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Application has been made for the whole of the issued and to be issued ordinary share capital of HML Holdings plc (“the Company”) to be admitted to trading on the AIM market of London Stock Exchange plc (“AIM”).

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

The directors of the Company (whose names and functions appear on page 3 of this document) (“Directors”) accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

This document constitutes an admission document drawn up in accordance with the AIM Rules. It is not a prospectus prepared in accordance with the Prospectus Rules of the Financial Services Authority and has not been delivered to the Financial Services Authority in accordance with such rules. The ordinary shares of 1.5p each in the capital of the Company (“Ordinary Shares”) are not traded on any other recognised investment exchange and no other application to any other recognised investment exchange has been made. It is expected that admission to trading on AIM (“Admission”) will become effective, and that dealings in the Ordinary Shares will commence on AIM, on 30 June 2006. The attention of investors is drawn to the Risk Factors set out in Part III of this document. The whole of the text of this document should be reviewed in the light of these risk factors.

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# HML Holdings plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05728008)*

## Admission to trading on AIM

Nominated Adviser and Broker

## Smith & Williamson Corporate Finance Limited

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### Share Capital immediately following Admission

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
166,666,668	£2,500,000.02	9,796,325	£146,945

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This document does not constitute an offer for sale or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and, subject to certain exceptions is not for distribution in or into the United States of America, Canada, Japan, Australia or South Africa. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the applicable securities laws of Canada, Japan, Australia or South Africa and, subject to certain exceptions, may not be offered for sale or subscription, or sold or subscribed directly or indirectly, within the United States of America, Canada, Japan, Australia or South Africa or to or by any national, resident or citizen of such countries. This document does not constitute an offer to sell or the solicitation of an offer to buy or to subscribe for Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Smith & Williamson Corporate Finance Limited, which is regulated by the Financial Services Authority, is acting exclusively as nominated adviser and broker to the Company in connection with the arrangements set out in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of the Company or for advising any other person in connection with the arrangements set out in this document. In particular, Smith & Williamson Corporate Finance Limited, as nominated adviser to the Company under the AIM Rules, owes certain responsibilities solely to London Stock Exchange plc which are not owed to the Company or the Directors or to any other person in respect of such person’s decision to acquire Ordinary Shares in reliance on any part of this document. In particular the information contained in this document has been prepared solely for the purposes of Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Copies of this document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Smith & Williamson Corporate Finance Limited, 25 Moorgate, London EC2R 6AY and from the registered office of the Company, 28 Old Church Street, London SW3 5BY from the date of this document until one month from Admission.

## CONTENTS

	<i>Page</i>
Directors, Secretary and Advisers	3
PART I Summary	4
PART II Information on the Group	5
PART III Risk Factors	12
PART IV Financial Information on the HML Group	15
PART V Financial Information on the Company	30
PART VI Financial Information on Shaw & Company (Property Management) Limited	36
PART VII Pro Forma Statement of Net Assets of the Group	41
PART VIII Additional Information	44
Definitions	71

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Richard Gwynne Smith ( <i>Chairman</i> ) Robert Henry Charles Plumb ( <i>Chief Executive</i> ) James Alfred Lloyd Howgego ( <i>Finance Director</i> ) Geoffrey John Griggs ( <i>Non-executive Director</i> )  all of: 28 Old Church Street London SW3 5BY
<b>Company Secretary:</b>	James Howgego
<b>Registered Office:</b>	28 Old Church Street London SW3 5BY
<b>Nominated Adviser and Broker:</b>	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
<b>Solicitors to the Company:</b>	Davenport Lyons 30 Old Burlington Street London W1S 3NL
<b>Auditors and Reporting Accountants:</b>	Baker Tilly 2 Bloomsbury Street London WC1B 3ST
<b>Solicitors to the Introduction:</b>	Marriott Harrison 12 Great James Street London WC1N 3DR
<b>Public Relations Agents:</b>	Tavistock Communications 131 Finsbury Pavement London EC2A 1NT
<b>Registrars:</b>	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

## PART I

### Summary

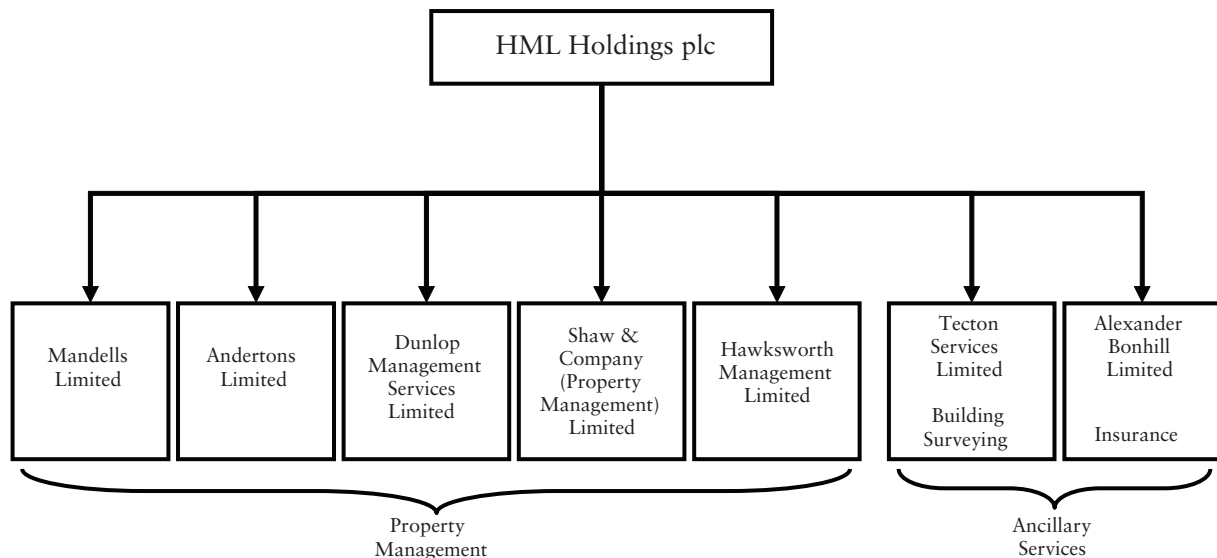
- HML Holdings plc is a recently incorporated company, formed to act as a holding company for the HML Group following the demerger of HML from LTC Holdings plc on 2 June 2005.
- The Group provides a range of property services to the residential property sector, including property management, insurance and ancillary services. The provision of the services by the Group is focused principally on the management of residential blocks rather than the management of individual units.
- The Group currently supplies a range of blue-chip clients as well as over 19,000 residential customers.
- To date, the acquisitions made by HML have been structured geographically to create hubs of local property management operations throughout the Greater London region. The HML Group has property management offices situated in south, west, north and central London and further additions to this network are planned on a regional basis.
- The Directors expect the demand for high quality property management services to increase due to rising service quality expectations from consumers and by virtue of the growth of apartment blocks, particularly in urban areas, to satisfy future housing demand.
- The Directors believe that the property management and services market is fragmented and that there is significant opportunity to grow by acquisition and consolidate the market.
- The Directors have identified a number of potential acquisitions which they consider will help to expand the business in certain geographic locations which they have prioritised.
- The Board has considerable experience in residential property management, corporate acquisitions and in key strategic and operational aspects of the business.
- Between them, the Directors hold 3,183,900 Ordinary Shares (including the Restricted Shares) comprising approximately 32.5 per cent. of the Issued Share Capital.

