

HML Holdings plc
Reports and Financial Statements
for year ended 31 March 2013



HML HOLDINGS PLC
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Executive

Richard Smith
Robert Plumb
James Howgego

Chairman
Chief Executive
Finance Director

Non-executive

Geoffrey Griggs

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 ADVISOR 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
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey
GU9 7LL

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

We are pleased to report a 37% increase in earnings before interest, share based payments, amortisation and tax to £1,063,000 (2012: £774,000). Revenues grew 21% to £12.8m (2012: £10.6m) with 10% arising from organic growth and 11% as a result of acquisitions. Profit after tax improved 76% to £637,000 (2012: £361,000).

Underpinning our organic growth in earnings was our most successful year in terms of new management instructions. While competition in the property services market remains strong, HML welcomes the degree to which its clients recognise the value of local and independent customer service. The proportion of new business arising from new build management instructions remains at a historically low level; however, we anticipate that the contribution from this sector will start to grow in the years to come. The number of residential properties under management increased by 19% to approximately 40,000 units.

In February 2013, we announced the acquisition of The Guthrie Partnership, which represents a significant milestone in the geographical expansion of HML's services and we look forward to its impact on income in the current year. Based in Knutsford, Cheshire, The Guthrie Partnership is well positioned to serve clients in the areas west of Cheshire and south of Manchester. Both the client base, which is mostly owner occupiers, and the service culture of the business are entirely compatible with HML's. In keeping with our strategy of providing a local property management and accounting service, The Guthrie Partnership will continue to operate from their offices even after they have moved their records onto HML's platform. The integration of Scotts of Putney, acquired in November 2011, into HML has proceeded well during the course of the year and, even during this period of change, the business has contributed earnings in line with our expectations.

Over the past year, there has been a noticeable increase in awareness and press coverage of the challenges inherent in the residential leasehold market. Growing parliamentary concern regarding the shortcomings of a lack of regulation in the management and ownership of leaseholds indicates that there may well be legislation in this area of the market in the coming years. While much of this attention has arisen, we believe, from the conflict of interest which arises from the common ownership and management of leasehold properties, a practice which HML eschews, we have been active in the call for setting standards in our industry. Through our memberships of the Association of Residential Managing Agents, The British Property Federation and The Leasehold Knowledge Partnership, we have welcomed various initiatives to improve transparency and service standards within the leasehold sector. Adherence to a set of minimum professional standards in order to be able to operate a residential management service would, we believe, establish a market place that would ensure the quality of service that leaseholders deserve.

HML remains optimistic that its strategy of consolidation and organic growth will continue to improve our market share in the years to come. We will improve the effectiveness of our service offering through further process and systems enhancements and professional training for our staff. We would like to thank all of our employees for the significant effort that has gone into making this a particularly successful year.

Richard Smith (Chairman)

Robert Plumb (Chief Executive)

The directors submit their report and the group financial statements of HML Holdings plc for the year ended 31 March 2013.

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 of England.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 March 2013 was a profit of £637,000 (2012: profit of £361,000).

The Directors do not recommend a dividend in respect of the year to 31 March 2013 (2012: £nil)

SHARE CAPITAL

Full details of the issued share capital of the Company are set out in note 23 to the financial statements.

BUSINESS REVIEW

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

Principal risks and uncertainties faced by the business are set out below.

ACQUISITIONS

During the year, HML Andertons Limited purchased the trade and assets of The Guthrie Partnership, a residential property manager based in Knutsford near Manchester.

Full details of the acquisitions made during the year are set out in note 12 to the financial statements.

EVENTS SINCE THE REPORTING DATE

There have been no events requiring disclosure since the year end.

FUTURE DEVELOPMENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Acquisitions and investments

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

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

Acquisitions or investments may require the Group to expend significant amounts of cash, which could result in the Group's inability to use the funds for other business purposes.

Additionally, if the Group funds acquisitions through issuances of ordinary shares, the interests of its shareholders will be diluted, which may cause the market price of the ordinary shares to decline. There is no guarantee that the Directors will be able to complete acquisitions of complementary companies on acceptable terms. Failure to do so over an extended period would limit the Directors' ability to carry out their strategy and would reduce the long term prospects of the Group.

To mitigate the risks in respect of acquisitions and investments, the group will carry out due diligence and produce 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 41.52% (2012: 41.52%) 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. There is no assurance that the Group will be able to compete successfully in such a marketplace in the future.

Regulatory Risks

The Group may be affected by the prevailing regulatory and legal environment relating to its business and the insurance services provided by its subsidiary Alexander Bonhill Limited in particular. This includes the regulatory regime of the Financial Services and Markets Act 2000 and the Conduct of Business rules published there under. To mitigate these risks external advice is taken on FCA 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 21 of the financial statements.

