HML Holdings Plc
(“HML”, the “Company” or the “Group”)

Final Results for the Year Ended 31 March 2018

HML Holdings plc (AIM: HMLH), the property management services group, is pleased to announce its final results for the year ended 31 March 2018.

Financial and Operational Highlights:

- Revenues up 24% to £25.97m (2017: £20.91m)
- EBITDA up 21% to £2.58m (2017: £2.14m)**
- Adjusted operating profit up 20% to £2.21m (2017: £1.84m)*
- Profit before tax up 12% to £1.46m (2017: £1.30m)
- Adjusted basic earnings per share 4.2p (2017: 3.9p)
- Dividend per share proposed of 0.42p (2017: 0.37p)

**before interest, share based payment charges, amortisation and tax (see note 1)*
***before interest, share based payment charges, depreciation, amortisation and tax*

Commenting on the results, Robert Plumb, Chief Executive of HML said:

“The results for the year reflect the successful implementation of several initiatives at the operational level, aimed at maximising synergies and efficiency arising from our recent acquisitions. Against a backdrop of consolidation and increased government regulation in the sector, we believe that HML is well positioned to continue delivering shareholder value from the provision of property management services across the UK.”

For further information:

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Robert Plumb, Chief Executive Officer

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Ed Frisby/Giles Rolls - corporate finance

Abigail Wayne - corporate broking

REVIEW OF BUSINESS

The Board are pleased to report HML grew revenues by more than 24% to £26.0 million (2017: £20.9 million) for the year ending 31 March 2018. Revenues increased by 9% organically and the number of properties under management rose by 3,000 to 74,000. Earnings before interest, share based payments, amortisation and tax improved by 20% to £2.2 million (2017: £1.8 million).

The Group recorded an increase in the volume of new business with the South East of England, outside of central London, remaining the strongest regional contributor. New business comprised a consistent mix of existing and new build management instructions with housing estates contributing on a higher proportion of the new build instructions. We continue to grow our property developer client base, whose confidence in the demand for new residential properties remains high. The timing of completions and handovers remain somewhat unpredictable and typically occur later than originally anticipated. Levels of confirmed instructions in our new business pipeline, made up mostly of new build, remain at over 17,000 property units.

All divisions within the Group recorded growth with increased referrals from both our acquired and existing property management offices. Notably surveying fees grew 42%, boosted by the surveying division that we added through the acquisition of Faraday Property Management Limited. It was also pleasing to see a 7% organic growth in our Richmond-based professional surveying division. Alexander Bonhill increased our insurance broking revenues, not only because of acquisition referrals coming on line, but also through referrals from new organically generated management instructions. With the market understandably heightened awareness of fire risk in communal buildings our health and safety inspection fees increased by 27%. Also of note were increases in concierge management and company secretarial service fees, which grew 38% and 14% respectively.

In terms of those revenue streams typically more dependent on market confidence we can report that while uncertainty in the residential housing market has undoubtedly had an impact and our fees arising from pre-contract enquiries on property sales were lower than originally anticipated, the effect has been mitigated by the wide geographical distribution of properties that are under management. House and flat sales outside of central London have not been as seriously affected.

Despite acquisition integration related expenditure, staff and employment costs remained proportionate to revenues. Operating costs were however impacted by the cost of additional premises. During the early part of the year, we incurred a degree of premises cost duplication as our new back office in West Croydon was being fitted for occupation and other premises costs continued to be incurred for those employees whose offices were vacated. We were pleased to complete the consolidation of HML's Bristol office with Gordon and Company (Property Management) Limited and similarly the transfer of HML's Surrey and West Sussex management instructions to our new office in Reigate which arose from the Gordon and Company acquisition.

The Group also underwent a process of operational structural change following the appointment of Alec Guthrie to Chief Operating Officer in September 2017. On 1 April 2018, five of the Group's six separately branded property management companies merged to form one operating division. We have established a single operational management structure with regional leadership, which complements the changes we are making to centralise a number of non-client facing functions and services. We continue to undertake the centralisation processes, minimising wherever possible the impact to client service and cost.

