HML HOLDINGS PLC

Annual Report and Financial Statements
Year Ended 31 March 2018

Registered No. 05728008
www.hmlgroup.com

DIRECTORS

Executive

Richard Smith	Chairman
Robert Plumb	Chief Executive Officer
James Howgego	Chief Financial Officer
Alec Guthrie	Chief Operating Officer

Non-executive
Geoffrey Griggs
Elizabeth Holden

COMPANY SECRETARY
James Howgego

REGISTERED OFFICE
9-11 The Quadrant
Richmond
Surrey
TW9 1BP

AUDITOR
Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

BANK
Barclays Bank plc
One Churchill Place
London
E14 5HP

NOMINATED ADVISER AND BROKER
finnCap
60 New Broad Street
London
EC2M 1JJ

PUBLIC RELATIONS AGENTS
Tavistock Communications
131 Finsbury Pavement
London
EC2A 1NT

REGISTRARS
Share Registrars Limited
17 West Street
Farnham
Surrey
GU9 7DR

FINANCIAL HIGHLIGHTS

YE2018	YE2017	
Revenue		
£25.97m	*£20.91m*	*24%*
Profit before interest, tax, amortisation and share based payments		
£2.21m	*£1.84m*	*20%*
Profit before tax		
£1.46m	*£1.30m*	*12%*
Cash generated from operations		
£2.67m	*£1.88m*	*42%*
Adjusted basic earnings per share		
4.2p	*3.9p*	*8%*
Dividend per share		
0.42p	*0.37p*	*14%*
Units under management		
74,000 units	*71,000 units*	*4%*

REVIEW OF BUSINESS

The Board are pleased to report HML grew revenues by over 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 increases in the volume of new business taken on with the South East of England, outside of central London, remaining the strongest regional contributor. New business included a consistent mix of existing and new build management instructions with housing estates taking on a higher proportion of the new build portion. 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 remains somewhat unpredictable and typically 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 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 just as a result of acquisition referrals coming on line but also through referrals from new organically generated management instructions. With the markets 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 services fees which grew 38% and 14% respectively.

In terms of those revenue streams 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 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 additional premises costs. 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 & 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 & 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 have been merged to form one operating division. We have established a single operational management structure with regional leadership which compliments 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 of client services 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 that will come about through 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 flows 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 employee who have worked hard in challenging times to contribute to our on-going success.

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.

To mitigate the risks in respect of acquisitions and investments, the Group carries out due diligence and produces cash flow projections to ensure that any target is a suitable strategic fit and is financially sound.

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 20.74% (2017: 20.92%) of the ordinary shares of the Group. As a result, it is able to exercise a high degree of influence 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 and may result in some margin erosion. 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 Market Abuse Regulations (EU No. 596/2014), the Financial Services and Markets Act 2000 and the Conduct of Business rules published there under. To mitigate these risks external advice is taken on Financial Conduct Authority issues and other technical areas.

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 20 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:

Operating margins of Group companies
The profit contribution from the operating business (see note 4) fell from 14.9% to 13.3% during the year. This change was largely due to the additional investment the Group has made in systems and compliance processes.

The overall margin after the inclusion of head office costs also fell slightly from 8.8% to 8.5%.

Group turnover
A combination of acquisitive and organic growth resulted in an increase in turnover of over 24% during the year.

Profit before interest, tax, amortisation and share based payments
The Group made profit before interest, tax, amortisation and share based payments of £2,211,000 (2017: £1,836,000) which represented a 20% improvement on the performance of the previous year. See note 4 for a reconciliation of this calculation.

The Directors also monitor the following operational performance indicators:

- New business generated through marketing
- New surveying and insurance business generated from internal referrals
- Potential client enquiries
- Staff retention
- Client complaints

By order of the Board

Robert Plumb
Chief Executive
1 August 2018

DIRECTORS' REPORT

The Directors submit their report and the Group financial statements of HML Holdings plc for the year ended 31 March 2018.

HML Holdings plc is a public limited company, incorporated and domiciled in England and Wales whose shares are traded 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, South West and North West of England.

RESULTS AND DIVIDENDS

The Group's result for the year was a profit of £1,162,000 (2017: £1,042,000). For more details on the performance for the year, see the Review of Business in the Strategic Report.

The Directors propose to pay a dividend of 0.42p per share in respect of the year to 31 March 2018 (2017: 0.37p).

SHARE CAPITAL

Full details of the issued share capital of the Company are set out in note 21 to the financial statements.

ACQUISITIONS

On 1 April 2017, HML Holdings Plc purchased 100% of the share capital of Faraday Property Management Limited, a residential property management business based in Holborn, London.

On 2 January 2018, HML PM Limited purchased 100% of the share capital of CRC (Management) Limited, a residential property management business based in Manchester.

POST BALANCE SHEET EVENTS

For more detail about this event, see note 33.

FUTURE DEVELOPMENTS

The Directors will continue to expand the property management services of the business through organic growth and acquisitions.

The Group has strong experience of buying and consolidating acquisitions and the Directors are optimistic that this acquisitive strategy combined with organic growth will ensure the Group continues to grow consistently in terms of turnover and profitability.

On 1 April 2018, the trade of HML Hathaways Limited, HML Shaw Limited, HML Ashton Chater Limited and HML Hawksworth Limited was transferred to HML PM Limited. For more detail on this event, see note 31.