KEY PERFORMANCE INDICATORS

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

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

The Directors also monitor the following operational performance indicators:

- Potential client enquiries
- Staff retention
- Client complaints

DIRECTORS

The following directors have held office during the year:-

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

DIRECTORS' REMUNERATION

The Directors' emoluments in 2013 are detailed below:

	Annual emoluments		Benefits in kind		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Richard Smith	42	41	-	-	42	41
Robert Plumb	146	135	10	11	156	146
James Howgego	103	96	1	1	104	97
Geoffrey Griggs	16	15	-	-	16	15
	307	287	11	12	318	299

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 2013	31 March 2012
Richard Smith	1,619,025	1,619,025
Robert Plumb	1,964,067	1,934,067
James Howgego	1,140,000	1,105,000
Geoffrey Griggs	467,167	467,167

DIRECTORS' SHARE OPTIONS

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

	Richard Smith	Robert Plumb	James Howgego	Geoffrey Griggs
2006 share options	225,000	275,000	137,500	112,500
2008 share options	50,000	170,000	100,000	20,000
2009 share options	40,000	105,000	80,000	16,000
2010 share options	-	80,000	40,000	-
2011 share options	50,000	170,000	90,000	20,000
2012 share options	60,000	190,000	100,000	20,000
Total	425,000	990,000	547,500	188,500

The options above are all Enterprise Management Incentive (EMI) approved options, with the exception of the options issued to Geoffrey Griggs, which are all unapproved. All options have an exercise period of between two 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
2006 share options	26.06.06	17.0p
2008 share options	31.03.08	19.0p
2009 share options	30.06.09	10.0p
2010 share options	24.06.10	11.5p
2011 share options	24.06.11	11.75p
2012 share options	26.07.12	17.75p

During the year ended 31 March 2012, 55,000 options were exercised and 30,000 options were waived by Robert Plumb. No options were exercised or lapsed during the year ended 31 March 2013.

SIGNIFICANT SHAREHOLDINGS

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

	Shares	Percentage
LTC Holdings plc	15,037,931	41.52%
Unicorn Asset Management	2,777,778	7.67%
MD Barnard & Co Limited	2,222,223	6.13%
Robert Plumb	1,964,067	5.42%
Richard Smith	1,619,025	4.47%
James Howgego	1,140,000	3.15%
Cheviot Asset Management	1,100,000	3.03%

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

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

POLICY ON PAYMENT OF CREDITORS

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

Creditor days based on trade payables at 31 March 2013 were 27 days (2012: 28 days).

FINANCIAL INSTRUMENTS

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

EMPLOYEES

The Directors recognise the benefits which accrue from keeping employees informed on the progress of the business and involving them in the Group's performance. Each individual operating company adopts employee consultation as appropriate. The Company is committed to providing equality of opportunity to all employees regardless of nationality, ethnic origin, age, sex or sexual orientation and continues to be supportive of the employment and advancement of disabled persons.

POLITICAL AND CHARITABLE DONATIONS

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

AUDITOR

In accordance with Section 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

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

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 auditors were 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 auditors were aware of that information.

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

CORPORATE GOVERNANCE

The board recognises the importance of sound corporate governance and following admission to AIM, the company has adopted policies and procedures which reflect but do not fully comply with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance, appropriate to the company's size.

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

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

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the 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 company/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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company/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

Secretary

3rd July 2013

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

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

We have audited the financial statements of HML Holdings plc for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statement of Changes in Shareholders Equity, and the related notes 1 to 35. 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.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Councils (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2013 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;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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.

Stephen Drew
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

5th July 2013

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2013

	Notes	2013 £'000 Total	2012 £'000 Total
CONTINUING OPERATIONS			
REVENUE	2	12,809	10,600
Direct operating expenses		(10,862)	(8,932)
Central operating overheads		(884)	(894)
Share based payment charge	5	(12)	(10)
Amortisation of intangibles		(256)	(210)
Exceptional item	6	-	(82)
Total central operating overheads		(1,152)	(1,196)
Operating expenses	8	(12,014)	(10,128)
PROFIT FROM OPERATIONS		795	472
Finance costs	7	(33)	(16)
PROFIT BEFORE TAXATION	4	762	456
Income tax charge	10	(125)	(95)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		637	361
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		637	361
EARNINGS PER SHARE			
Basic	11	1.8p	1.1p
Diluted	11	1.7p	1.1p

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2013

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE GROUP

	Share capital £'000s	Share premium £'000s	Other reserve £'000s	Merger reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 April 2011	473	6,331	(11)	(15)	(1,266)	5,512
Profit for the year	-	-	-	-	361	361
Other comprehensive income	-	-	-	-	-	-
Share based payment charge	-	-	-	-	10	10
Share capital issued	70	412	-	-	-	482
HML shares purchased by EBT	-	-	(5)	-	-	(5)
Balance at 31 March 2012	543	6,743	(16)	(15)	(895)	6,360
Profit for the year	-	-	-	-	637	637
Other comprehensive income	-	-	-	-	-	-
Share based payment charge	-	-	-	-	12	12
HML shares purchased by EBT	-	-	(78)	-	-	(78)
Balance at 31 March 2013	543	6,743	(94)	(15)	(246)	6,931

HML HOLDINGS PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2013

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

	Share capital £'000s	Share premium £'000s	Other reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 April 2011	473	6,331	(11)	(5,163)	1,630
Loss for the year	-	-	-	(134)	(134)
Other comprehensive income	-	-	-	-	-
Share based payment charge	-	-	-	10	10
Share capital issued	70	412	-	-	482
HML shares purchased by EBT	-	-	(5)	-	(5)
Balance at 31 March 2012	543	6,743	(16)	(5,948)	1,322
Profit for the year	-	-	-	52	52
Other comprehensive income	-	-	-	-	-
Share based payment charge	-	-	-	12	12
HML Shares purchased by EBT	-	-	(78)	-	(78)
Balance at 31 March 2013	543	6,743	(94)	(5,884)	1,308

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2013
COMPANY NUMBER: 5728008