## PART II

### Information on the Group

#### Introduction

HML Holdings plc is a recently incorporated company, formed to act as a holding company for the HML Group following its demerger from LTC Holdings plc on 2 June 2006. The Group provides a range of property services to the residential property sector, including property management, insurance brokerage and ancillary services. The provision of services by the Group is focused principally on the management of residential blocks rather than the management of individual units. The Group has grown organically and by acquisition over the last five years and currently provides property management and other services to a range of corporate and other clients covering over 19,000 residential customers. The Directors believe that the property management and services market is fragmented and that there is significant opportunity to grow by acquisition and consolidate the market. The Directors also believe that there is considerable scope for organic growth by focusing on the provision of a high level of service to blocks of flats and estates. The current structure of the Group is as follows:



All the subsidiaries above are wholly owned subsidiaries of HML Holdings plc.

#### History and Development

HML was originally set up in 1991 to promote and manage Business Expansion Scheme property companies and their property portfolios and subsequently embarked on an expansion programme in 2001. Since then it has grown significantly, principally through acquisitions.

Key milestones in the development of the HML Group are as follows:

January 1991	HML set up to promote and manage Business Expansion Scheme property companies and their property portfolios
February 1998	LTC Holdings plc acquired HML for shares
July 2001	Acquisition of 51 per cent. of the business of Anderton & Son
May 2002	Acquisition of Tecton Services Limited
November 2003	Acquisition of 51 per cent. of the business of Dunlop Management Services
April 2004	Acquisition of the remaining 49 per cent. of the business of Anderton & Son
June 2004	Acquisition of the business of Mandells
October 2005	Appointment of Robert Plumb as Chief Executive of HML
November 2005	Acquisition of the remaining 49 per cent. of the business of Dunlop Management Services

January 2006	Appointment of James Howgego as Finance Director of HML
March 2006	HMLH incorporated to become the new holding company for the HML Group
April 2006	Acquisition of 72.5 per cent. of Shaw & Company (Property Management) Limited
May 2006	Acquisition of the remaining 27.5 per cent. of Shaw & Company (Property Management) Limited
June 2006	Demerger of the HML Group from the LTC Group completed

To date, the acquisitions made by HML have been structured geographically to create hubs of local property management operations throughout the Greater London region. The property management operations are supported by centralised building surveying (Tecton Services Limited) and insurance broking (Alexander Bonhill Limited) practices.

The growth of HML resulted in a decision by the directors of LTC to separate the HML Group from the LTC Group, to allow both HML and LTC to focus more strongly on their respective markets. The completion of the Demerger took place on 2 June 2006. Further details about the Demerger are set out below and a summary of the Demerger Agreement is set out in paragraph 10.1 of Part VIII of this document.

The HML Group currently employs 107 permanent staff.

### **Business overview and principal activities**

The HML Group's principal activity is to provide property management services, principally the management of residential blocks rather than individual units. The HML Group also provides other property related services, including building surveying and insurance brokerage services.

The breakdown of revenue by service type for the year ended 31 March 2006 (including the results of Shaw & Company (Property Management) Limited, which became a member of the HML Group on 3 April 2006) is as follows:

<i>Service type</i>	<i>%</i>
Property management	70
Building surveying	9
Insurance brokerage	10
Ancillary	11
	<u>100</u>

The HML Group has the following property management offices situated in south, west, north and central London and further additions to this network are planned on a regional basis:

<i>Location</i>	<i>Business</i>
Central London	Hawksworth Management Limited
South London	Andertons Limited
North London	Mandells Limited
West London	Dunlops Management Services Limited and Shaw & Company (Property Management) Limited

### **Market and Competition**

The Directors believe that the supply of residential property management services and particularly residential block management within the United Kingdom is fragmented. Service providers range from 'corner shop' estate agencies and local block management specialists through to embedded operations in the integrated national real estate consultancies. The Directors believe that in many cases the quality of service provision suffers from lack of investment in both systems and training. The sector is also subject to an increasing imposition of regulatory and legislative burden from both the Government and the European Union. In common with other service businesses, customer expectations of service levels are increasing. As a result, there is pressure for the market to

consolidate as smaller businesses find it difficult to obtain the resources to respond to these combined pressures. Additionally, there is evidence that the integrated 'shops' are beginning to unbundle their residential block management operations as they concentrate on their core business of residential estate agency sales and lettings.

The Directors expect the demand for high quality property management services to increase due to rising service quality expectations from consumers and by virtue of the growth of apartment blocks, particularly in urban areas, to satisfy future housing demand.

Competition for business arises from both the small local estate agencies and the larger integrated regional or national estate agencies, together with a few specialist quoted and unquoted companies.

### **Competitive Strengths**

The Directors believe that the Group is well-placed to provide an enhanced service offering to customers. They aim to achieve this by focusing on the management of blocks of flats in particular and by cross-selling the additional services that are provided within the HML Group, such as building surveying and insurance broking. The geographic component of the Group's strategy is well advanced in the Greater London region, which creates a strong platform for expansion into other metropolitan areas in the United Kingdom.

The Board has considerable experience in residential property management, corporate acquisitions and in the key strategic and operational aspects of the business. The Board is confident of enhancing its management team to achieve the Group's strategic objectives.

### **Strategy**

The Directors believe that there is an opportunity to create a national brand in the Group's current niche market. By virtue of focusing on property management and directly related products and services, excluding property sales (which is the principal aim of many of the Group's competitors), the Directors believe the Group will be able to provide an efficient service at attractive margins. The Directors aim to grow shareholder value through geographic acquisitions and developing new organic business which will further improve both economies of scale and service efficiencies. Additionally, the Directors intend to continue improving both customer service and margins through investment in standardised high quality operational processes, improved training and employee incentivisation schemes. Considerable investment has already taken place in software and systems which will underpin the Group's operational efficiency objectives.

The Directors have identified a number of potential acquisitions which they consider will help to expand the business in certain geographic locations which they have prioritised. In the longer term consideration will be given to expansion into overlapping or adjacent markets where the Group can leverage its competitive strengths to generate additional revenues and profits.

### **The Directors**

#### *Richard Smith – Chairman (aged 53)*

Richard qualified as a chartered surveyor with DTZ Tie Lung and has over 25 years of experience in the property industry. In 1981 he founded Smith French and Partners, a property services and consultancy business, which was subsequently sold to London and Manchester Assurance in 1987. During this time he also carried out a variety of residential and commercial property developments. In 1989 he co-founded and was managing director of Artesian Estates plc, a Business Expansion Scheme residential property investment company which along with two related companies, of which he was also managing director, raised £13.5 million by public subscription. These three companies subsequently merged and were floated on the London Stock Exchange in 1997. In 1991 Richard founded HML, of which he was chief executive and majority shareholder. HML promoted and managed Business Expansion Scheme residential property investment companies (and their property portfolios) with a combined gross property value of over £25 million. HML was sold to LTC for shares in 1998 and Richard continued to grow HML in his role as chief executive. He was appointed chairman of LTC in 2000 and continues to hold this position.

*Robert Plumb – Chief Executive (aged 52)*

Rob qualified as a chartered accountant at Ernst & Young in South Africa and subsequently transferred to their London office as an audit manager. In 1981 he joined the American financial services conglomerate, Avco Trust plc, and became managing director of its United Kingdom operations in 1992. His work at Avco Trust plc included growing the European business to operate in five additional European countries and overseeing the management of over 1,000 employees in 120 retail branch offices and call centres. He became the chief executive of European operations at Associates Capital Corporation when it acquired Avco in 1999. His responsibilities included overseeing its operations in the United Kingdom, the Republic of Ireland, Sweden, Norway, Spain and France. In 2000, Rob joined Hercules Property Services Plc, a company quoted on the London Stock Exchange, as managing director. During his four year tenure at Hercules, he managed the integration and consolidation of a number of acquisitions. As managing director, he led the growth of shareholder value prior to the sale of Hercules to Erinaceous plc in 2004. Rob was appointed as Chief Executive of HML in 2005.