DIRECTORS

The following Directors have held office during the year:

Robert Plumb
James Howgego
Alec Guthrie (appointed 8 September 2017)
Richard Smith
Geoffrey Griggs
Elizabeth Holden

DIRECTORS' REMUNERATION

The Directors' emoluments in the year are detailed below:

	Annual emoluments incl. pension contributions		Benefits in kind		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Robert Plumb	172	162	11	8	183	170
James Howgego	136	124	3	2	139	126
Alec Guthrie	68	-	-	-	68	-
Richard Smith	49	48	-	-	49	48
Geoffrey Griggs	19	18	-	-	19	18
Elizabeth Holden	19	16	-	-	19	16
	463	368	14	10	477	378

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

Directors' interests in the shares of the Company were as follows:

	Ordinary Shares of 1.5p each	
	31 March 2018	31 March 2017
Richard Smith	2,774,067	2,724,067
Robert Plumb	1,587,500	1,487,500
James Howgego	1,952,400	1,934,025
Geoffrey Griggs	517,167	467,167

DIRECTORS' SHARE OPTIONS

Details of options over shares held by Directors are as follows:

	Robert Plumb	James Howgego	Alec Guthrie	Richard Smith	Geoffrey Griggs	Elizabeth Holden
2009 share options	-	-	-	-	16,000	-
2011 share options	-	-	-	-	20,000	-
2012 share options	190,000	100,000	-	60,000	20,000	-
2013 share options	190,000	100,000	11,250	60,000	25,000	-
2014 share options	180,000	90,000	11,500	50,000	20,000	-
2015 share options	160,000	80,000	21,250	40,000	20,000	20,000
2016 share options	170,000	80,000	30,000	40,000	20,000	20,000
2017 share options	160,000	100,000	60,000	41,000	21,000	21,000
	1,050,000	550,000	134,000	291,000	162,000	61,000

The options issued from 2009 to 2012 are all Enterprise Management Incentive (EMI) approved options, with the exception of the options issued to Geoffrey Griggs which were unapproved.

The options issued in 2013 were all unapproved and the options issued in 2014 to 2017 were CSOP approved except for the options issued to Geoffrey Griggs, Richard Smith and Elizabeth Holden, which were unapproved.

All options have an exercise period of between three and ten years (or earlier with the approval of the Board).

Details of the dates issued and exercise price are set out below:

	Date of issue	Exercise Price
2009 share options	30.06.09	10.00p
2010 share options	24.06.10	11.50p
2011 share options	24.06.11	11.75p
2012 share options	26.07.12	17.75p
2013 share options	25.07.13	15.25p
2014 share options	06.08.14	33.00p
2015 share options	08.10.15	41.00p
2016 share options	16.08.16	32.00p
2017 share options	25.09.17	36.00p

During the year ended 31 March 2018 Robert Plumb exercised 50,000 options, James Howgego exercised 100,000 options, Richard Smith exercised 50,000 options and Geoffrey Griggs exercised 20,000 options.

SIGNIFICANT SHAREHOLDINGS

At the time of approving the financial statements, the Directors had been notified that the following persons had interests amounting to 2% or more in the issued voting share capital of the Company.

	Shares	Percentage
LTC Holdings Plc	9,432,117	20.74%
Oryx International Growth Fund	5,125,000	11.27%
BGF	3,787,018	8.33%
Unicorn Asset Management	3,721,708	8.18%
Robert Plumb	2,774,067	6.10%
City Asset Management	2,078,018	4.57%
Richard Smith	1,954,024	4.30%
James Howgego	1,587,500	3.49%
MD Barnard & Co Limited	1,390,000	3.06%

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.

FINANCIAL INSTRUMENTS

The Group manages its treasury position through the utilisation of long term bank debt funding and bank overdraft. This helps the Group ensure it is able to pay its short-term liabilities as they become due. The Group does not speculate with derivative instruments and continues to conduct all of its business in sterling. Further information is provided in note 20.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through regular formal and informal meetings, the company magazine and the annual all employee meeting.

POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year or the preceding year. However charitable donations of £450 (2017: £828) were made to local charities.

AUDITOR

In accordance with Section 485 of the Companies Act 2006, a resolution to reappoint Nexia Smith & Williamson as auditor will be put to the members at the Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each person who was a Director at the time this report was approved:

- So far as that Director was aware there was no relevant available information of which the Company's auditor was not aware; and
- That Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. 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

Company Secretary

1 August 2018

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

Opinion

We have audited the financial statements of HML Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Shareholders Equity, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	*Description of risk*	*How the matter was addressed in the audit and key observations arising with respect to that risk*
Carrying value and impairment of: goodwill and client relationship assets (Group); investments in subsidiaries and amounts owed by group undertakings (Company).	The Group has significant goodwill and client relationship assets and the Company has significant investments in subsidiaries and amounts owed by group undertakings. The assessment of the carrying value requires judgement in assessing forecast future cash flows, growth rates and discount rates. The assessment of the carrying value of these balances and consequently any required impairment is sensitive to these estimates.	We challenged the assumptions used in the impairment model for goodwill, client relationship assets, investments in subsidiaries and amounts owed by group undertakings. As part of our procedures we: • assessed the appropriateness of the impairment review methodology, assumptions concerning growth rates and inputs to the discount rate against available market data with the assistance of experts; • compared previously forecast revenue growth rates and gross profit margins with those achieved in previous years; • compared current forecast revenue growth rates and gross profit margins with those achieved in previous years; and • performed sensitivity analysis to calculate the minimum growth rates needed to avoid an asset impairment and compared them to those achieved in previous years.
Corporate acquisitions	The Group completed its acquisition of Faraday Property Management Limited ("Faraday") on the 1 April 2017, resulting in the recognition of acquired intangibles and of goodwill. Judgement was required in identifying and valuing these acquired intangibles and goodwill, determining the valuation of the other assets and liabilities acquired and the fair value of consideration paid. In addition, the disclosure requirements in respect of acquisitions are extensive.	We obtained and read the Faraday Sale and Purchase Agreement ("SPA") to gain an understanding of the key terms of the acquisition. In testing this acquisition we considered whether the identified intangible assets are appropriate and complete by reference to the SPA and other supporting documentation. We obtained the calculation of the fair value of consideration paid and intangible assets acquired, and assessed the methodology employed, involving experts and corroborated the inputs and assumptions to supporting evidence. We also checked that material fair value adjustments to the net assets were consistent with the accounting standard requirements. We read the disclosures in the financial statements to satisfy ourselves that they are in line with the requirements of the relevant accounting standards.

