relationships	(143)	143
Amortisation added back	68	-
Amortisation of other intangible assets	-	(26)
	(678)	720

Under UK GAAP the intangible assets would have been recognised in goodwill and the amortisation would have been £15,000 in the year ended 31 March 2007.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

34.	CASH FLOWS		
	GROUP	2008 £'000	2007 £'000
	a. Reconciliation of operating profit to net cash flow from operating activities		
	Profit from operations	323	228
	Adjustments for:		
	Depreciation	104	111
	Amortisation	58	26
	Loss on disposal of investments	-	4
	Share based payment charge	71	59
	Operating cash flows before movements in working capital	556	428
	(Increase)/decrease in receivables	(120)	32
	Increase/(decrease) in payables	311	(43)
	Net cash flow from operating activities	747	417
	COMPANY	2008 £'000	2007 £'000
	b. Reconciliation of operating profit to net cash flow from operating activities		
	Profit from operations	(777)	(612)
	Adjustments for:		
	Depreciation	1	-
	Share based payment charge	71	59
	Operating cash flows before movements in working capital	(705)	(553)
	Increase in receivables	(6)	(28)
	Increase in payables	40	288
	Net cash flow from operating activities	(671)	(293)
35.	OPERATING LEASE ARRANGEMENTS		
		2008 Land and buildings £'000	2007 Land and buildings £'000
	At 31 March 2008 the group was committed to making the following payments under non-cancellable operating leases as follows:-		
	Expiring within 1 year	29	7
	Expiring between 2 and 5 years	504	749
		533	756

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

36. CAPITAL COMMITMENTS

On 1<sup>st</sup> June 2008 HML Andertons Limited agreed a property lease at an additional rent of £30,000 with the lease to run until 2010.

37. RELATED PARTY TRANSACTIONS

As at 31 March 2008, LTC Holdings plc held 47.7% of the Company's issued share capital. Additionally, 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 £30,000 (2007: £20,000) for the use of office space and services and £30,000 (2007: £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 2008.

Transactions between the Company and its subsidiaries are disclosed below.

	2008 £'000	2007 £'000
Management charges to subsidiaries in the year	9	-
Amounts advanced to subsidiaries by way of interest-free loans at 31 March	1,211	2,605
Amounts owed to subsidiaries at 31 March	1,428	815

The amounts outstanding are unsecured, with no fixed date for repayment and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by subsidiaries.

38. REMUNERATION OF KEY MANAGEMENT

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2008 £'000	2007 £'000
Salaries and short term benefits	562	501
Share based payments	67	57
	629	558

39. POST BALANCE SHEET EVENTS

On 1 April 2008, the Group agreed to pay £520,000 to purchase the property management used extensively in the property management business. The software was purchased from the Group's former parent company LTC Holdings plc.

On 28 July 2008, HML Andertons exchanged contracts to purchase the shares of Grovewood Property Management Limited and Grovewood Property Management (South West) Limited, two residential property management businesses based in Weston-super-Mare. Total consideration of £250,000 has been agreed and the acquisition is expected to complete on 5 September 2008.

**HML HOLDINGS Plc**  
**NOTES TO THE ACCOUNTS**

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40. COMPANY INCOME STATEMENT

As permitted by s230 Companies Act 1985, the company has not presented its own income statement.

41. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.