*James Howego – Finance Director (aged 37)*

James qualified as a chartered accountant at Smith & Williamson Limited in 1996. He subsequently moved to Ernst & Young to work in the entrepreneurial services division as an audit manager. He managed a portfolio of entrepreneurial and multinational clients and gained experience working on several company listings. In 2001, he moved to Grant Thornton Corporate Finance, where he gained substantial experience in acquisitions, disposals and other company transactions. In 2003, James left Grant Thornton to take up the position of Finance Director in an acquisitive, venture capitalist backed pub group called The Bar Group Limited, where he assisted in the acquisition and integration of two managed pub groups. James was appointed as Finance Director of HML in January 2006.

*Geoffrey Griggs – Non-executive Director (aged 52)*

Geoffrey qualified as a chartered accountant in 1978 with Peat Marwick Mitchell and then moved to Spicer and Pegler where he became director of finance. He was later appointed managing director of MM&K Limited, a firm of City based specialist financial advisers, at the time of joining an associated company of Morgan Grenfell. He has been a director of a wide range of companies and is a member of the Securities & Investment Institute and a Fellow of the Royal Society of Arts. He is also a non-executive director of LTC.

The Company intends to seek and appoint a further independent non-executive director in due course.

### **Terms of the Demerger**

The demerger of the HML Group from the LTC Group was completed on 2 June 2006 by:

- (i) the transfer of the issued share capital of HML from LTC to the Company in consideration for the issue by the Company to LTC of 2,577,143 Ordinary Shares (valuing HML equity at £902,000, after taking into account HML Group indebtedness to LTC of £4,298,000);
- (ii) the rescheduling and capitalisation of the outstanding intra-group indebtedness of £4,298,000 owed by the HML Group to LTC; and
- (iii) the declaration of a special dividend of £1,055,924 to be satisfied by the transfer of 3,016,926 Ordinary Shares by LTC to its shareholders.

The HML Group indebtedness to LTC was assumed by the Company and then discharged in full by the issue to LTC of 4,285,714 Ordinary Shares fully paid at 35p per Ordinary Share and the issue to LTC of convertible loan notes in the Company having an aggregate nominal value equal to £2,798,000 (“HMLH Loan Notes”).

Conversion of the HMLH Loan Notes is subject to the overriding condition that LTC must not:

- (i) prior to or by reason of the conversion, hold or acquire Control of the Company where “Control” has the meaning set out in paragraph 13(2) of Schedule 28B of the Income and Corporation Taxes Act 1988; or



- (ii) become obliged by reason of the conversion to make a mandatory offer for all the equity share capital of the Company (other than any such share capital held by it and/or any person(s) acting in concert with it) pursuant to Rule 9 of the Takeover Code.

The HMLH Loan Notes are convertible at a rate of one Ordinary Share for 25p in nominal value of the HMLH Loan Notes.

Summaries of the terms of the Demerger Agreement and of the instrument creating the HMLH Loan Notes are set out in paragraphs 10.1 and 10.2 respectively of Part VIII of this document.

### **Rule 9 of the Takeover Code**

Pursuant to Rule 9 of the Code, any person who acquires an interest in shares which, when taken together with interests in shares already held by him or interests in shares held by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Code is normally obliged to make a general offer to all shareholders in that company to acquire their shares.

Similarly, when any person who on his own or together with persons acting in concert with him, holds shares which in the aggregate carry between 30 per cent. and 50 per cent. of the voting rights of a company, acquires further shares carrying voting rights, a general offer will normally be required pursuant to Rule 9.

An offer under Rule 9 of the Code must be in cash at the highest price paid for any interest in shares of the company, within the last 12 months prior to the announcement of the offer, by the person required to make the offer or any person acting in concert with him.

Immediately following Admission, LTC will hold 3,845,999 Ordinary Shares comprising approximately 39.26 per cent. of the voting rights of the Company. LTC has undertaken (except in certain circumstances) not to convert the HMLH Loan Notes before 24 months from Admission. However, if LTC were to convert the HMLH Loan Notes in accordance with their terms at the earliest possible date (assuming that no other share issues had been made by that time), LTC would hold 49.9 per cent. of the Company's voting rights. The Takeover Panel has confirmed that the acquisition by LTC of shares carrying voting rights on conversion of the HMLH Loan Notes by LTC will not be subject to Rule 9 of the Code. However, any further acquisition by LTC of shares carrying voting rights which relate to anything other than the conversion of the HMLH Loan Notes will be subject to Rule 9 of the Code.

### **Directors' Shareholdings and Orderly Market Arrangements**

Following the incorporation of the Company as the new holding company designate of the HML Group, it was felt important that the Directors should be properly incentivised and retained through participation in the equity of the Company. Consequently, 4,400,000 ordinary shares of 1p each (2,933,333 post consolidation of such shares into Ordinary Shares) ("Restricted Shares") were issued and allotted to the Directors for cash at par. The Directors have agreed that they will not transfer their Restricted Shares for 3 years from the date of allotment (except in certain circumstances) and that they will transfer their Restricted Shares back to the Company or its nominee for the lower of their market value at the relevant time and 1.5p per share in the event that their directorship or employment with the Company is terminated for cause or at their own volition within such 3 year period.

Between them the Directors hold 3,183,900 Ordinary Shares (including the Restricted Shares) comprising approximately 32.5 per cent. of the Issued Share Capital. Robert Plumb and James Howgego have indicated their intention to subscribe for or purchase in the market Ordinary Shares following Admission.

Further details about the issue of the Restricted Shares are set out in paragraph 10.5 of Part VIII of this document.

LTC and the Directors have also undertaken to Smith & Williamson pursuant to the Introduction Agreement not to dispose of any Ordinary Shares in which they are interested until the expiry of 12 months from Admission. They have also undertaken to Smith & Williamson that for a further period of 12 months they will only effect a disposal of Ordinary Shares in which they are interested through the Company's broker for the time being so as to ensure an orderly market in the Ordinary

Shares. LTC has further undertaken to Smith & Williamson that for 24 months from Admission and during any close period for HMLH it will not exercise its right to convert the HMLH Loan Notes, save in certain limited circumstances. Further details of the Introduction Agreement are set out in paragraph 10.12 of Part VIII of this document.

### **Share Options**

The Directors believe that it is important that Directors and key personnel are appropriately motivated and rewarded and identify closely with the financial success of the Group. Accordingly the Company has adopted the HML Holdings Plc Enterprise Management Incentive Share Option Plan and HML Holdings Plc Unapproved Share Option Plan (the “Company Scheme”). A summary of the rules of the Company Scheme is set out in paragraph 4.1 of Part VIII of this document.

Options under the Company Scheme have been granted over 1,182,500 Ordinary Shares in aggregate to Directors and employees representing approximately 10.77 per cent. of the Issued Share Capital as increased by the number of Ordinary Shares under option. After Admission, further grants of options under the Company Scheme will not cause the number of Ordinary Shares in respect of which options have been granted and other awards of Ordinary Shares have been made (and, if not exercised, have not then ceased to be exercisable) in the ten preceding years (in the Company Scheme or any other employees share scheme) to exceed ten per cent. of the Ordinary Share capital from time to time.