Key audit matter	*Description of risk*	*How the matter was addressed in the audit and key observations arising with respect to that risk*
Revenue recognition (Group)	Revenue growth is a key performance indicator of the Group. Revenue based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.	In testing revenue recognition we: • documented controls over revenue recognition which have been designed by the Group to prevent and detect fraud and errors in revenue recognition; and • performed detailed substantive testing of a sample of revenue transactions, including agreement to most recent contract or fee correspondence to ensure that revenue had been recognised in accordance with the Groups accounting policies.

Materiality

The materiality for the Group financial statements as a whole was set at £520,000. This has been determined with reference to the benchmark of the Group's revenue, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the Group. Materiality represents 2% of the Group's revenue as presented on the face of the Consolidated Statement of Comprehensive Income.

The materiality for the Parent Company financial statements as a whole was set at £320,000. This has been determined with reference to the benchmark of the Parent Company's total assets as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 3% of total assets as presented on the face of the Company Statement of Financial Position.

An overview of the scope of our audit

Of the Group's 13 reporting components, we subjected 10 to audits for Group reporting purposes the remaining 3 were immaterial to the Group.

The components within the scope of our work covered: all of the Group revenue, Group profit before tax and Group net assets.

For the remaining 3 components, we performed analysis at a Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team visited two locations in the UK covering the 10 components that we subjected to audit.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jacqueline Oakes
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

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	2	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	6	(24,447)	(19,568)
PROFIT FROM OPERATIONS		1,521	1,342
Finance costs	5	(57)	(39)
PROFIT BEFORE TAXATION		1,464	1,303
Income tax charge	8	(302)	(261)
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,162	1,042
EARNINGS PER SHARE			
Basic	9	2.6p	2.6p
Diluted	9	2.5p	2.5p
ADJUSTED EARNINGS PER SHARE			
Basic	9	4.2p	3.9p
Diluted	9	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	-	-	-	-	-	-
Transactions with owners						
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	-	-	-	-	-	-
Transactions with owners						
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
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2018

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2016	583	344	(86)	907	1,748
Profit for the year	-	-	-	79	79
Other comprehensive income	-	-	-	-	-
Transactions with owners					
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)	884	3,736
Profit for the year	-	-	-	58	58
Other comprehensive income	-	-	-	-	-
Transactions with owners					
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)	804	3,848

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

ASSETS	Notes	2018 £'000	2017 £'000
NON-CURRENT ASSETS			
Goodwill	11	10,510	8,894
Other intangible assets	12	7,937	6,604
Property, plant and equipment	13	786	701
		19,233	16,199
CURRENT ASSETS			
Trade and other receivables	15	3,930	5,619
Cash at bank	16	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
	17	6,990	6,491
NON-CURRENT LIABILITIES			
Deferred tax liability	21	1,124	753
Borrowings		1,207	1,679
	19	2,331	2,432
TOTAL LIABILITIES		9,321	8,923
NET ASSETS		14,111	12,895
EQUITY			
Called up share capital	22	682	671
Share premium account	24	2,450	2,251
Other reserve	25	(88)	(70)
Merger reserve	26	(15)	(15)
Retained earnings	27	11,082	10,058
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		14,111	12,895

The financial statements were approved by the Board of Directors and authorised for issue on 1 August 2018 and are signed on its behalf by:

Robert Plumb James Howgego

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

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	691	654
Property, plant and equipment	13	116	125
Investment in subsidiary companies	14	8,942	5,134
		9,749	5,913
CURRENT ASSETS			
Trade and other receivables	15	2,664	4,008
Cash at bank	16	-	424
		2,664	4,432
TOTAL ASSETS		12,413	10,345
LIABILITIES			
CURRENT LIABILITIES			
Borrowings		529	471
Trade and other payables		6,829	4,459
	17	7,358	4,930
NON-CURRENT LIABILITIES			
Borrowings	19	1,207	1,679
		1,207	1,679
TOTAL LIABILITIES		8,565	6,609
NET ASSETS		3,848	3,736
EQUITY			
Share capital	22	682	671
Share premium	24	2,450	2,251
Other reserve	25	(88)	(70)
Retained earnings	27	804	884
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		3,848	3,736

As permitted by S.408 Companies Act 2006, the Company has not presented its own income statement. The Company made a profit after tax of £58,000 (2017: £79,000).

The financial statements were approved by the Board of Directors and authorised for issue on 1 August 2018 and are signed on its behalf by:

Robert Plumb James Howgego

	Notes	2018 £'000	2017 £'000
OPERATING ACTIVITIES			
Cash generated from operations	29a	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	16	269	-

	Notes	2018 £'000	2017 £'000
OPERATING ACTIVITIES			
Cash absorbed by operations	29d	(1,127)	(1,024)
Interest paid		(54)	(36)
NET CASH USED IN OPERATING ACTIVITIES		(1,181)	(1,060)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(40)	(62)
Purchase of software		(235)	(220)
Purchase of business		(511)	-
Acquisition/sale of own shares		(18)	16
Payment of deferred/contingent consideration		(55)	-
Repayment from/advance to solicitor re: acquisition		-	(2,122)
NET CASH USED IN INVESTING ACTIVITIES		(859)	(2,388)
FINANCING ACTIVITIES			
Drawdown of loans		-	1,725
Repayment of loans		(414)	(150)
Net movement in overdraft		585	(536)
Share issue		79	1,995
Inter-company cash movements		1,534	967
Dividends		(168)	(129)
NET CASH FROM FINANCING ACTIVITIES		1,616	3,872
NET INCREASE IN CASH AND CASH EQUIVALENTS		(424)	424
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		424	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	-	424

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 England and Wales. The address of its registered office is 9-11 The Quadrant, Richmond, Surrey, TW9 1BP. The Company's shares are traded on AIM.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 1 August 2018.

GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Companies Act 2006 as applicable to companies reporting under IFRS.

The principal accounting policies adopted are set out below. The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the statement of financial position 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.408 of the Companies Act 2006 not to present its own statement of comprehensive income.

BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

The consolidated 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 profit or loss.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Contingent consideration is re-measured to fair value at each reporting date. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income 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.

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Group

The following new standards, interpretations and amendments, effective for the first time from 1 April 2017, have had a material effect on the financial statements of the Group or the Company.

- Amendments to IAS 7: Statement of Cash Flows

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group or Company's accounting periods beginning on or after 1 April 2018 or later periods and have not been early adopted. It is anticipated that these new standards, interpretations and amendments currently in issue at the time of preparing the financial statements may have a material effect on the consolidated financial statements of the Group. The extent is set out below:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

It is anticipated that IFRS 9 will result in an amendment to some transactions and balances recognised in the Group financial statements, but it is expected that the effect will not be significant. Currently it is expected that IFRS 15 will not have a material impact on the Group financial statements however the Group is still in the process of analysing the impact in detail. The Group holds leases on 20 offices and therefore it is expected that IFRS 16 will significantly increase assets and liabilities in the Statement of Financial Position.

REVENUE RECOGNITION

Revenue represents fees receivable from the provision of a range of property, insurance and surveying services to the residential property sector.

All 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 in property management and services companies is recognised in the period in which the services are provided.

Revenue relating to chartered surveying services is recognised when the services are provided. If services have been provided and not invoiced, the revenue is accrued.

Insurance brokerage is recognised at the start of the policy to which the brokerage relates.

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. These are reassessed on an annual basis. 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 statement of comprehensive income over the appropriate vesting period.

PURCHASED GOODWILL

Goodwill arising on acquisition and 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.

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-generating 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 profit or loss in the year in which the expenditure is incurred.

Intangible assets 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 are reviewed at least at each financial year end. The amortisation expense on intangible assets is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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

Client relationships	20 years
Software	8 years

Details of calculations are set out in note 12.

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:

Property, plant and equipment:	between 4 and 6 years.
Leasehold improvements:	length of remaining lease.

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

At each statement of financial position 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.

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 and an impairment loss is recognised as an expense immediately.

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 and a reversal of an impairment loss is recognised as income immediately.

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 administrative control over the monies in order to perform management services. These monies are not recognised on the Group statement of financial position.

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 statement of financial position when the Group has become a party to the contractual provisions of the instrument.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss. The Group derecognises financial liabilities when, and only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability and the sum of the consideration paid is recognised in profit or loss.

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 set off of the bad debt provision and any impairment loss is recognised in the statement of comprehensive income.

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. Where overall cash balances, after being offset against all overdrafts where a legal right of set off exists, are positive, the balance is presented on the face of the statement of financial position under cash and cash equivalents. Where the net cash balances are negative, the balance is presented as part of bank loans and overdrafts in the statement of financial position and not considered part of cash and cash equivalents.

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 profit or loss over the term of the instrument using an effective rate of interest.

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 statement of comprehensive income on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense 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 statement of comprehensive income 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 statement of financial position 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 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 statement of financial position date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting 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 investments, goodwill and other intangible assets
Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill and intangible assets have been allocated. The value in use calculation requires an estimation of future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The value in use of the CGUs enable an estimate to be made on whether or not there has been any impairment.

The key judgements and estimates made in calculating value in use are shown in note 11. The carrying amount of investments, goodwill and other intangible assets and any related impairment provisions are shown in notes 11, 12 and 14.

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. Estimate and judgement is also required in determining the appropriate amortisation period.

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. During the current year, the Directors determined that the useful lives of client relationships should be shortened from 25 years to 20 years following a review of current and historic client retention rates.

The financial effect of this reassessment, assuming the assets are held to the end of their estimated useful lives is to increase the amortisation expense in the current financial year and for subsequent years by £86,000 until assets start to become fully amortised.

Details of the carrying value of goodwill and other intangible assets are set out in notes 11 and 12.

Contingent and deferred consideration
Contingent and deferred consideration relating to acquisitions has been included based on management's estimate of the fair value of the consideration due. Details of this are set out in notes 10 and 18.

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 2006 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:

	2018 £'000	2017 £'000
Property management	21,475	17,572
Surveying services	1,719	982
Insurance services	2,774	2,356
Total	25,968	20,910

3. OPERATING SEGMENTS

For management purposes, the Group is currently organised into three operating divisions – property management, professional services and insurance services. These divisions are the basis on which the Group reports into the Chief Executive Officer and forms the basis of IFRS 8 disclosure.

Principal activities are as follows:

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

There is no trading between reportable segments.

The Group has no major customers.

3. OPERATING SEGMENTS (CONTINUED)

	2018 Property Management £'000	2018 Surveying Services £'000	2018 Insurance Services £'000	2018 Unallocated/ Corporate £'000	2018 Consolidated £'000	2017 Property Management £'000	2017 Surveying Services £'000	2017 Insurance Services £'000	2017 Unallocated/ Corporate £'000	2017 Consolidated £'000
Revenue										
External revenues	21,475	1,719	2,774	-	25,968	17,572	982	2,356	-	20,910
Result										
Profit from operations /(loss)	766	180	2,051	(1,476)	1,521	906	178	1,732	(1,474)	1,342
Net finance costs					(57)					(39)
Profit before tax					1,464					1,303
Income tax					(302)					(261)
Profit for the year					1,162					1,042
Other information										
Property, plant, equipment – capital expenditure	369	1	-	40	410	270	2	-	62	334
Depreciation	(321)	(2)	-	(49)	(372)	(264)	(2)	-	(40)	(306)
Intangible assets - capital expenditure	3,374	-	-	235	3,609	3,572	-	-	220	3,792
Amortisation	(462)	-	-	(198)	(660)	(297)	-	-	(170)	(467)
Share based payment charge	-	-	-	(30)	(30)	-	-	-	(27)	(27)
Assets										
Segment assets	17,380	1,027	4,127	898	23,432	14,725	894	3,562	2,637	21,818
Liabilities										
Segment liabilities	393	(231)	(936)	(8,565)	(9,321)	(5,352)	(202)	(752)	(2,617)	(8,923)

4. PROFIT RECONCILIATION

The reconciliation set out below provides additional information to enable the reader to reconcile to the numbers discussed in the Strategic Report.