ASSETS	Notes	2013 £'000	2012 £'000
NON CURRENT ASSETS			
Goodwill	13	4,832	4,329
Other intangible assets	14	3,706	3,449
Property, plant and equipment	15	298	273
		8,836	8,051
CURRENT ASSETS			
Trade and other receivables	17	1,687	1,413
Cash at bank	18	266	502
		1,953	1,915
TOTAL ASSETS		10,789	9,966
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,580	2,004
Borrowings		345	345
Current tax liabilities		167	122
	19	3,092	2,471
NON CURRENT LIABILITIES			
Deferred tax liability	22	433	357
Borrowings		259	604
Deferred consideration		74	174
	20	766	1,135
TOTAL LIABILITIES		3,858	3,606
NET ASSETS		6,931	6,360
EQUITY			
Called up share capital	23	543	543
Share premium account	25	6,743	6,743
Other reserve	26	(94)	(16)
Merger reserve	27	(15)	(15)
Retained earnings	28	(246)	(895)
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		6,931	6,360

The financial statements were approved by the board of directors and authorised for issue on 3rd July 2013 and are signed on its behalf by:

Robert Plumb

James Howgego

HML HOLDINGS PLC
COMPANY STATEMENT OF FINANCIAL POSITION
31 March 2013
COMPANY NUMBER: 5728008

	Notes	2013 £'000	2012 £'000
ASSETS			
NON CURRENT ASSETS			
Intangible assets	14	475	487
Property, plant and equipment	15	21	6
Investment in subsidiary companies	16	5,134	5,134
		5,630	5,627
CURRENT ASSETS			
Trade and other receivables	17	1,360	1,356
Cash at bank	18	7	58
		1,367	1,414
TOTAL ASSETS		6,997	7,041
LIABILITIES			
CURRENT LIABILITIES			
Borrowings		345	345
Trade and other payables		5,085	4,770
	19	5,430	5,115
NON CURRENT LIABILITIES			
Borrowings	20	259	604
		259	604
TOTAL LIABILITIES		5,689	5,719
NET ASSETS		1,308	1,322
EQUITY			
Share capital	23	543	543
Share premium	25	6,743	6,743
Other reserve	26	(94)	(16)
Retained earnings	28	(5,884)	(5,948)
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		1,308	1,322

The financial statements were approved by the board of directors and authorised for issue on 3rd July 2013 and are signed on its behalf by:

Robert Plumb

James Howgego

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
31 March 2013
COMPANY NUMBER: 5728008

	Notes	2013 £'000	2012 £'000
OPERATING ACTIVITIES			
Cash generated from operations	29	1,436	1,055
Income taxes paid		(80)	(50)
Interest paid		(33)	(16)
NET CASH FROM OPERATING ACTIVITIES		1,323	989
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(162)	(118)
Purchase of own shares		(78)	(5)
Purchase of software		(98)	(79)
Purchases of businesses		(676)	(1,382)
Payments of deferred/contingent consideration		(200)	(19)
NET CASH USED IN INVESTING ACTIVITIES		(1,214)	(1,603)
FINANCING ACTIVITIES			
(Decrease)/increase in long term loan		(345)	949
Equity fund raising		-	282
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(345)	1,231
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(236)	617
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		502	(115)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	266	502

HML HOLDINGS PLC
COMPANY STATEMENT OF CASH FLOWS
31 March 2013
COMPANY NUMBER: 5728008

	Notes	2013 £'000	2012 £'000
OPERATING ACTIVITIES			
Cash absorbed by operations	29	(867)	(866)
Interest paid		(33)	(16)
NET CASH USED IN OPERATING ACTIVITIES		(900)	(882)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(19)	(3)
Purchase of software		(98)	(79)
Purchase of own shares		(78)	(5)
NET CASH USED IN INVESTING ACTIVITIES		(195)	(87)
FINANCING ACTIVITIES			
(Decrease)/increase in long term loan		(345)	949
Equity fund raising		-	282
Inter-company cash movements		1,389	(224)
NET CASH FROM FINANCING ACTIVITIES		1,044	1,007
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(51)	38
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		58	20
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	7	58

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 3rd July 2013.

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

The Company has taken advantage of S.408 of the Companies Act 2006 not to present its own income statement.

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

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

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Group

None of the new standards, interpretations and amendments, effective for the first time from 1 April 2012, have had a material effect on the financial statements of the Group or the Company.

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 2013 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 (July 2013) may have a material effect on the consolidated financial statements of the Group, however the extent of this has not yet been assessed.

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements-
- IAS 27 Separate Financial Statements
- IFRS 13 Fair Value Measurement

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 income statement 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 profit and loss in the expense category consistent with the function of the intangible asset. A full year's amortisation is recognised in the year of acquisition.

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

Customer Relationships	25 years
Software	8 years

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

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

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

CLIENT MONIES

The management of client monies is part of the group's residential management activities. This money belongs to clients, but the Group has administrative control over the monies in order to perform management services. These monies are not recognised on the group balance sheet.

INVESTMENTS

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

FINANCIAL INSTRUMENTS

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

TRADE RECEIVABLES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with maturities of less than three months. Bank overdrafts are included in cash and cash equivalents where they have a legal right of set off against positive cash balances, otherwise bank overdrafts are classified as borrowings.

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

TAXATION

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in 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 evaluation of earnings and turnover of the cash-generating units to which goodwill and intangible assets have been allocated. The earnings and turnover of the cash generating units enable a valuation to be derived and thus an estimate made on whether or not there has been any impairment as shown in note 13.

