

Company number 5728008



HML HOLDINGS PLC
PRELIMINARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

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

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 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 £652,000. 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)

24 June 2008

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

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

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

	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 attributable to the equity holders of the company	-	-	-	-	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 attributable to the equity holders of the company	-	-	-	-	260	260
Share based payment charge	-	-	-	-	71	71
Balance at 31 March 2008	473	6,331	-	(15)	(519)	6,270

HML HOLDINGS Plc
CONSOLIDATED BALANCE SHEET
31 March 2008

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

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

	Notes	2008 £'000	2007 £'000
OPERATING ACTIVITIES			
Cash generated from operations	8	747	417
Income taxes paid		11	-
Interest received		3	2
Interest paid		(14)	(1)
NET CASH FROM IN OPERATING ACTIVITES		747	418
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(186)	(81)
Acquisition of businesses		(2,501)	(1,094)
NET CASH USED IN INVESTING ACTIVITIES		(2,687)	(1,175)
FINANCING ACTIVITIES			
Increase in long term loan		-	600
Proceeds from issuance of ordinary shares		1,827	410
NET CASH FROM FINANCING ACTIVITIES		1,827	1,010
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(113)	253
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		368	115
CASH AND CASH EQUIVALENTS AT END OF YEAR		255	368

This format represents an indirect method of determining operating cash flow

HML HOLDINGS Plc

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The financial information has been prepared using the recognition and measurement principles of IFRS.

The financial information is presented in pounds sterling, prepared on a historical cost basis and, unless otherwise stated, rounded to the nearest thousand. The financial information set out in this announcement does not constitute statutory accounts for the years ended 31 March 2008 or 31 March 2007 but is derived from those draft financial statements. The financial information is not audited. The statutory accounts for the year ended 31 March 2008 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

The financial information contained in the preliminary announcement of results has been prepared on the basis of the accounting policies as outlined in the interim announcement made on 3 December 2007.

The comparative financial information for the year ended 31 March 2007 was derived from information extracted from the annual report and accounts for that period, which was prepared under UK GAAP and which has been filed with the UK Registrar of Companies. The auditors have reported on those UK GAAP accounts, their report was unqualified and did not contain statements under sections 237 (2) or (3) of the Companies Act 1985 or any matters to which the auditors drew attention by way of an emphasis of matter.

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 preliminary results were authorised for issue by the board of directors on 24 June 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 7 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 to not 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.

HML HOLDINGS Plc

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

discount on acquisition) is recognised directly in the income statement.

The purchase method of accounting is used to account for the acquisition of 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.

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 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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 to 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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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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future revenues that reflects current market assessments and the risks specific to the asset for which the future revenues have been adjusted.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

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.

HML HOLDINGS Plc

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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

HML HOLDINGS Plc

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity.

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

(a) Market risk

- (i) Foreign exchange risk: The Group operates in the UK and is not exposed to foreign exchange risk.
- (ii) Cash flow and fair value interest rate risk: The Group's interest rate risk arises from use of its overdraft and short term borrowing. The Group analyses its interest rate exposure using financial modelling.

(b) Credit risk

The Group trades only with recognised, creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a forecasting model. The model 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.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

1. 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)
Profit contribution from businesses	1,161	868
Central operating overheads	(709)	(555)
Finance income	3	2
Finance costs	(14)	(1)
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)
Profit before taxation	312	229

2. PROFIT FROM OPERATIONS

2008 £'000	2007 £'000
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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

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.

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

3.	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	52	17

Factors affecting tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK 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	52	17

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

4. EARNINGS PER SHARE

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

	2008 £'000	2007 £'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 000s	2007 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.

5. BUSINESS COMBINATIONS (ACQUISITIONS)

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

5. 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 and liabilities 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
	<hr/>
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 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 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
	<hr/>
Satisfied by:	
Cash paid to vendors	652
	<hr/>
Total consideration	652
	<hr/>

5. BUSINESS COMBINATIONS (ACQUISITIONS) (continued)

The book value of the assets and liabilities acquired 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 acquisition 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 subsidiary at the date of acquisition.

6. SHARE CAPITAL

	Group	
	2008	2007
	£'000	£'000
Authorised:		
163,733,200 ordinary shares of 1.5p each	2,456	2,456
	<hr/>	<hr/>
	2,456	2,456
	<hr/>	<hr/>
	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
	<hr/>	<hr/>
	473	246
	<hr/>	<hr/>

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.

7. 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), 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

7a. CONSOLIDATED BALANCE SHEET AS AT 1 APRIL 2006

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

HML HOLDINGS Plc
NOTES TO THE ACCOUNTS

7b. CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

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

7c. CONSOLIDATED RECONCILIATION OF CHANGES IN EQUITY

	Note	Unaudited 31 March 2007 £'000	Audited 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

7d. CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	Audited UK GAAP £'000	Unaudited Effect of transition £'000	Unaudited 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

8. CASH FLOWS	2008	2007
GROUP	£'000	£'000
a. Reconciliation of operating profit to net cash flow from operating activities		
Profit before tax	323	228
Adjustments for:		
Depreciation	104	111
Amortisation	58	26
Loss on disposal of investments	-	4
Share based payment charge	71	59
	<hr/>	<hr/>
Operating cash flows before movements in working capital	556	428
(Increase)/decrease in receivables	(120)	32
Increase/(decrease) in payables	311	(43)
	<hr/>	<hr/>
Net cash flow from operating activities	747	417
	<hr/>	<hr/>

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

Executive

Richard Smith
Robert Plumb
James Howgego

Chairman
Chief Executive
Finance Director

Non-executive

Geoffrey Griggs

SECRETARY

James Howgego

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