	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.

5. FINANCE COSTS

	2018 £'000	2017 £'000
Interest payable on bank loans and overdrafts	57	39
	57	39

6. PROFIT FROM OPERATIONS

	2018 £'000	2017 £'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 £'000	2017 £'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 £'000	2017 £'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

7. EMPLOYEES AND STAFF COSTS

	Group 2018 No.	Group 2017 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Management	10	11
Property Management	349	294
Administration	47	48
Accounts	101	84
	507	437

	Group 2018 £'000	Group 2017 £'000
Staff costs for the above persons:		
Wages and salaries	14,983	12,103
Social security costs	1,545	1,236
Pension costs	157	108
Share based payment charge	30	27
	16,715	13,474

	Company 2018 No.	Company 2017 No.
The average monthly number of persons (including Directors) employed by the Company during the year was:		
Management	5	5
Administration	33	21
Accounts	6	6
	44	32

	Company 2018 £'000	Company 2017 £'000
Staff costs for the above persons:		
Wages and salaries	642	622
Social security costs	119	142
Pension costs	20	22
Share based payment charge	16	13
	797	799

7. EMPLOYEES AND STAFF COSTS (CONTINUED)

The total amounts for Directors' remuneration in accordance with Schedule 5 of the Accounting Regulations were as follows:

	2018 £'000	2017 £'000
Salaries, fees, bonuses and benefits in kind	456	364
Money purchase pension contributions	21	14
Total Directors' remuneration	477	378
Notional gains on exercise of share options	24	25
Total	501	403

Three Directors are members of the company money purchase scheme.

Directors' emoluments disclosed above include the following payments:

	2018 £'000	2017 £'000
Emoluments of highest paid Director	183	170

DIRECTORS' TRANSACTIONS

Dividends totalling £25,000 (2017: £22,000) were paid in the year respect of ordinary shares held by the Company's Directors.

8. 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 higher than (2017: higher 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).

9. 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.

10. 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	362
Client relationships	(1,848)
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.

10. 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.

11. GOODWILL

GROUP	Purchased goodwill £'000
Cost:	
1 April 2016	8,248
Additions	1,941
31 March 2017	10,189
Cost:	
1 April 2017	10,189
Additions	1,808
Adjustment to acquisition accounting	(192)
31 March 2018	11,805
Accumulated impairment:	
1 April 2016	1,295
Charged in the year	-
31 March 2017	1,295
Accumulated impairment:	
1 April 2017	1,295
Charged in the year	-
31 March 2018	1,295
Net book value:	
31 March 2018	10,510
31 March 2017	8,894
31 March 2016	6,953

The initial accounting for the acquisitions of Gordon & Company (Property Consultants) Limited and Goodacre Property Services Limited was incomplete at the date of approval of the year ended 31 March 2017 financial statements as an accurate list of which clients would be transferred as part of the acquisition of these companies was not available at that stage.

On completion of the acquisition accounting the fair value of consideration payable was reduced by £363,000, the fair value of client relationships acquired was reduced by £171,000 and the value of goodwill acquired was reduced by £192,000. These adjustments have been made in 2018 rather than as a prior year adjustment as they are immaterial to the financial statements.

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 Hathaways Limited
HML Shaw Limited
Faraday Property Management Limited
Shaw & Co (Surveyors) Limited

11. GOODWILL (CONTINUED)

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

	Goodwill 2018 £'000	Goodwill 2017 £'000
HML Hawksworth Limited	1,643	1,643
HML PM Limited	4,034	4,180
HML Hathaways Limited	1,084	1,077
HML Shaw Limited	1,873	1,873
Faraday Property Mgt Limited	1,754	-
Shaw & Co (Surveyors) Limited	121	121
	10,510	8,894

ANNUAL TEST FOR IMPAIRMENT

During the year, the Group assessed the recoverable amount of each cash-generating unit using a value in use basis.

The cash flow projections for cash generating units are set out over five years using a growth rate of 5% for revenue and 5% for expenses. These projections are based on the experience of the management team and recent management forecasts. Beyond 5 years, a long-term growth rate of 2.5% is applied.

The projections are then discounted at a rate of 10% which is approximate to the Weighted Average Cost of Capital for the Group to determine if any cash generating units have been impaired.

It was concluded that no intangible was impaired.

12. OTHER INTANGIBLE ASSETS

GROUP	Client Relationships £'000	Software £'000	Total £'000
Cost:			
1 April 2016	5,835	1,470	7,305
Additions	-	220	220
Arising from acquisitions	1,631	-	1,631
31 March 2017	7,466	1,690	9,156
Cost:			
1 April 2017	7,466	1,690	9,156
Additions	36	235	271
Arising from acquisitions	1,893	-	1,893
Adjustments to acquisition accounting	(171)	-	(171)
31 March 2018	9,224	1,925	11,149
Accumulated amortisation:			
1 April 2016	1,219	866	2,085
Amortisation charged in the year	297	170	467
31 March 2017	1,516	1,036	2,552
Accumulated amortisation:			
1 April 2017	1,516	1,036	2,552
Amortisation charged in the year	462	198	660
31 March 2018	1,978	1,234	3,212
Net book value:			
31 March 2018	7,246	691	7,937
31 March 2017	5,950	654	6,604
31 March 2016	4,616	604	5,220

The initial accounting for the acquisitions of Gordon & Company (Property Consultants) Limited and Goodacre Property Services Limited was incomplete at the date of approval of the year ended 31 March 2017 financial statements as an accurate list of which clients would be transferred as part of the acquisition of these companies was not available at that stage. On completion of the acquisition accounting the fair value of consideration payable was reduced by £363,000, the fair value of client relationships acquired was reduced by £171,000 and the value of goodwill acquired was reduced by £192,000. These adjustments have been made in 2018 rather than as a prior year adjustment as they are immaterial to the financial statements.