Valuation of share based payments

The charge for share based payments is calculated in accordance with the analysis described in note 24. The model requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield and risk-free interest rates. The directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Valuation and useful lives of intangible assets

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

Contingent and deferred consideration

Contingent and deferred consideration relating to acquisitions has been included based on management's estimate of the fair value of the consideration due. Details of this are set out in note 12.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2013 £'000	2012 £'000
Property management	10,683	8,815
Professional services	801	776
Insurance services	1,325	1,009
Total	12,809	10,600

3. OPERATING SEGMENTS

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

Principal activities are as follows:

- Property management: residential property management.
- Professional 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.

**HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	3. BUSINESS SEGMENTS (CONTINUED)						2012 Unallocated/ Corporate £'000	2012 Insurance Services £'000	2012 Professional Services £'000	2012 Property Management £'000	2013 Unallocated/ Corporate £'000	2013 Insurance Services £'000	2013 Professional Services £'000	2013 Consolidated £'000	2012 Unallocated/ Corporate £'000	2012 Insurance Services £'000	2012 Professional Services £'000	2012 Property Management £'000	2012 Consolidated £'000
	2013 Property Management £'000	2013 Professional Services £'000	2013 Insurance Services £'000	2013 Unallocated/ Corporate £'000	2013 Consolidated £'000	2012 Property Management £'000													
Revenue																			
External revenues	10,683	801	1,325	0	12,809	8,815	776	1,009	-	10,600									
Result																			
Profit from operations/(loss)	795	34	972	(1,006)	795	584	152	736	(1,000)	472									
Profit on operations					0					472									
Net finance costs					(33)					(16)									
Profit before tax					762					456									
Income tax					(125)					(95)									
Profit for the year					637					361									
Other information																			
Property, plant, equipment – capital expenditure	139	4	0	19	162	145	-	-	3	148									
Depreciation	(132)	(1)	0	(4)	(137)	(132)	(2)	-	(4)	(138)									
Intangible assets	8,063			475	8,538	7,116			487	7,603									
Amortisation	(146)			(110)	(256)	(114)			(96)	(210)									
Share based payment charge				(12)	(12)	-			(10)	(10)									
Assets																			
Segment assets	9,187	392	707	503	10,789	8,355	594	454	563	9,966									
Liabilities																			
Segment liabilities	(2,483)	(110)	(394)	(871)	(3,858)	(1,949)	(234)	(240)	(1,183)	(3,606)									

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PROFIT RECONCILIATION

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

	2013 £'000	2012 £'000
Revenue	12,809	10,600
Direct operating expenses	(10,862)	(8,932)
Profit contribution from businesses	1,947	1,668
Central operating overheads	(884)	(894)
Profit before interest, exceptional items, share based payment charges, amortisation of other intangible assets and taxation	1,063	774
Finance costs	(33)	(16)
Profit before exceptional items, share based payment charges, amortisation of other intangible assets and taxation	1,030	758
Amortisation of other intangible assets	(256)	(210)
Share based payment charge	(12)	(10)
Exceptional items	-	(82)
Profit before taxation	762	456

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

5. SHARE BASED PAYMENT TRANSACTIONS

In accordance with IFRS 2 Share based payments, the fair value of shares issued to management prior to flotation and the fair value at date of grant of the group's share options issued on flotation are being charged to the income statement over the restricted and vesting periods respectively. Note 24 contains more detail on the share options issued during the year.

The share based payment charge for the year is £12,000 (2012: £10,000).

6. EXCEPTIONAL ITEM

During the prior year the group purchased the trade and assets of Scotts (Putney) Limited. The following costs set out below were incurred in the acquisition of the business.

	2013 £'000	2012 £'000
Solicitor costs	-	34
Bank costs	-	13
Other professional costs	-	35
	-	82

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.	FINANCE COSTS	2013 £'000	2012 £'000
	Interest payable on bank loans and overdrafts	33	16
		<u>33</u>	<u>16</u>

8.	PROFIT FROM OPERATIONS	2013 £'000	2012 £'000
	Profit from operations is stated after charging: Depreciation and amounts written off property, plant and equipment:		
	- charge for the year on owned assets	137	138
	Amortisation of intangible assets	256	210
	Operating lease rentals:		
	- land and buildings	466	393

Set out below is an analysis of other operating expenses;

		2013 £'000	2012 £'000
	Employee salaries and expenses	8,777	7,391
	Management costs	238	167
	Travel costs	136	118
	Advertising costs	45	45
	Communications	349	240
	Premises costs	1,245	1,048
	Professional fees	470	387
	IT costs	319	271
	Depreciation	137	138
	Amortisation	256	210
	Share based payment charges	12	10
	Other expenses	30	21
	Exceptional item	-	82
	Other operating expenses	<u>12,014</u>	<u>10,128</u>

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

		2013 £'000	2012 £'000
	Fees payable for the statutory audit of the company's annual accounts	9	17
	Fees payable to auditor for other services:		
	Statutory audit of the company's subsidiaries	30	30
	Total fees payable to the auditor	<u>39</u>	<u>47</u>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9.	EMPLOYEES AND STAFF COSTS	2013	2012
		No.	No.
	The average monthly number of persons (including directors) employed by the group during the year was:		
	Management	10	10
	Property Management	192	155
	Administration and accounts	88	69
		290	234
		2013	2012
		£'000	£'000
	Staff costs for the above persons:		
	Wages and salaries	7,634	6,412
	Social security costs	795	674
	Share based payment charge	12	10
		8,441	7,096
		2013	2012
	DIRECTORS	£'000	£'000
	Directors' emoluments	318	299
		2013	2012
	Directors' emoluments disclosed above include the following payments	£'000	£'000
	Emoluments of highest paid director	156	146