The government continues to express its determination to eradicate bad practices within the leasehold sector. The abuse of ground rents in leases and the mismanagement of service charge costs by some landlords and their managing agents has attracted a considerable amount of publicity. HML welcomes the government's initiatives and remains confident that the professionalisation of our sector resulting from increased regulation, will reward those players who have invested in the processes that enable compliance with the law. The Law Commission is currently evaluating regulatory changes to freehold ground rents and the newly named Ministry of Housing, Communities and Local Government has reiterated its desire to introduce the regulation of managing agents.

REVIEW OF BUSINESS (CONTINUED)

In a time of some economic uncertainty and infrastructure change, HML has, we believe, demonstrated the resilience of our business model. We continue to address the organisational enhancements that logically flow both from technological and regulatory change. In a fragmented market made up largely of a mix of smaller players who are challenged by the significance of these changes and other players whose business models are dependent on the flow of freeholder-led instructions, we remain confident that we are well positioned to grow our share of a growing market.

On behalf of the Board, I wish to express our thanks to the Group's employees who have worked hard in challenging times to contribute to our on-going success.

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Notes	2018 £'000 Total	2017 £'000 Total
CONTINUING OPERATIONS			
REVENUE		25,968	20,910
Direct operating expenses		(22,509)	(17,796)
Central operating overheads		(1,248)	(1,278)
Share based payment charge		(30)	(27)
Amortisation of intangibles		(660)	(467)
Total central operating overheads		(1,938)	(1,772)
Operating expenses	2	(24,447)	(19,568)
PROFIT FROM OPERATIONS		1,521	1,342
Finance costs		(57)	(39)
PROFIT BEFORE TAXATION		1,464	1,303
Income tax charge	3	(302)	(261)
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,162	1,042
EARNINGS PER SHARE			
Basic	4	2.6p	2.6p
Diluted	4	2.5p	2.5p
ADJUSTED EARNINGS PER SHARE			
Basic	4	4.2p	3.9p
Diluted	4	4.1p	3.8p

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2018

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE GROUP

	Share capital £'000	Share premium £'000	Other reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2016	583	344	(86)	(15)	9,118	9,944
Profit for the year	-	-	-	-	1,042	1,042
Other comprehensive income	-	-	-	-	-	-
Share based payment charge	-	-	-	-	27	27
Share capital issued	88	1,907	-	-	-	1,995
Share sold by EBT	-	-	16	-	-	16
Dividend	-	-	-	-	(129)	(129)
Balance at 31 March 2017	671	2,251	(70)	(15)	10,058	12,895
Profit for the year	-	-	-	-	1,162	1,162
Other comprehensive income	-	-	-	-	-	-
Share based payment charge	-	-	-	-	30	30
Share capital issued	11	199	-	-	-	210
Shares purchased by EBT	-	-	(18)	-	-	(18)
Dividend	-	-	-	-	(168)	(168)
Balance at 31 March 2018	682	2,450	(88)	(15)	11,082	14,111

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2018
COMPANY NUMBER: 5728008

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill		10,510	8,894
Other intangible assets		7,937	6,604
Property, plant and equipment		786	701
		19,233	16,199
CURRENT ASSETS			
Trade and other receivables		3,930	5,619
Cash at bank		269	-
		4,199	5,619
TOTAL ASSETS		23,432	21,818
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		6,112	5,076
Borrowings		529	1,119
Current tax liabilities		349	296
		6,990	6,491
NON-CURRENT LIABILITIES			
Deferred tax liability		1,124	753
Borrowings		1,207	1,679
		2,331	2,432
TOTAL LIABILITIES		9,321	8,923
NET ASSETS		14,111	12,895
EQUITY			
Called up share capital	6	682	671
Share premium account		2,450	2,251
Other reserve		(88)	(70)
Merger reserve		(15)	(15)
Retained earnings		11,082	10,058
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		14,111	12,895