During the year £235,000 was spent on the purchase and development of the property management software used within the property management business.

Client relationships arising on acquisitions of property management companies are capitalised and classified as other intangible assets on the statement of financial position. As property management companies operate in exceptionally stable marketplaces, the client relationships are considered to have a life of 20 years.

The client relationships capitalised have a remaining amortisation period of between 8 and 20 years.

12. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software
COMPANY	£'000
Cost:	
1 April 2016	1,470
Additions	220
31 March 2017	1,690
1 April 2017	1,690
Additions	235
31 March 2018	1,925
Accumulated amortisation:	
1 April 2016	866
Amortisation charged in the year	170
31 March 2017	1,036
1 April 2017	1,036
Amortisation charged in the year	198
31 March 2018	1,234
Net book value:	
31 March 2018	691
31 March 2017	654
31 March 2016	604

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Group £'000	Company £'000
Cost:		
1 April 2016	1,775	158
Additions	334	62
Disposals	(65)	-
31 March 2017	2,044	220
1 April 2017	2,044	220
Additions	410	40
On acquisition	56	-
Disposals	(38)	-
31 March 2018	2,472	260
Accumulated depreciation:		
1 April 2016	1,074	55
Charged in the year	306	40
On acquisition	18	-
Disposals	(55)	-
31 March 2017	1,343	95
1 April 2017	1,343	95
Charged in the year	372	49
Disposals	(29)	-
31 March 2018	1,686	144
Net book value:		
31 March 2018	786	116
31 March 2017	701	125
31 March 2016	701	103

14. INVESTMENTS IN SUBSIDIARY COMPANIES

COMPANY	Shares in subsidiaries £'000
Cost:	
1 April 2016	7,306
Additions	-
31 March 2017	7,306
1 April 2017	7,306
Additions	3,808
31 March 2018	11,114
Provision for impairment:	
1 April 2016	2,172
Provided during the year:	-
31 March 2017	2,172
1 April 2017	2,172
Provided during the year:	-
31 March 2018	2,172
Net book value:	
31 March 2018	8,942
31 March 2017	5,134
31 March 2016	5,134

14. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

The company directly holds the equity of the following undertakings:

Subsidiary undertakings:	Class of holding	Percentage ownership interest	Percentage voting power held	Principal activity
HML Hawksworth Limited	Ordinary	100%	100%	Property Management
HML PM Limited	Ordinary	100%	100%	Property Management
HML Hathaways Limited	Ordinary	100%	100%	Property Management
HML Shaw Limited	Ordinary	100%	100%	Property Management
Shaw and Company (Surveyors) Limited	Ordinary	100%	100%	Chartered Surveyors
Alexander Bonhill Limited	Ordinary	100%	100%	Insurance Brokers
HML Concierge Services Limited	Ordinary	100%	100%	Concierge Services
HML Company Secretarial Limited	Ordinary	100%	100%	Dormant
HML Ashton Chater Limited*	Ordinary	100%	100%	Property Management
Managed Living Partnerships Limited*	Ordinary	100%	100%	Dormant
Gordon & Company (Property Consultants) Limited**	Ordinary	100%	100%	Dormant
Faraday Property Management Ltd	Ordinary	100%	100%	Property Management

All the companies set out above are incorporated in England & Wales and the registered office of every Company is 9-11 The Quadrant, Richmond, Surrey, TW9 1BP.

* HML Ashton Chater Limited and Managed Living Partnerships Limited are indirectly held through HML Hawksworth Limited

** Gordon & Company (Property Consultants) Limited is indirectly held through HML PM Limited.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables	1,584	1,320	-	-
Amount owed by subsidiary undertakings	-	-	2,573	1,795
Other receivables	128	2,428	12	2,133
Prepayments and accrued income	2,218	1,871	79	80
	3,930	5,619	2,664	4,008

Included in the year ended 31 March 2017, other receivables was a balance of £2,122,000 which was being held in a solicitor's client account in readiness for the completion of the Faraday Property Management Limited acquisition on 1 April 2017.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Debts are provided once they are overdue and all attempts have been made to recover them. In the Directors' opinion there are no material unprovided debtors.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	269	-	-	424

The Group has a £1,500,000 overdraft facility with its bankers. The one-year facility was renewed on 31 January 2018 and is secured via cross guarantees and debentures with Group companies which give the Group the ability to set off debit and credit balances in Group bank accounts.

Where overall cash balances, after being offset against all overdrafts, are positive, the balance is presented on the face of the statement of financial position under cash and cash equivalents. Where the net cash balances are negative, the balance is presented as part of bank loans and overdrafts in the statement of financial position.

17. CURRENT LIABILITIES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loans and overdrafts	529	1,119	1,114	471
Trade payables	1,136	539	109	77
Amounts owed to subsidiary undertakings	-	-	4,717	3,992
Corporation tax	349	296	-	-
Other taxation and social security costs	1,123	964	31	14
Other payables	663	994	139	160
Accruals and deferred income	1,583	1,336	259	216
Deferred and contingent consideration (note 18)	1,607	1,243	989	-
	6,990	6,491	7,358	4,930

Trade creditors and accruals comprise of amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

18. DEFERRED AND CONTINGENT CONSIDERATION

	Group £'000	Company £'000
At 1 April 2017	1,243	-
Arising on acquisition	1,064	1,044
Amounts paid	(337)	(55)
Adjustments to acquisition accounting	(363)	-
At 31 March 2018	1,607	989

The initial accounting for the acquisitions of Gordon & Company (Property Consultants) Limited and Goodacre Property Services Limited was incomplete at the date of approval of the year ended 31 March 2017 financial statements as an accurate list of which clients would be transferred on acquisition of these companies was not available at that stage. On completion of the acquisition accounting the fair value of consideration payable was reduced by £363,000, the fair value of client relationships acquired was reduced by £171,000 and the value of goodwill acquired was reduced by £192,000. These adjustments have been made in 2018 rather than as a prior year adjustment as they are immaterial to the financial statements.