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10.	INCOME TAX	2013 £'000	2012 £'000
	UK Corporation tax:		
	Current tax on profits of the year	167	95
	Overprovision of tax previous year	(42)	-
		<hr/>	<hr/>
	Tax attributable to the company and its subsidiaries	125	95
		<hr/>	<hr/>

Factors affecting tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 24% (2012: 25%). The differences are explained below:

	2013 £'000	2012 £'000
Profit before tax	762	456
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 24% (2012: 25%).	184	119
Effects of:		
Difference between depreciation and capital allowances	(1)	2
Amortisation and non deductible expenses adjustment	(6)	(6)
Utilisation of tax losses	-	(18)
Benefit of small companies tax rate	(12)	(18)
Overprovision in previous year	(42)	-
	<hr/>	<hr/>
Tax charge for the year	125	95
	<hr/>	<hr/>

Future tax charges may be affected by the fact that no deferred tax asset is recognised in respect of losses carried forward by HML Hathaways Limited. 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 (2012: £1,243,000). The unprovided deferred tax asset in respect of these losses is £249,000 (2012: £249,000).

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

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

	2013 £'000	2012 £'000
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share	637	361
Earnings for the purposes of diluted earnings per share	637	361
<i>Number of shares</i>		
	2013 '000	2012 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	36,220	33,197
Effect of dilutive potential ordinary shares:		
- share options	784	229
Weighted average number of ordinary shares for the purposes of diluted earnings per share	37,004	33,426
Basic earnings per ordinary share	1.8p	1.1p
Fully diluted earnings per ordinary share	1.7p	1.1p

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.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. BUSINESS COMBINATIONS (ACQUISITIONS)

On 28 January 2013, the trade and assets of The Guthrie Partnership were purchased by HML Andertons Limited. The Guthrie Partnership was a property management business based in Knutsford near Manchester. The acquisition established HML as a significant property manager in the North-West of England.

The fair value of net assets acquired in the acquisition are set out below:

	£'000
Consideration	796
less: the fair value of assets	
Fixtures and fittings	(3)
Computer equipment	(17)
Customer relationships	(382)
add: the fair value of liabilities	
Deferred tax	76
	<hr/>
Goodwill	470
	<hr/>

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 acquired businesses and the synergies expected to be achieved from the integration of the acquired businesses into the Group's existing and projected business.

	£'000
Satisfied by:	
Cash	644
Contingent consideration	152
	<hr/>
Total consideration	796
	<hr/>

Net cashflow arising on the acquisition was £644,000 relating to the consideration paid.

The amounts recognised at the acquisition date in respect of fixed assets acquired in the business combination approximate to their fair value.

The contingent consideration of £152,000 is due within one year and is adjustable depending on the retention of clients. The range of potential payments of contingent consideration could vary from £0 to £152,000, however the more likely outcome would be to pay £152,000 in relation to the contingent consideration.

If the acquisition of The Guthrie Partnership had been completed on the first day of the financial year, group revenues for the period would have been increased by £610,000 and the group profit attributable to equity holders of the parent would have increased by £62,000.

The business of The Guthrie Partnership contributed £83,000 to the Group's revenue and reduced the Group's profit before tax for the period by £3,000 from the date of acquisition to the year end date.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.	GOODWILL	Purchased Goodwill £'000
	GROUP	
	Cost:	
	1 April 2011	4,655
	Additions	969
	31 March 2012	5,624
	Cost:	
	1 April 2012	5,624
	Additions	503
	31 March 2013	6,127
	Accumulated impairment:	
	1 April 2011	1,295
	Charged in the year	-
	31 March 2012	1,295
	Accumulated impairment:	
	1 April 2012	1,295
	Charged in the year	-
	31 March 2013	1,295
	Net book value:	
	31 March 2013	4,832
	31 March 2012	4,329
	31 March 2011	3,360

Of the addition of £503,000 in the year, £470,000 relates to the acquisition of the business of The Guthrie Partnership by HML Andertons Limited and £33,000 relates to the acquisition of a portfolio by HML Hathaways Limited.

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
- Shaw & Co (Surveyors) Limited

13. GOODWILL (CONTINUED)

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

	Goodwill	
	2013 £'000	2012 £'000
HML Hawksworth Limited	711	711
HML Andertons Limited	1,811	1,341
HML Hathaways Limited	628	595
HML Shaw Limited	1,561	1,561
Shaw & Co (Surveyors) Limited	121	121
	4,832	4,329

GOODWILL AND OTHER INTANGIBLE ASSETS

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

ANNUAL TEST FOR IMPAIRMENT

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

The cash flow projections of each cash generating unit is set out over five years and then to perpetuity. These projections are based on the experience of the management team. The forecast turnover and profit from those projections are then flexed using a growth rate of 10% over a five year period and then into perpetuity using the long term growth rate. This growth rate is based on the historic performance of the Group's Property Management businesses. The projections are then discounted at a rate of 4% which is approximate to the Weighted Average Cost of Capital for the Group to determine if any intangible cash generating units have been impaired.

It was concluded that no intangible was impaired.