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2018

	2018 £'000	2017 £'000
OPERATING ACTIVITIES		
Cash generated from operations	2,674	1,878
Income taxes paid	(238)	(229)
Interest paid	(57)	(39)
NET CASH FROM OPERATING ACTIVITIES	2,379	1,610
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(410)	(306)
Acquisition/sale of own shares	(18)	16
Purchase of software	(235)	(220)
Purchase of client relationships	(36)	-
Purchases of businesses	77	(2,390)
Payments of deferred/contingent consideration	(337)	(230)
Advance to solicitor re: acquisitions	-	(2,122)
NET CASH USED IN INVESTING ACTIVITIES	(959)	(5,252)
FINANCING ACTIVITIES		
Drawdown of loans	-	1,725
Repayment of loans	(414)	(150)
Net movement in overdraft	(648)	201
Share issue	79	1,995
Dividend payment	(168)	(129)
NET CASH USED IN FINANCING ACTIVITIES	(1,151)	3,642
NET INCREASE IN CASH AND CASH EQUIVALENTS	269	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	269	-

GENERAL INFORMATION

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information is presented in pounds sterling, prepared on a historical cost basis, except for the revaluation of contingent considerations and rounded to the nearest thousand. The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 March 2018 or 31 March 2017.

The financial information for the year ended 31 March 2017 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 March 2018 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them. This preliminary announcement does not constitute statutory accounts under section 435 of the Companies Act 2006.

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 9-11 The Quadrant, Richmond, Surrey, TW9 1BP. The Company is listed on the AIM market of the London Stock Exchange.

The preliminary results were authorised for issue by the board of directors on 25 June 2018.

1. PROFIT RECONCILIATION

The reconciliation set out below provides additional information to enable the reader to reconcile to the numbers discussed in the Review of Business.

	2018 £'000	2017 £'000
Revenue	25,968	20,910
Direct operating expenses	(22,509)	(17,796)
Profit contribution from businesses	3,459	3,114
Central operating overheads	(1,248)	(1,278)
Profit before interest, tax, amortisation and share based payments	2,211	1,836
Finance costs	(57)	(39)
Profit before share based payment charges, amortisation and taxation	2,154	1,797
Amortisation of other intangible assets	(660)	(467)
Share based payment charge	(30)	(27)
Profit before taxation	1,464	1,303

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

2. PROFIT FROM OPERATIONS

	2018	2017
	£'000	£'000
Profit from operations is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
- charge for the year on owned assets	372	306
Amortisation of intangible assets	660	467
Operating lease rentals:		
- land and buildings	1,056	818

Set out below is an analysis of other operating expenses:

	2018	2017
	£'000	£'000
Employee salaries and staff related expenses	17,863	14,313
Management costs	374	265
Travel costs	268	219
Advertising costs	86	84
Communications	634	517
Premises costs	2,501	2,023
Professional fees	867	738
IT costs	756	539
Depreciation	372	306
Amortisation	660	467
Share based payment charges	30	27
Other expenses	63	70
Other operating expenses	24,447	19,568

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

	2018	2017
	£'000	£'000
Fees payable for the statutory audit of the Company's annual accounts	19	12
Fees payable to auditor for other services:		
Statutory audit of the Company's subsidiaries	41	46
Total fees payable to the auditor	60	58

3. INCOME TAX

	2018 £'000	2017 £'000
UK Corporation tax:		
Current tax on profits of the year	307	263
Over provision of tax in previous year	(5)	(2)
Tax attributable to the company and its subsidiaries	302	261

Factors affecting tax charge for the year

The tax assessed for the period is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	1,464	1,303
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%).	278	260
Effects of:		
Amortisation and non-deductible expenses adjustment	29	3
Over provision in previous year	(5)	(2)
Tax charge for the year	302	261

Future tax charges may be affected by the fact that no deferred tax asset is recognised in respect of losses. Deferred tax assets are not recognised until the utilisation of the losses is probable.

The Group has losses carried forward in its subsidiary, HML Hathaways Limited which can be recovered against future profits arising from the same trade. The total tax losses carried forward to future years are £1,243,000 (2017: £1,243,000). Consequently, the unprovided deferred tax asset in respect of these losses is £211,000 (2017: £211,000).

4. EARNINGS PER SHARE

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

	2018 £'000	2017 £'000
Earnings		
Profit after tax for the period (used to calculate the basic and diluted earnings per share)	1,162	1,042
Add back:		
Share based payment charge	30	27
Amortisation of intangible assets	660	467
Interest costs	57	39
Adjusted profit after the tax for the period	1,909	1,575

The adjusted profit after tax has been used to calculate the basic and diluted adjusted earnings per share.