### **Corporate Governance**

The Board recognises the importance of sound corporate governance and intends to ensure that, following Admission, the Company adopts policies and procedures which reflect such of the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance (“the QCA Guidelines”), as are considered appropriate to the Company’s size on Admission.

The Company has established an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities and both consisting of Geoffrey Griggs and Richard Smith, with Geoffrey Griggs being chairman.

The Audit Committee will determine the terms of engagement of the Company’s auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and where relevant the Company’s auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will have unrestricted access to and oversee the relationship with the HML Group’s auditors.

The Remuneration Committee will review the scale and structure of the executive directors’ and senior employees’ remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms of engagement of the non-executive directors will be set by the entire Board. No Director or manager of the Company may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee will also have oversight of the Company Scheme.

The Board intends to comply with Rule 21 of the AIM Rules relating to Directors’ dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company’s applicable employees including adopting a share dealing code for this purpose.

### **Dividend Policy**

The Directors intend to commence payment of dividends when it becomes commercially viable to do so, subject to the working capital requirements and expansion plans of the Company and the availability of distributable profits. It will adopt a progressive but prudent dividend policy thereafter.

## **Taxation**

The Company has sought and been granted provisional clearance by Inland Revenue that the Company will be a qualifying Company for EIS and VCT purposes on Admission.

For EIS and VCT tax relief not to be withdrawn, the Company must comply with a number of conditions and no guarantee is given that the future activities of the Company will be such as to retain any qualifying company status for EIS and VCT purposes.

**Further information on United Kingdom taxation with regard to the Ordinary Shares is set out in the paragraph entitled “United Kingdom Taxation” in paragraph 13 of Part VIII of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax regime. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.**

## **Dealings and CREST**

Application has been made for the Existing Ordinary Shares to be admitted to trading on AIM and it is anticipated that Admission will become effective and that dealings will commence on 30 June 2006.

The articles of association of the Company permit the holding and transfer of Ordinary Shares in uncertificated form in accordance with the CREST Regulations.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument.

The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission will take place within the CREST system if the relevant shareholder so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

## **Further Information**

Your attention is drawn to Part III of this document, which contains risk factors relating to any investment in the Company, to Part IV of this document which contains financial information on the HML Group, to Part V of this document which contains financial information on the Company, to Part VI of this document which contains financial information on Shaw & Company (Property Management) Limited, to Part VII of this document which contains a pro forma statement of the net assets of the Group and to Part VIII of this document which contains additional information on the Group.

## PART III

### Risk Factors

**An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares.**

The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occurs, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

#### **Acquisitions and investments**

As part of the Group's strategy, it intends to acquire or 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 Company to expend significant amounts of cash. This would result in the Company's inability to use those funds for other business purposes. Additionally, if the Company funds acquisitions through further issuances of Ordinary Shares, its shareholders will be diluted, which may cause the market price of the Ordinary Shares to decline. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Group's overall earnings, which in turn could negatively affect the price of the Ordinary Shares.

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 growth prospects of the Group.

#### **Dependence on key personnel**

The Group's success depends to a significant extent on the continued services of its core senior management team. If one or more of these individuals were unable or unwilling to continue in his present position, the Group's business would be disrupted and it might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

#### **Ownership of the Company**

On Admission, LTC will own 3,845,999 Ordinary Shares representing approximately 39.26 per cent. of the Issued Share Capital. As a result, it would be able to exercise a high degree of control

over all matters requiring approval by shareholders, including the election of directors and approval of mergers, consolidations, sales of assets, recapitalisations and amendments to the Company's articles of association. LTC may take actions with which investors do not agree, including actions that delay, defer or prevent a change of control, and could cause the price that investors are willing to pay for Ordinary Shares to decline. As there are still HMLH Loan Notes outstanding, LTC may at some point in the future convert additional amounts of the HMLH Loan Notes into equity. If this occurs, the shareholders of the Company will experience dilution to their ownership interest in the Company.

### **Future funding requirements**

Prior to the Demerger, the HML Group relied on LTC to provide funding for working capital and to finance acquisitions. Following the Demerger the Company will have to access independent sources of finance. If such independent sources of finance are not available, or available only on terms that are not acceptable to the Company, it may be unable to fund the development and expansion of its business, attract qualified personnel, promote its brand name, take advantage of business opportunities or respond to competitive pressures. Any of these events may harm the Group's business. Also, if the Company raises funds by issuing additional Ordinary Shares, its shareholders will experience dilution, which may be significant, to their ownership interest in the Company. If the Company raises funds by issuing shares of a different class or by issuing debt, the holders of such different classes of shares or debt securities may have rights senior to the rights of shareholders.

### **Share price volatility and trading basis**

The Ordinary Shares are not listed on the Official List and although the Ordinary Shares are to be traded on AIM, this should not necessarily be taken as implying that there will be a liquid market in the Ordinary Shares. A return on investment in the Ordinary Shares may, therefore, in certain circumstances be difficult to realise. The price at which the Ordinary Shares may trade and the price which shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and some which may affect quoted companies generally. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or absence thereof) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. The value of the Ordinary Shares is liable therefore to fluctuate and may not reflect the underlying asset value of the Company.

### **Suppliers**

The Group has contractual arrangements with a number of suppliers. The Group recognises that failure to maintain these contractual arrangements would impact on the performance of the Company.

### **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.

### **Taxation, including EIS and VCT status**

Any change in the Group's tax status or in tax legislation could affect the Group's ability to provide returns to shareholders or alter post tax returns to shareholders. The taxation of an investment in the Company depends on the individual circumstances of investors.

The Company has been granted provisional clearance by the Inland Revenue confirming that the shares to be issued should qualify under the EIS and VCT legislation. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that such relief or status will not be withdrawn.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS relief (including capital gains tax exemption and deferral relief) or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status claimed by any shareholder.

If the Company ceases to carry on the business outlined in this document during the three-year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company under the EIS and VCT schemes. This situation will be closely monitored with a view to preserving the Company's qualifying status but this cannot be guaranteed.

### **Regulatory Risks**

The Company 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, but is not limited to, the regulatory regime of the Financial Services and Markets Act 2000 and the Conduct of Business rules published thereunder. Existing and possible future law, regulation and action could cause additional cost, expenditure, delays and restrictions in the activities of the Company and its subsidiaries, the extent of which cannot be predicted. The Company or its subsidiaries may need to obtain further permissions, licences or regulatory approvals and there is no assurance and these will be obtained. Further, no assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Group's services and activities. This includes, but is not limited to, any change to the Commonhold and Leasehold Reform Act 2002 which makes it easier for tenants to elect to manage their own properties.

## PART IV

### Financial Information on the HML Group

The historical financial information for HML Group is set out in Section A of Part IV of this document.

The financial information in respect of the three years ended 31 March 2006 does not constitute statutory accounts for each of the years. Statutory accounts for the three years ended 31 March 2006 have been delivered to the Registrar of Companies.

In respect of the statutory accounts for each of the three years ended 31 March 2006, Baker Tilly, Chartered Accountants have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statement under section 237(2) or (3) of that Act.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the Group's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of the HML Group for that period. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgments and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that HML Group will continue in business.