ADDITIONS TO GOODWILL

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

	Goodwill	Other intangibles
	£'000	£'000
Cost:		
1 April 2012	5,624	4,253
Addition – HML Andertons Limited	470	382
Addition – HML Hathaways Limited	33	33
Addition – software	-	98
	6,127	4,766

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. OTHER INTANGIBLE ASSETS

	Client Relationships £'000	Software £'000	Total £'000
GROUP			
Cost:			
1 April 2011	2,392	732	3,124
Additions	-	79	79
Arising from acquisitions	1,050	-	1,050
31 March 2012	3,442	811	4,253
Cost:			
1 April 2012	3,442	811	4,253
Additions	-	98	98
Arising from acquisitions	415	-	415
31 March 2013	3,857	909	4,766
Accumulated amortisation:			
1 April 2011	366	228	594
Amortisation charged in the year	114	96	210
31 March 2012	480	324	804
Accumulated amortisation			
1 April 2012	480	324	804
Amortisation charged in the year	146	110	256
31 March 2013	626	434	1,060
Net book value:			
31 March 2013	3,231	475	3,706
31 March 2012	2,962	487	3,449
31 March 2011	2,026	504	2,530

During the year £98,000 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 balance sheet. As property management companies operate in exceptionally stable marketplaces, the client relationships are considered to have a life of 25 years.

The client relationships capitalised have a remaining amortisation period of between 16 and 24 years.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14.	OTHER INTANGIBLE ASSETS (CONTINUED)	Software
	COMPANY	£'000
	Cost:	
	1 April 2011	732
	Additions	79
	31 March 2012	<u>811</u>
	1 April 2012	811
	Additions	98
	31 March 2013	<u>909</u>
	Accumulated amortisation:	
	1 April 2011	228
	Amortisation charged in the year	96
	31 March 2012	<u>324</u>
	1 April 2012	324
	Amortisation charged in the year	110
	31 March 2013	<u>434</u>
	Net book value:	
	31 March 2013	<u>434</u>
	31 March 2012	<u>487</u>
	31 March 2011	<u>504</u>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and Machinery £'000
Cost:	
1 April 2011	564
Additions	148
	<hr/>
31 March 2012	712
	<hr/>
1 April 2012	712
Additions	142
Arising from acquisition	20
	<hr/>
31 March 2013	874
	<hr/>
Accumulated depreciation:	
1 April 2011	301
Charged in the year	138
	<hr/>
31 March 2012	439
	<hr/>
1 April 2012	439
Charged in the year	137
	<hr/>
31 March 2013	576
	<hr/>
Net book value:	
31 March 2013	298
	<hr/>
31 March 2012	273
	<hr/>
31 March 2011	263
	<hr/> <hr/>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	
	COMPANY	Plant and Machinery £'000
	Cost:	
	1 April 2011	20
	Additions	3
		<hr/>
	31 March 2012	23
		<hr/>
	1 April 2012	23
	Additions	19
		<hr/>
	31 March 2013	42
		<hr/>
	Accumulated depreciation:	
	1 April 2011	13
	Charged in the year	4
		<hr/>
	31 March 2012	17
		<hr/>
	1 April 2012	17
	Charged in the year	4
		<hr/>
	31 March 2013	21
		<hr/>
	Net book value:	
	31 March 2013	21
		<hr/> <hr/>
	31 March 2012	6
		<hr/>
	31 March 2011	7
		<hr/>

16. INVESTMENTS IN SUBSIDIARY COMPANIES

COMPANY	Shares in subsidiaries £'000
Cost:	
1 April 2011	7,306
Additions	-
	7,306
31 March 2012	7,306
	7,306
1 April 2012	7,306
Additions	-
	7,306
31 March 2013	7,306
	7,306
Provision for impairment:	
1 April 2011	2,172
Provided during the year:	-
	2,172
31 March 2012	2,172
	2,172
1 April 2012	2,172
Provided during the year:	-
	2,172
31 March 2013	2,172
	2,172
Net book value:	
31 March 2013	5,134
	5,134
31 March 2012	5,134
	5,134
31 March 2011	5,134
	5,134

16. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

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

Subsidiary undertakings:	Class of holding	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
HML Hawksworth Limited	Ordinary	100%	100%	Property Management
HML Andertons 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

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

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables	558	650	-	-
Amount owed by subsidiary undertakings	-	-	1,323	1,339
Other receivables	49	57	4	-
Prepayments and accrued income	1,080	706	33	17
	<hr/> 1,687	<hr/> 1,413	<hr/> 1,360	<hr/> 1,356

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade debtors are financial assets. 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.

HML HOLDINGS PLC
NOTES TO THE ACCOUNTS

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash at bank and in hand	266	502	7	58

The Group has a £500,000 overdraft facility with its bankers. The one year facility was renewed on 1st November 2012 and is secured via cross guarantees and debentures with Group companies.

19. CURRENT LIABILITIES

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loans	345	345	345	345
Trade payables	329	137	34	27
Amounts owed to subsidiary undertakings	-	-	4,818	4,535
Corporation tax	167	122	-	-
Other taxation and social security costs	721	677	14	7
Other payables	712	558	8	8
Accruals and deferred income	818	632	211	193
	3,092	2,471	5,430	5,115

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. Trade and other creditors, and bank loans/overdrafts are financial liabilities.

Included in other payables is £100,000 of contingent consideration relating to the Scotts (Putney) Ltd acquisition.

20. NON CURRENT LIABILITIES

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loans	259	604	259	604
Deferred tax liability	433	357	-	-
Deferred consideration	74	174	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	766	1,135	259	604
	<hr/>	<hr/>	<hr/>	<hr/>

In November 2011, a bank loan of £1,035,000 was taken out to assist with the purchase of the trade and assets of Scotts (Putney) Ltd.

The bank loan is repayable in quarterly instalments over three years and attracts an interest rate of 3.5% above LIBOR. Any difference between the interest value in the accounts and the contractual maturity is immaterial.