19. NON-CURRENT LIABILITIES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loans	1,207	1,679	1,207	1,679
Deferred tax liability	1,124	753	-	-
	2,331	2,432	1,207	1,679

The bank loans are repayable in quarterly instalments over a three to four year period and attract an interest rate of between 2.0% and 2.4% above LIBOR. Any difference between the interest value in the accounts and the contractual maturity is immaterial.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities and its capital structure expose it to a variety of financial risks: 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.

MARKET RISK

Market risk comprises of the following two risks:

(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 the bank loan.

The overdraft is repayable on demand and bears variable interest charge of 1.75% above the Bank of England's base rate.

The Group has two bank loans. The first bank loan for £1,500,000 was taken out in February 2016 and is repayable over 5 years. The loan attracts an interest rate of 2.4% above LIBOR. The second bank loan was for £800,000 and was taken out in March 2017. This loan is repayable over four years and attracts an interest rate of 2.0% above LIBOR.

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 had been 1% higher or lower and all other variables were held constant the Group's profit for the year ended 31 March 2018 and its equity at 31 March 2018 would have decreased or increased by £3,000 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.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Credit risk is the risk that a counter party 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, regular 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 £3,105,000 (2017: £4,773,000).

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 cash flow forecasting. This is performed on a weekly, quarterly and annual basis. The cash flow forecasts consider 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:

	2018	2017
	£'000	£'000
Financial assets		
Trade and other receivables (loans and receivables)	2,836	4,773
Cash and cash equivalents	269	-
	3,105	4,773
Financial liabilities		
Trade and other payables (financial liabilities at amortised cost)	(3,169)	(2,722)
Bank overdraft/loan (financial liabilities at amortised cost)	(1,736)	(2,798)
Contingent/deferred consideration (fair value through P&L)	(1,607)	(1,243)
	(6,512)	(6,763)
	(3,407)	(1,990)

Trade and other receivables are shown net of the bad debt provision of £66,000 (2017: £58,000).

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2017 trade receivables of £103,000 (2017: £168,000) were overdue but not impaired. The ageing analysis of these trade receivables is as follows:

	2018 £'000	2017 £'000
Up to 3 months past due	47	51
3 to 6 months past due	37	38
Over 6 months past due	18	79
	103	168

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

	2018 £'000	2017 £'000
Financial liabilities payable within one year		
Trade and other payables	(3,169)	(2,722)
Bank overdraft/loans	(529)	(1,119)
Contingent Consideration	(1,607)	(1,243)
	(5,305)	(5,084)
Financial liabilities payable between one and five years		
Bank loan	(1,207)	(1,679)
	(6,512)	(6,763)

Contractual cash flows are not materially different from carrying value.

21. DEFERRED TAX

	Group £'000
Deferred tax liability	
At 31 March 2016	632
Additions in the year	121
At 31 March 2017	753
Additions in the year	371
At 31 March 2018	1,124

The deferred tax liability relates to intangible assets of business combinations acquired during the current and previous years.

The UK government has announced future changes to the Corporation tax rate. These changes resulted in a decrease in the standard rate of corporation tax to a standard rate of 20% from April 2016, falling to a rate of 17% by 2020. Consequently, deferred tax has been calculated on this basis.

22. SHARE CAPITAL

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

	Group and Company	
Allotted, issued and fully paid ordinary shares of 1.5p:	2018 £'000	2017 £'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.

23. 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 ten years (or earlier with the approval of the Board).

In May 2013, the company introduced a Company Share Option Plan (CSOP). The options issued have an exercise period of ten years.

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	Share price at grant date	Exercise price	No. of employees	Share options granted	Fair Value of options
25/09/2017	36.00p	36.00p	79	943,000	4.09p
16/08/2016	32.00p	32.00p	64	810,000	3.64p
08/10/2015	41.00p	41.00p	62	834,000	4.31p
06/08/2014	33.00p	33.00p	56	819,500	3.74p
25/07/2013	15.25p	15.25p	51	895,000	2.94p
26/07/2012	17.75p	17.75p	66	886,000	3.01p
24/06/2011	11.75p	11.75p	59	781,000	2.84p
24/06/2010	11.5p	11.5p	8	270,000	2.45p
30/06/2009	10p	10p	76	712,250	2.00p
31/03/2008	19p	19p	75	763,000	1.97p
12/02/2008	22p	22p	8	80,000	2.67p

23. SHARE OPTIONS (CONTINUED)

The total fair value of options issued in the year was £39,000 (2017: £31,000). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

Options have a vesting period of 3 years and an option life of 10 years. The fair value of the options has been calculated using an expected volatility of 20% which is based on historical volatility and a risk-free rate of 4.17% which is derived from the bank rate. The expected life of an option is estimated to be 6 years.

At the year-end, 1,891,750 (2017: 1,885,100) of the issued options were exercisable and the weighted average remaining life of all options outstanding was 6.8 years (2017: 6.3 years)

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 statement of comprehensive income over the restricted and vesting periods respectively.

The share based payment charge for the year is £30,000 (2017: £27,000).