Section B of Part IV of this document sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

**SECTION A – HISTORICAL CONSOLIDATED FINANCIAL INFORMATION ON  
HML GROUP**

**Consolidated profit and loss accounts**

	Notes	Year ended 31 March		
		2004 £'000	2005 £'000	2006 £'000
Turnover	2	2,001	3,200	4,224
Administrative expenses		(2,213)	(3,425)	(3,956)
Amortisation of goodwill		(12)	(44)	(50)
<b>Operating (loss)/profit</b>	3	(224)	(269)	218
Interest receivable and similar income	4	—	4	1
Interest payable and similar charges	5	(3)	—	—
<b>(Loss)/profit on ordinary activities before taxation</b>		(227)	(265)	219
Taxation	6	—	—	—
<b>(Loss)/profit on ordinary activities after taxation</b>		(227)	(265)	219
Minority interests		(101)	(27)	(19)
<b>Retained (deficit)/surplus for the year</b>	16	<u>(328)</u>	<u>(292)</u>	<u>200</u>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.



## Consolidated balance sheets

	Notes	As at 31 March		
		2004 £'000	2005 £'000	2006 £'000
<b>Fixed assets</b>				
Intangible assets	8	509	2,349	2,365
Tangible assets	9	392	149	249
Investments	11	3	4	4
		<u>904</u>	<u>2,502</u>	<u>2,618</u>
<b>Current assets</b>				
Debtors	12	438	509	900
Cash at bank		103	194	161
		<u>541</u>	<u>703</u>	<u>1,061</u>
Creditors: amounts falling due within one year	13	(2,436)	(810)	(1,078)
Net current liabilities		<u>(1,895)</u>	<u>(107)</u>	<u>(17)</u>
Total assets less current liabilities		(991)	2,395	2,601
Creditors: amounts falling due after more than one year	14	—	(3,675)	(3,698)
Minority interests		14	17	—
Net liabilities		<u>(1,005)</u>	<u>(1,297)</u>	<u>(1,097)</u>
<b>Capital and reserves</b>				
Called up share capital	15	1	1	1
Share premium	16	23	23	23
Profit and loss account	16	(1,029)	(1,321)	(1,121)
Equity shareholders' funds	16	<u>(1,005)</u>	<u>(1,297)</u>	<u>(1,097)</u>

## Consolidated cash flow statements

	Notes	Year ended 31 March		
		2004 £'000	2005 £'000	2006 £'000
Net cash inflow from operating activities	17A	293	193	141
<b>Returns on investments and servicing of finance</b>				
Interest received		—	4	1
Interest paid		(3)	—	—
Payments to minority interests		(131)	(24)	(20)
Net cash flow for returns on investments and servicing of finance		(134)	(20)	(19)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(156)	(95)	(187)
Purchase of investments		—	(1)	—
Net cash flow for capital expenditure		(156)	(96)	(187)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		<u>3</u>	<u>77</u>	<u>(65)</u>
<b>Increase/(decrease) in cash in year</b>		<u><u>3</u></u>	<u><u>77</u></u>	<u><u>(65)</u></u>
<b>Reconciliation of net cash flow to movement in net debt</b>	<b>17B</b>			
Increase/(decrease) in cash in year		<u>3</u>	<u>77</u>	<u>(65)</u>
Movement in funds in year		3	77	(65)
Opening net funds		<u>100</u>	<u>103</u>	<u>180</u>
Closing net funds		<u><u>103</u></u>	<u><u>180</u></u>	<u><u>115</u></u>

## Notes to the Financial Information

### 1. Accounting policies

The principal accounting policies, which have been consistently applied in HML Group's financial information throughout the period, are as follows:

#### *Basis of accounting*

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### *Fundamental accounting concept*

The financial information is prepared on a going concern basis.

#### *Basis of consolidation*

The consolidated financial information of the HML Group is drawn up to 31 March. No profit and loss account is presented for HML Group, as permitted by section 230 of the Companies Act 1985.

#### *Client monies*

The management of client monies is part of the group's residential management activities. This money belongs to clients, but the group has operational control over the monies in order to perform its management services. As with many property services companies, these monies are not recognised on the group balance sheet.

#### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets so as to write off the cost of each asset evenly over its expected useful life, as follows:

Plant and machinery	4-6 years
---------------------	-----------

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Goodwill*

Goodwill (both positive and negative) arising on acquisitions is capitalised and classified as an asset on the balance sheet. Where goodwill arises on the acquisition of service-providing companies, it is amortised over its useful economic life, which is considered to be 50 years. In accordance with FRS 10, an impairment review is performed annually.

In the opinion of the Directors, the goodwill arising on the acquisitions of Anderton & Son, Dunlop Management Services and Mandells has an economic life of 50 years. This is because the businesses operate in an exceptionally stable marketplace in which the provision of services to clients are not subject to normal product life cycles.

#### *Fixed asset investments*

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate that their carrying value may not be recoverable.

#### *Leases*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## 2. Turnover

Turnover, all of which arises from continuing activities, represents fees receivable from the provision of a range of property services to the residential property sector, including property management insurance and ancillary services. All turnover arises in the United Kingdom and is stated net of VAT.

## 3. Operating profit/(loss)

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
Operating profit/(loss) is stated after charging:			
Depreciation on tangible fixed assets	75	60	87
Amortisation of goodwill	12	44	50
Operating lease rentals			
Land and buildings	93	97	133
Auditors' remuneration	3	3	—
	<u>          </u>	<u>          </u>	<u>          </u>

Part of the auditors' remuneration is borne by the ultimate parent company, LTC Holdings plc.

## 4. Interest receivable and similar income

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
Bank interest receivable	<u>          </u>	<u>          4</u>	<u>          1</u>

## 5. Interest payable and similar charges

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
Bank and other loan interest payable	<u>          3</u>	<u>          —</u>	<u>          —</u>

## 6. Taxation

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
(Loss)/profit on ordinary activities before tax	<u>(227)</u>	<u>(265)</u>	<u>219</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent. (2005 – 30 per cent.; 2004 – 30 per cent.).	(68)	(80)	66
Effects of:			
Expenses not deductible for tax purposes	6	18	7
Capital allowances in excess of depreciation	(11)	2	(3)
Movement in tax losses carried forward	103	102	—
Group relief surrendered/(received)	—	(34)	(64)
Minority interest in partnership profits	(30)	8	(6)
UK corporation tax results for the year	<u>          —</u>	<u>          —</u>	<u>          —</u>

Future tax charges may be affected by the fact that no deferred tax asset is recognised in respect of losses carried forward. Deferred tax assets are not recognised until the utilisation of the losses is considered certain. These losses would be recovered against future profits.

Unprovided amounts are:

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
Deferred taxation asset on losses carried forward	<u>170</u>	<u>168</u>	<u>154</u>

## 7. Employees

	2004 No.	2005 No.	2006 No.
The average weekly number of persons (including directors) employed by the HML Group was:	<u>62</u>	<u>83</u>	<u>94</u>

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
Staff costs for the above employees and directors			
Wages and salaries	1,230	1,871	2,240
Social security costs	146	188	208
Other pension costs	1	3	—
	<u>1,377</u>	<u>2,062</u>	<u>2,448</u>

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
<b>Directors' emoluments</b>			
Paid by the HML Group	<u>233</u>	<u>153</u>	<u>131</u>
Paid to individuals or provided as benefits in kind	<u>233</u>	<u>153</u>	<u>131</u>
Details of highest paid director's emoluments (excluding pension contributions)	<u>89</u>	<u>87</u>	<u>68</u>

Part of the directors' remuneration was paid by LTC Holdings plc. There were no benefits paid to the directors in respect of retirement benefit schemes.