21. 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 2% above the Bank of England's base rate. The bank loan is repayable over three years and has an interest rate of 3.5% 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.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

If interest rates has been 1% higher or lower and all other variables were held constant the Group's profit for the year ended 31 March 2013 and its equity at 31 March 2013 would have decreased or increased by £4,000 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.

CREDIT RISK

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Trade receivables comprise of a large number of individual clients none of which represents in excess of 5% of trade receivables. Receivables in respect of residential property management fees are considered by management to be low risk as the non payment of service charges can result in forfeiture of the respective leases. Receivables balances are also monitored on an ongoing, 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 £873,000 (2012: £1,209,000).

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:

	2013 £'000	2012 £'000
Financial assets		
Trade and other receivables	607	707
Cash and cash equivalents	266	502
	873	1,209
Financial liabilities		
Trade and other payables	(1,836)	(1,546)
Bank overdraft/loan	(604)	(949)
	(2,440)	(2,495)
	(1,567)	(1,286)

Trade and other receivables are shown net of the bad debt provision of £45,000 (2012: £37,000)

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2013 trade receivables of £135,000 (2012: £110,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2013 £'000	2012 £'000
Up to 3 months past due	45	18
3 to 6 months past due	24	10
Over 6 months past due	65	82
	135	110

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

	2013 £'000	2012 £'000
Financial liabilities payable within one year		
Trade and other payables	(1,762)	(1,372)
Bank overdraft/loans	(345)	(345)
	(2,107)	(1,717)
Financial liabilities payable between one and two years		
Bank loan	(259)	(604)
Deferred consideration	(74)	(174)
	(2,440)	(2,495)

Contractual cash flows are not materially different from carrying value.

22.	DEFERRED TAX	Group
	Deferred tax liability	£'000
	At 1 April 2011	182
	Additions in the year	175
	At 31 March 2012	357
	Additions in the year	76
	At 31 March 2013	433

The deferred tax liability relates to intangible assets of business combinations acquired during previous years. The addition in the year relates to the acquisition made by HML Andertons Limited.

Deferred Tax

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 23% in April 2013. If enacted, these changes will result in a further 2% reduction in April 2014 and a further 1% to a standard rate of 20% in April 2015. As at 31 March 2013 the substantively enacted rate remains at 23%. Deferred tax has been measured using the effective rate that will apply in the UK for the year ending 31 March 2013.

Any subsequent changes to the tax rates are not deemed to have a material impact on the financial statements.

23.	SHARE CAPITAL	Group	
	Authorised:	2013 £'000	2012 £'000
	163,733,200 ordinary shares of 1.5p each	2,456	2,456
		2,456	2,456
	Allotted, issued and fully paid ordinary shares of 1.5p:	Group	
	1 April	2013 £'000	2012 £'000
	Issued during the year – 4,675,382 shares	543	473
	31 March	-	70
		543	543
	No. of shares in issue at year end	36,219,747	36,219,747

All shares issued during the year ended 31 March 2012 related to the acquisition of the trade and assets of Scotts (Putney) Limited.

24. 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).

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
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	2.85p
12/02/2008	22p	22p	8	80,000	4.27p
07/12/2007	24p	24p	5	50,000	3.60p
26/06/2007	39p	39p	55	288,000	5.84p
27/06/2006	17p	17p	103	1,147,500	2.55p

The total fair value of options issued in the year was £26,668 (2012: £21,612). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

All options have a vesting life of 2 years and an option life of 10 years. The fair value of the options has been calculated using an expected volatility of 20% and a risk free rate of 4.17%. The expected life of an option is estimated to be 6 years and no dividends are expected.

At the year end, 2,637,700 of the issued options were exercisable and the weighted average remaining life of all options outstanding was 6.1 years (2012: 6.8 years)

A reconciliation of option movements over the year to 31 March 2012 are:

	Number	Weighted average exercise price
31 March 2011	3,027,700	16.00p
Granted	781,000	11.75p
Waived/exercised	(129,000)	13.00p
31 March 2012	3,679,700	15.00p
Granted	886,000	17.75p
Waived	(151,000)	17.10p
31 March 2013	4,414,700	15.48p

HML HOLDINGS PLC
NOTES TO THE ACCOUNTS

25.	SHARE PREMIUM	Group £'000	Company £'000
	31 March 2011	6,331	6,331
	Share issued during the year ended 31 March 2012	412	412
	31 March 2012, 2013	6,743	6,743

This reserve relates to the premium on shares issued.

26. OTHER RESERVE

This reserve relates to the cost of shares held in the employee benefit trust.

27. MERGER RESERVE

On 15 May 2006, a demerger agreement was entered into whereby LTC Holdings Plc agreed to transfer the business of Hawksworth Management Limited and its subsidiaries to a newly incorporated company, HML Holdings plc. The demerger completed on 2 June 2006 when HML Holdings plc issued 2,577,143 1.5p ordinary shares to acquire the entire share capital of Hawksworth Management Limited.

28.	RETAINED EARNINGS	Group £'000	Company £'000
	31 March 2011	(1,266)	(5,824)
	Profit/(loss) for year	361	(134)
	Share based payment charge (see note 5)	10	10
	31 March 2012	(895)	(5,948)
	Profit for year	637	52
	Share based payment charge (see note 5)	12	12
	31 March 2013	(246)	(5,884)

HML HOLDINGS PLC
NOTES TO THE ACCOUNTS

29. CASH FLOWS

	2013 £'000	2012 £'000
GROUP		
a. Reconciliation of operating profit to net cash flow from operating activities		
Profit from operations	795	472
Adjustments for:		
Depreciation	137	138
Amortisation	256	210
Share based payment charge	12	10
Exceptional item	-	82
Operating cash flows before movements in working capital	1,200	912
Decrease/(increase) in receivables	(274)	12
Increase in payables	510	131
Net cash flow from operating activities	1,436	1,055

This format represents an indirect method of determining operating cash flows.