A reconciliation of option movements are as follows:

	Number	Weighted av. exercise price
31 March 2016	3,939,850	24.76p
Granted	810,000	32.00p
Lapsed	(194,750)	30.22p
Options exercised and new equity issued	(432,500)	18.09p
31 March 2017	4,122,600	26.72p
Granted	943,000	36.00p
Lapsed/expired	(410,250)	35.01p
Options exercised and new equity issued	(404,100)	19.47p
31 March 2018	4,251,250	29.58p

The weighted average share price of options exercised during the year was 38.09p

24. SHARE PREMIUM

	Group	Company
	£'000	£'000
31 March 2016	344	344
Arising on shares issued during the year	1,907	1,907
31 March 2017	2,251	2,251
Arising on shares issued during the year	199	199
31 March 2018	2,450	2,450

25. OTHER RESERVE

This reserve relates to the cost of shares held in the employee benefit trust. The trust currently owns 437,418 shares in HML Holdings Plc (2017: 386,918 shares).

26. MERGER RESERVE

On 15 May 2006, a demerger agreement was entered into where 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.

27. RETAINED EARNINGS

Retained earnings represents the cumulative profits and losses of the Group less dividends paid.

28. DIVIDENDS

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

29. CASH FLOWS

GROUP	2018 £'000	2017 £'000
a. Reconciliation of operating profit to net cash flow from operating activities		
Profit from operations	1,521	1,342
Adjustments for:		
Depreciation	372	306
Amortisation	660	467
Share based payment charge	30	27
Loss on disposal of fixed assets	9	-
Operating cash flows before movements in working capital	2,592	2,142
Increase in receivables	(298)	(992)
Increase in payables	380	728
Net cash flow from operating activities	2,674	1,878

	2018 £'000	2017 £'000
b. Reconciliation of cash and cash equivalents		
Cash at bank	269	-
	269	-

c. Reconciliation of liabilities from financing activities

	1 April 2017 £'000	Cash flow £'000	Non-cash £'000	31 March 2018 £'000
Overdraft	648	(648)	-	-
Borrowings (current)	471	(414)	472	529
Borrowings (non-current)	1,679	-	(472)	1,207
	2,798	(1,062)	-	1,736

29. CASH FLOWS (CONTINUED)

COMPANY	2018 £'000	2017 £'000
d. Reconciliation of operating profit to net cash flow from operating activities		
Loss from operations	(1,476)	(1,474)
Depreciation	49	40
Amortisation	198	170
Share based payment charge	30	27
Operating cash flows before movements in working capital	(1,199)	(1,237)
Decrease/(increase) in receivables	1	(34)
Increase/(decrease) in payables	71	247
Net cash out flow from operating activities	(1,127)	(1,024)

	2018 £'000	2017 £'000
e. Reconciliation of cash and cash equivalents		
Cash at bank	-	424
	-	424

f. Reconciliation of liabilities from financing activities

	1 April 2017 £'000	Cash flow £'000	Non-cash £'000	31 March 2018 £'000
Overdraft	-	585	-	585
Borrowings (current)	471	(414)	472	529
Borrowings (non-current)	1,679	-	(472)	1,207
Amounts owed by subsidiary undertakings	(1,795)	809	(1,587)	(2,573)
Amounts owed to subsidiary undertakings	3,992	725	-	4,717
	4,347	1,705	(1,587)	4,465

30. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Directors monitor the level of capital as compared to the Group's long-term debt commitments.

The Group reports quarterly to its bankers in terms of covenant performance.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as total equity plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2018 £'000	2017 £'000
Bank loans	1,736	2,150
Add: Bank overdrafts	-	648
Less: Cash and cash equivalents	(269)	-
Net debt	1,467	2,798
Total equity	14,111	12,895
Total capital resources	15,578	15,693
Net debt to equity ratio	9.4%	17.8%

31. OPERATING LEASE ARRANGEMENTS

	2018 £'000	2017 £'000
The Group was committed to making the following payments under non-cancellable operating leases relating to land and buildings:		
Expiring within 1 year	874	754
Expiring between 2 and 5 years	2,034	1,135
Expiring after 5 years	749	94
	3,657	1,983

The Group's leases of land and buildings are subject to rent review periods ranging between 2 and 5 years.

32. RELATED PARTY TRANSACTIONS

As at 31 March 2018, LTC Holdings Plc held 20.74% (2017: 20.92%) of the Company's issued share capital. Richard Smith and Geoffrey Griggs are both Directors of HML Holdings plc and Directors of LTC Holdings Plc.

During the year LTC Holdings Plc received a dividend of £35,000 (2017: £38,000) by way of its' shareholding in the Company's share capital. Richard Smith and Geoffrey Griggs received dividends totalling £7,230 (2017: £6,382) and £1,914 (2017: £1,641) respectively.

There is no provision against any related party transaction at the year-end and no amounts have been written off during the year.

Transactions between the Company and its subsidiaries are disclosed below.

	2018 £'000	2017 £'000
Sale of tax losses	1,587	1,589
Recharge and payment of expenses incurred	1,284	428
Working capital advances from subsidiaries	(2,000)	(1,995)
Advance of acquisition capital from (2017: to) subsidiaries	(818)	600
Reduction in net creditor	53	622

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.

The remuneration of the key management personnel of the Group and the Company is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. The key management personnel are considered to be the Directors of each Company in the Group, the main Board Directors and Heads of Department.

GROUP	2018 £'000	2017 £'000
Salaries	1,185	1,066
Employer's national insurance	150	134
Pension contributions/benefits in kind	58	41
Share based payments	19	20
	1,393	1,261

COMPANY	2018 £'000	2017 £'000
Salaries	559	527
Employer's national insurance	69	65
Pension contributions and benefits in kind	37	28
Share based payments	13	9
	678	629

In accordance with AIM Rule 19, information of individual Directors' remuneration and their interests in the EMI approved and unapproved options has been disclosed in the Directors Report.

33. EVENTS SINCE THE REPORTING DATE

On 1 April 2018, as part of an internal re-organisation, the trade and assets of HML Hathaways Limited, HML Shaw Limited, HML Ashton Chater Limited and HML Hawksworth Limited were transferred to HML PM Limited.

The purpose of this re-organisation was to create a single block property management subsidiary to improve productivity, efficiency and enhance management reporting.

34. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.