## 8. Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
As at 1 April 2003	463
Additions	75
At 31 March 2004	<u>538</u>
Additions	1,884
At 31 March 2005	<u>2,422</u>
Additions	66
At 31 March 2006	<u><u>2,488</u></u>
<b>Amortisation</b>	
As at 1 April 2003	17
Provided in the year	12
As at 31 March 2004	<u>29</u>
Provided in the year	44
As at 31 March 2005	<u>73</u>
Provided in the year	50
As at 31 March 2006	<u><u>123</u></u>
<b>Net book amount</b>	
As at 31 March 2006	<u><u>2,365</u></u>
As at 31 March 2005	<u><u>2,349</u></u>
As at 31 March 2004	<u><u>509</u></u>

## 9. Tangible fixed assets

	Plant and machinery £'000
<b>Cost</b>	
As at 1 April 2003	541
Additions	154
Acquired with Dunlop	2
Disposals	(9)
As at 31 March 2004	688
Additions	95
Disposals	(326)
As at 31 March 2005	457
Additions	187
Disposals	—
As at 31 March 2006	644
<b>Depreciation</b>	
As at 1 April 2003	230
Charge in year	75
Disposals	(9)
As at 31 March 2004	296
Charge in year	60
Disposals	(48)
As at 31 March 2005	308
Charge in year	87
Disposals	—
As at 31 March 2006	395
<b>Net book value</b>	
As at 31 March 2006	249
As at 31 March 2005	149
As at 31 March 2004	392

## 10. Investment in subsidiary undertakings

The principal subsidiary undertakings are:

Name of subsidiary	Class of holding	Proportion owned	Nature of business
Andertons Limited	Ordinary	100%	Property management
Mandells Limited	Ordinary	100%	Property management
Dunlop Management Services Limited	Ordinary	100%	Property management
Alexander Bonhill Limited	Ordinary	100%	Insurance broking
Tecton Services Limited	Ordinary	100%	Building surveying

All the above subsidiaries are incorporated in England and Wales.

HML acquired 51 per cent. of Dunlop through Andertons Limited (formerly HML Property Limited), a 100 per cent.-owned subsidiary, on 1 November 2003. The fair value of the consideration was:

	£'000
Cash	68
Costs of acquisition	7
	<u>75</u>

Dunlop's net assets at the acquisition date were:

Fixed assets	2
Creditors: amounts falling due within one year	<u>(2)</u>
	—
Goodwill arising	<u>75</u>
Fair value of consideration	<u>75</u>

Dunlop's profit and loss account for the period 1 January – 31 October 2003 can be summarised:

Turnover	151
Profit before and after taxation	<u>51</u>

Its loss for the financial period 1 January 2003 – 31 March 2004 was £67,000 (2002 – £39,000)

HML acquired the remaining 49 per cent. of Dunlop on 1 November 2005. An addition of £66,000 was made to goodwill relating to this transaction.

HML acquired the 49 per cent. of the business of Anderton & Son which it did not previously own through Andertons Limited on 14 April 2004. The fair value of the consideration was:

	£'000
Cash	591
	<u>591</u>
Anderton's net liabilities at the acquisition date were:	
Fixed assets	17
Net current liabilities	<u>(38)</u>
	(21)
Goodwill arising	<u>612</u>
Fair value of consideration	<u>591</u>

HML acquired the business of Mandells, Chartered Surveyors, through a newly-established subsidiary, Mandells Limited, on 1 July 2004. The fair value of the consideration was:

	£'000
Cash	672
Deferred consideration	610
Costs of acquisition	12
	<u>1,294</u>

Mandell's net assets at the acquisition date were:

Fixed assets	22
Net current assets	<u>—</u>
	22
Goodwill arising	<u>1,272</u>
Fair value of consideration	<u>1,294</u>

Its profit for the financial period 1 July 2004 – 31 March 2005 was £26,000.



## 11. Fixed asset investments

	Other investments £'000
As at 1 April 2003	3
Additions	—
As at 31 March 2004	3
Additions	1
As at 31 March 2005	4
Additions	—
As at 31 March 2006	4

## 12. Debtors

	As at 31 March		
	2004	2005	2006
	£'000	£'000	£'000
Trade debtors	261	288	238
Amounts receivable from LTC Holdings Plc	—	—	367
Amounts receivable from LTC Group	—	—	2
Other debtors	111	115	82
Prepayments and accrued income	66	106	211
	<u>438</u>	<u>509</u>	<u>900</u>

Included in other debtors at 31 March 2004 is £17,050 receivable from Shinereach Limited, a company controlled by A Garwood-Watkins.

## 13. Creditors: amounts falling due within one year

	As at 31 March		
	2004	2005	2006
	£'000	£'000	£'000
Bank loans and overdrafts	—	14	46
Amounts owed to LTC Holdings plc	1,724	119	111
Amounts owed to LTC Group	346	396	408
Trade creditors	173	118	116
Other taxes and social security costs	78	45	107
Other creditors	31	35	259
Accruals and deferred income	84	83	31
	<u>2,436</u>	<u>810</u>	<u>1,078</u>

## 14. Creditors: amounts falling due after more than one year

	As at 31 March		
	2004	2005	2006
	£'000	£'000	£'000
Amounts owed to LTC Holdings plc	—	3,065	3,398
Deferred purchase consideration	—	610	300
	<u>—</u>	<u>3,675</u>	<u>3,698</u>

The amounts owed to LTC Holdings plc represent loans subordinated in favour of other creditors. The deferred purchase consideration relates to the acquisition of Mandells, is partially based on future performance, and falls due within five years.

## 15. Share capital

	As at 31 March		
	2004 £'000	2005 £'000	2005 £'000
<i>Authorised:</i> 200,000 (2005: 200,000; 2004: 200,000) Ordinary shares of 10p each	20	20	20
<i>Allotted, called up and fully paid:</i> 12,857 (2005: 12,857; 2004: 12,857) Ordinary shares of 10p each	1	1	1

## 16. Shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
As at 1 April 2003	1	23	(701)	(677)
Retained (loss)	—	—	(328)	(328)
As at 31 March 2004	1	23	(1,029)	(1,005)
Retained (loss)	—	—	(292)	(292)
As at 31 March 2005	1	23	(1,321)	(1,297)
Retained profit	—	—	200	200
As at 31 March 2006	1	23	(1,121)	(1,097)

## 17. Cash flows

	Year ended 31 March		
	2004 £'000	2005 £'000	2006 £'000
<b>A Reconciliation of operating profit/(loss) to net cash inflow from operating activities</b>			
Operating (loss)/profit	(224)	(269)	218
Depreciation	75	60	87
Amortisation of goodwill	12	44	50
Increase in debtors	(91)	(71)	(391)
Increase in creditors	521	429	177
Net cash inflow from operating activities	293	193	141
<b>B Analysis of change of net debt in year</b>			
Cash at bank and in hand	100	103	194
Bank overdrafts	—	—	(14)
Opening net cash	100	103	180
Increase/(decrease) in cash in year	3	91	(33)
Increase in bank overdraft in year	—	(14)	(32)
Cash at bank and in hand	103	194	161
Bank overdrafts	—	(14)	(46)
Closing net cash	103	180	115

## 18. Commitments

Annual commitments under operating leases were as follows:

	As at 31 March		
	2004	2005	2006
	£'000	£'000	£'000
Land and buildings leases expiring:			
within one year	30	—	8
in two to five years	68	68	178
in more than five years	—	115	—
	<u>          </u>	<u>          </u>	<u>          </u>

## 19. Post Balance Sheet events

On 3 April 2006 HML purchased 72.5 per cent. of the share capital of Shaw & Company (Property Management) Limited (“Shaws”), a property management and surveying company based in Richmond. The remaining 27.5 per cent. was purchased on 19 May 2006.