	2013 £'000	2012 £'000
b. Reconciliation of cash and cash equivalents		
Cash at bank	266	502
	266	502

	2013 £'000	2012 £'000
COMPANY		
c. Reconciliation of operating profit to net cash flow from operating activities		
Loss from operations	(1,005)	(1,017)
Depreciation	4	4
Amortisation	110	96
Share based payment charge	12	10
Operating cash flows before movements in working capital	(879)	(907)
Increase/decrease in receivables	(20)	(7)
Increase in payables	32	48
Net cash flow from operating activities	(867)	(866)

HML HOLDINGS PLC
NOTES TO THE ACCOUNTS

30.	OPERATING LEASE ARRANGEMENTS	2013 Land and buildings £'000	2012 Land and buildings £'000
	At 31 March 2013 the group was committed to making the following payments under non-cancellable operating leases:		
	Expiring within 1 year	462	434
	Expiring between 2 and 5 years	1,409	1,459
	Expiring after 5 years	255	449
		2,126	2,342

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

31. RELATED PARTY TRANSACTIONS

As at 31 March 2013, LTC Holdings plc held 41.52% (2012: 41.52%) of the Company's issued share capital. Additionally, Richard Smith and Geoffrey Griggs, both directors of HML Holdings plc, are also directors of LTC Holdings plc.

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.

	2013 £'000	2012 £'000
Management charges to subsidiaries in the year	16	16
Amounts received from subsidiaries by way of interest-free loans	1,323	1,339
Amounts owed to subsidiaries at 31 March	4,818	4,535

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.

32. REMUNERATION OF KEY MANAGEMENT

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 managing director of each business in the group and the main board executive directors.

GROUP	2013 £'000	2012 £'000
Salaries and short term benefits	788	746
Share based payments	10	8
	<hr/>	<hr/>
	798	754
	<hr/>	<hr/>
COMPANY	2013 £'000	2012 £'000
Salaries and short term benefits	260	243
Share based payments	2	2
	<hr/>	<hr/>
	262	245
	<hr/>	<hr/>

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

There have been no events since the year end requiring disclosure.

34. COMPANY INCOME STATEMENT

As permitted by s408 Companies Act 2006, the company has not presented its own income statement.

The Company made no gains or losses which would be reported in Other Comprehensive Income in the year ended 31 March 2013 (2012: Nil) and therefore the Company has not published its individual Statement of Total Comprehensive Income.

35. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.



HML HOLDINGS PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of HML Holdings plc will be held at the offices of HML Holdings plc, 9-11 The Quadrant, Richmond, Surrey, TW9 1BP on 12th September 2013, at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2013.
2. To re-appoint the auditors Nexia Smith & Williamson and authorise the Directors to fix their remuneration.
3. To re-elect R Smith who retires by rotation and offers himself for re-election.

Special Resolution

4. That the amount standing to the credit of the share premium account of the Company as at the date of this resolution be cancelled.

BY ORDER OF THE BOARD

J A L Howgego
Secretary

Notes to the Notice of Annual/General Meeting

1. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232;
- alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com;
- and received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods: By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

10. As at 31 March 2013, the Company's issued share capital comprised 36,219,747 ordinary shares of 1.5p each. Each ordinary share carries the right to one vote at an Annual General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 31 March 2013 is 36,219,747.

11. Except as provided above, members who have general queries about the Meeting should telephone 020 8439 8529 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

HML Holdings PLC

I, being a member of the above-named Company, hereby appoint the chairman of the meeting or (see note 3)(BLOCK CAPITALS) as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Thursday 12th September 2013 and at every adjournment thereof. I request such proxy to vote on the following resolutions as indicated below:

Resolutions	FOR	AGAINST	ABSTAIN
1. Receive and adopt the Directors' Annual Report and Accounts and the auditors' report thereon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-appoint Nexia Smith & Williamson as auditors and authorise the directors to agree the auditors' remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-elect R Smith as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Cancel the share premium account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Name(s) of holder (BLOCK CAPITALS)

Address of holder (BLOCK CAPITALS)

Signature Date

Notes:

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can only appoint a proxy using the procedures set out in these notes.
2. Please indicate with an 'X' in the appropriate boxes how you wish the proxy to vote. The proxy will exercise his discretion as to how he votes or whether he abstains from voting:
 - (a) on any resolution set out above if no instruction is given in respect of that resolution; and
 - (b) on any business or resolution considered at the meeting other than the resolutions set out above.
3. If you wish to appoint someone other than the chairman of the meeting as your proxy please delete the words 'the chairman of the meeting' and insert the name of the person you wish to appoint. A proxy need not be a member of the Company.
4. To be effective this form, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be sent or delivered to the Company's registrars, **Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL** (or by fax to 01252 719232 or by scan and email to proxies@shareregistrars.uk.com) not less than 48 hours before the scheduled time of the meeting.)
5. Where the member is a corporation this form must be under its common seal or signed by an officer, attorney or other person duly authorised by the corporation.
6. In the case of joint holders only one need sign this form, but the names of the other joint holders should be shown in the space provided. The vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names of the holders appear in the register of members in respect of the joint holding.
7. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars.