Number of shares	2018 '000	2017 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	45,269	40,628
Effect of dilutive potential ordinary shares:		
- share options	857	1,264
Weighted average number of ordinary shares for the purposes of diluted earnings per share	46,126	41,892

Earnings per share		
Basic	2.6p	2.6p
Diluted	2.5p	2.5p
Adjusted earnings per share		
Basic	4.2p	3.9p
Diluted	4.1p	3.8p

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 April 2017, HML Holdings Plc purchased 100% of the share capital of Faraday Property Management Limited, a business based in Holborn, London. The acquisition will not only strengthen the Group's position in Central London but also gives the Group critical mass that will assist in growing the Group's ancillary revenues.

The estimated fair value of net assets transferred is set out below:

	£'000
Consideration	3,797
Stamp duty	11
Total cost of investment	3,808
Less:	
Trade and other receivables	(135)
Cash at bank	(658)
Fixed assets	(56)
Trade and other payables	281
Deferred tax	11
Client relationships	(1,848)
Deferred tax on business combinations	351
Goodwill	1,754

The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	2,633
Shares issued on completion	131
Contingent consideration	1,044
	3,808

Net cash flow arising on the acquisition was £1,975,000 which represents the consideration paid, less cash held by Faraday Property Management Limited. £2,122,000 was advanced to solicitors on 31 March 2017 resulting in a cash inflow of £147,000 in the current year.

Consideration shares consisted of 326,439 ordinary shares issued at fair value of 40.0p per share.

The contingent consideration of £1,044,000 is due within two years and is adjustable depending on the retention of clients and the arrival of contracted new clients. The range of potential payments of contingent consideration could vary from £0 to £1,044,000, however the more likely outcome would be to pay £1,044,000. Contingent consideration has not been discounted as the discounting is immaterial to the Group.

The business contributed £1,979,000 to the Group's revenue and increased the Group's profit by £274,000 from the date of the acquisition to the year-end date.

5. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED

On 1 January 2018, HML Andertons Ltd purchased 100% of the share capital of CRC Management Ltd, a property management business based in Manchester. The acquisition will strengthen the Group's position in the Northwest. The trade and assets of CRC Management Ltd were transferred to HML PM Ltd on acquisition.

The estimated fair value of net assets transferred is set out below:

	£'000
Consideration	90
Less: the fair value of assets:	
Client relationships	(45)
Deferred tax	9
Goodwill	54

The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	70
Contingent consideration	20
	90

Net cash flow arising on the acquisition was £70,000 which represents the consideration and transaction costs.

The contingent consideration of £20,000 is due within one year and is adjustable depending on the retention of clients and the arrival of contracted new clients. The range of potential payments of contingent consideration could vary from £0 to £20,000, however the more likely outcome would be to pay £20,000. Contingent consideration has not been discounted as the discount would be immaterial to the Group.

The business contributed £17,000 to the Group's revenue and increased the Group's profit by £1,000, from the date of the acquisition to the year-end date.

If all business combinations arising in the year had occurred on 1 April 2017, the consolidated revenue and profit for the Group for the year ended 31 March 2018 would have increased to £26,019,000 and £1,165,000 respectively.

6. SHARE CAPITAL

	Group and Company	
	2018	2017
Authorised:	£'000	£'000
163,733,200 ordinary shares of 1.5p each	2,456	2,456
	2,456	2,456

	Group and Company	
	2018	2017
Allotted, issued and fully paid ordinary shares of 1.5p:	£'000	£'000
1 April	671	583
Issued during the year – 730,539 shares	11	88
31 March	682	671
No. of shares in issue at year end	45,488,635	44,758,096

Shares issued during the year ended 31 March 2018 relate to the exercising of share options by HML staff in August 2017 and February 2018 and the purchase of Faraday Property Management Limited in April 2017 where an element of the purchase consideration was in shares.

7. DIVIDENDS

The Directors have proposed paying a dividend of 0.42p per share in relation to the current year (2017: 0.37p per share).

If approved, the final dividend will be paid on 19 October 2018 to shareholders on the register at 5 October 2018. The corresponding ex-dividend date is 4 October 2018.