On 15 May 2006 a demerger agreement was entered into whereby LTC Holdings plc agreed to transfer the business of HML Group to the Company (“Demerger”). The Demerger completed on 2 June 2006 when the Company acquired the whole of the issued share capital of HML in consideration for the issue and allotment to LTC Holdings plc of 2,577,143 ordinary shares in the Company.

The Company assumed the debt owed to LTC Holdings plc by HML Group in consideration for an amount equal to such indebtedness being left outstanding on inter-company account as a debt owed by HML to the Company. It was agreed that £1,500,000 of this debt would be released by the issue of 4,285,714 ordinary shares to LTC Holdings plc.

On 2 June 2006 and 12 June 2006 the Company agreed to purchase from HML the entire share capitals of its subsidiaries, namely Andertons Limited, Mandells Limited, Tecton Services Limited, Alexander Bonhill Limited, Dunlop Management Services Limited, HML Property Limited, Shaw & Company (Property Management) Limited and Anderton & Son Limited. The consideration for the purchase was the sum of £1,265,433 which was deducted from the indebtedness of HML to the Company.

## 20. Related party transactions

During the year ended 31 March 2004, the LTC Group advanced the HML Group £510,000. Of the monies advanced, £68,000 was for acquisition funding and £442,000 was for general working capital purposes. The HML Group provided services to LTC Holdings Plc during the year totalling £15,471 and the balance owed to the LTC Group at the year end was £2,064,000.

During the year ended 31 March 2005, the LTC Group advanced the HML Group £1,500,000. Of the monies advanced, £1,345,000 was for acquisition funding and £155,000 was for general working capital purposes. The HML Group provided services to LTC Holdings Plc during the year totalling £17,548 and the balance owed to the LTC Group at the year end was £3,579,000.

During the year ended 31 March 2006, the HML Group advanced £31,000 to the LTC Group. The HML Group provided services to LTC Holdings Plc during the year totalling £12,515 and the balance owed to the LTC Group at the year end was £3,548,000.

Further related party transactions are stated above in note 19. Related party transactions are those involving LTC Holdings Plc and the HML Group.

## 21. Parent Undertaking

The immediate and ultimate parent undertaking and controlling party as at 31 March 2006 was LTC Holdings plc.

## SECTION B – ACCOUNTANTS’ REPORT ON THE HML GROUP

The following is the full text of a report on Hawksworth Management Limited from Baker Tilly, the Reporting Accountants, to the Directors of HML Holdings Plc.



**BAKER TILLY**

2 Bloomsbury Street  
London WC1B 3ST  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
HML Holdings Plc  
28 Old Church Street  
London SW3 5BY

26 June 2006

Dear Sirs

### **Hawksworth Management Limited (“HML”)**

We report on the financial information set out in Section A of Part IV of this document. This financial information has been prepared for inclusion in the admission document dated 26 June 2006 (“Admission Document”) of HML Holdings Plc on the basis of the accounting policies set out on pages 21 and 22 of the Admission Document. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

### **Responsibilities**

As described in Section A of Part IV of the Admission Document, the directors of the Company (“the Directors”) are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the applicable financial reporting framework.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the HML Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework as described in Section A of Part IV of the Admission Document.

**Declaration**

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

**Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART V

### Financial Information on the Company

The historical financial information for HML Holdings plc is set out in Section A of Part V of this document.

The financial information in respect of the period ended 31 March 2006 does not constitute statutory accounts for the period.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of HML Holdings Plc for that period. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgments and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that HML Holdings plc will continue in business.

Section B of Part V of this document sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

## SECTION A – HISTORICAL FINANCIAL INFORMATION ON HML HOLDINGS PLC

### Balance sheet

	Notes	As at 31 March 2006 £
<b>Current assets</b>		
Cash in hand		<u>2</u>
<b>Net assets</b>		<u><u>2</u></u>
<b>Capital and reserves</b>		
Called up share capital	2	2
Profit and loss account		<u>—</u>
<b>Shareholders' equity funds</b>		<u><u>2</u></u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Accounting policies

The Company has not traded since incorporation and has only issued shares below and entered into the contracts described below and in Part VIII of the Admission Document. It is on this basis that a profit and loss account, cash flow statement and statement of total recognised gains and losses have not been included.

The principal accounting policies, which have been consistently applied in the Company's financial information are as follows:

#### *Basis of accounting*

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

### 2. Share capital

	As at 31 March 2006 £
Authorised:	
50,000 Ordinary shares of £1 each	50,000
	<u>50,000</u>
Issued and fully paid:	
2 Ordinary shares of £1 each	2
	<u>2</u>

The Company was incorporated on 2 March 2006 with an authorised share capital of 50,000 ordinary shares of £1 each. On incorporation 2 fully paid ordinary shares of £1 were issued to the initial subscribers and transferred to LTC Holdings plc and to Richard Smith.

On 4 May 2006 the 2 issued ordinary shares of £1 each were sub-divided into 200 ordinary shares of 1p each. Each of the 49,998 un-issued ordinary shares of £1 each were also sub-divided into 4,999,800 ordinary shares of 1p each.

On 4 May 2006 the authorised share capital was increased from £50,000 to £2,500,000 by the creation of an additional 245,000,000 ordinary shares of 1p each.

On 4 May 2006 4,400,000 ordinary shares of 1p each were issued and allotted between the following directors of the company:

Richard Smith	1,925,000 ordinary shares
Robert Plumb	1,512,500 ordinary shares
James Howgego	412,500 ordinary shares
Geoffrey Griggs	550,000 ordinary shares

On 12 May 2006 the authorised share capital of the Company was increased to £2,500,000.02 by the creation of an additional 2 ordinary shares of 1p each. On the same date a further 2 ordinary shares of 1p each were issued and allotted to LTC Holdings plc.

On 12 May 2006 4,400,202 issued ordinary shares of 1p each were consolidated into 2,933,468 ordinary shares of 1.5p each and each of the 245,599,800 unissued ordinary shares of 1p each were consolidated into 163,733,200 ordinary shares of 1.5p each.

On 2 June 2006 2,577,143 ordinary shares of 1.5p each were issued and allotted to LTC Holdings plc in consideration for the transfer of the entire share capital of HML to the Company.

On the 2 June 2006 4,285,714 ordinary shares of 1.5p each were issued and allotted to LTC Holdings plc in consideration for the release and discharge of £1,500,000 of indebtedness owed by the Company to LTC Holdings plc.



### 3. Post balance sheet events

On 15 May 2006 a demerger agreement was entered into whereby LTC Holdings plc agreed to transfer the business of HML Group to the Company. The Company therefore acquired the whole of the issued share capital of HML in consideration for the issue and allotment to LTC Holdings plc of 2,577,143 ordinary shares in the Company and the Company assumed the debt owed to LTC Holdings plc by HML Group. It was then agreed that £1,500,000 of this debt would be released by the issue of 4,285,714 ordinary shares to LTC Holdings plc and the balance by an issue of £2,798,000 in nominal amount of convertible unsecured loan notes in the Company.

On 30 May 2006, the Company adopted an Enterprise Management Incentive Share Option Plan and Unapproved Share Option Plan. The holder of an option will be entitled to acquire ordinary shares at a price to be determined by the remuneration committee at the time when the option is granted. In the case of an option granted on or after Admission, the option price shall not be less than the market value of an ordinary share as at the date of the grant. Options may be granted at any time up to the tenth anniversary of the date of adoption of the scheme and no consideration is payable for the grant of an option.

At 26 June 2006 the Company has granted EMI Options over 1,070,000 ordinary shares to employees of the Company which are exercisable at 17p and which have an exercise period of between the second anniversary (or earlier, at the discretion of the Board) and tenth anniversary of the date of grant.

At 26 June 2006 the Company has granted unapproved options over 112,500 ordinary shares, which are exercisable at 17p and which have an exercise period of between the second anniversary (or earlier, at the discretion of the Board) and tenth anniversary of the date of grant.

Included within the above grant of options are the following grants to Directors:

Richard Smith	225,000 ordinary shares (EMI option)
Robert Plumb	275,000 ordinary shares (EMI option)
James Howgego	137,500 ordinary shares (EMI option)
Geoffrey Griggs	112,500 ordinary shares (Unapproved option)

On 2 June 2006 the Company created £6,000,000 of convertible unsecured loan notes. The notes are convertible into Ordinary Shares at any time up to 31 December 2016. The notes are to be converted at the rate of one Ordinary Share for each 25p in principal amount of loan notes.

On 2 June 2006 and 12 June 2006 the Company agreed to purchase from HML the entire share capitals of its subsidiaries, namely Andertons Limited, Mandells Limited, Tecton Services Limited, Alexander Bonhill Limited, Dunlop Management Services Limited, HML Property Limited, Shaw & Company (Property Management) Limited and Anderton & Son Limited. The consideration for the purchase was the sum of £1,265,433 which was deducted from the indebtedness of HML to the Company.

### 4. Ultimate controlling party

The ultimate controlling party is LTC Holdings Plc, a company incorporated in England and Wales.

### 5. Related party transactions

Related party transactions are stated in notes 2 and 3 above. Related party transactions are those involving LTC Holdings Plc and the HML Group.

Issues of shares to the directors of the Company are stated in note 2 above. The directors involved are Richard Smith, Robert Plumb, James Howgego and Geoffrey Griggs.

## SECTION B – ACCOUNTANTS’ REPORT ON HML HOLDINGS PLC

The following is the full text of a report on HML Holdings plc from Baker Tilly, the Reporting Accountants, to the Directors of HML Holdings plc.



**BAKER TILLY**

2 Bloomsbury Street  
London WC1B 3ST  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
HML Holdings plc  
28 Church Street  
London  
SW3 5BY

26 June 2006

Dear Sirs

### HML HOLDINGS PLC (“the Company”)

We report on the financial information set out in Section A of Part V of this document. This financial information has been prepared for inclusion in the Company’s admission document dated 26 June 2006 (“Admission Document”) on the basis of the accounting policies set out on page 34 of the Admission Document. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in Section A of Part V of the Admission Document the directors of the Company (“the Directors”) are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the applicable financial reporting framework.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework as described in Section A of Part V of the Admission Document.

**Declaration**

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

**Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART VI

### Financial information on Shaw & Company (Property Management) Limited

The following information has been extracted without material adjustment from the audited report and accounts of Shaw & Company (Property Management) Limited for the year ended 31 March 2006.

#### Profit and loss account

For the year ended 31 March 2006

	<i>Note</i>	2006 £	2005 £
Turnover	1	855,096	811,851
Administrative expenses		<u>(696,351)</u>	<u>(636,332)</u>
Operating profit	2	158,745	175,519
Interest receivable		17,436	16,325
Interest payable		<u>(1,432)</u>	<u>(1,432)</u>
Profit on ordinary activities before taxation		174,749	190,412
Tax on profit on ordinary activities	4	<u>(36,688)</u>	<u>(38,238)</u>
Profit on ordinary activities after taxation		138,061	152,174
Dividends		<u>(81,527)</u>	<u>(161,174)</u>
Retained profit/(loss) for the financial year		56,534	(9,000)
Retained profit brought forward		<u>—</u>	<u>9,000</u>
Retained profit carried forward		<u><u>56,534</u></u>	<u><u>—</u></u>

**Balance sheet**  
**As at 31 March 2006**

	<i>Note</i>	2006 £	2005 £
<b>Fixed assets</b>			
Tangible fixed assets	5	14,028	27,580
<b>Current assets</b>			
Debtors	6	200,888	131,970
Cash in hand		106	106
		<u>200,994</u>	<u>132,076</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(153,991)</u>	<u>(149,163)</u>
<b>Net current assets/(liabilities)</b>		<u>47,003</u>	<u>(17,087)</u>
<b>Total assets less current liabilities</b>		61,031	10,493
<b>Creditors: amounts falling due after more than one year</b>	8	<u>(3,497)</u>	<u>(9,493)</u>
<b>Net assets</b>		<u><u>57,534</u></u>	<u><u>1,000</u></u>
<b>Capital and reserves</b>			
Called up share capital	9	1,000	1,000
Profit and loss account		<u>56,534</u>	<u>—</u>
<b>Shareholders' funds</b>		<u><u>57,534</u></u>	<u><u>1,000</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved by the board on 8 May 2006 and signed on its behalf.

**M R Lee MRICS**  
 Director

**Notes to the Financial Statements**  
**For the year ended 31 March 2006**

**1. Accounting policies**

*1.1 Basis of preparation of financial statements*

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

*1.2 Cash flow*

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2005).

*1.3 Turnover*

Turnover comprises the invoiced value of services supplied by the company, exclusive of Value Added Tax and trade discounts.

*1.4 Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings – 25 per cent. straight line

*1.5 Leasing and hire purchase*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2. Operating profit**

The operating profit is stated after charging:

	2006 £	2005 £
Depreciation of tangible fixed assets:		
– owned by the company	<u>13,552</u>	<u>13,552</u>

**3. Directors' remuneration**

	2006 £	2005 £
Aggregate emoluments	<u>25,000</u>	<u>12,000</u>

**4. Taxation**

	2006 £	2005 £
<b>Analysis of tax charge in year</b>		
UK corporation tax charge on profits of the year	35,472	38,238
Adjustments in respect of prior periods	<u>1,216</u>	<u>—</u>
<b>Total current tax</b>	<u>36,688</u>	<u>38,238</u>
<b>Tax on profit on ordinary activities</b>	<u>36,688</u>	<u>38,238</u>

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK applicable to the company.

There were no factors that may affect future tax charges.

## 5. Tangible fixed assets

	<i>Furniture, fittings and equipment</i> £
<b>Cost</b>	
At 1 April 2005	155,104
Disposals	<u>(100,897)</u>
At 31 March 2006	<u>54,207</u>
<b>Depreciation</b>	
At 1 April 2005	127,524
Charge for the year	13,552
On disposals	<u>(100,897)</u>
At 31 March 2006	<u>40,179</u>
<b>Net book value</b>	
At 31 March 2006	<u>14,028</u>
At 31 March 2005	<u>27,580</u>

The estimated net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2006 £	2005 £
Furniture, fittings and equipment	<u>6,861</u>	<u>13,362</u>

## 6. Debtors

	2006 £	2005 £
Trade debtors	126,928	111,721
Other debtors	73,960	20,249
	<u>200,888</u>	<u>131,970</u>

Included within other debtors is a balance on the current accounts for M.R Lee and P Shaw totalling £58,240 which arose in March 2006 and was fully repaid in May 2006.

## 7. Creditors:

Amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	39,235	56,437
Net obligations under finance leases and hire purchase contracts	5,995	5,995
Trade creditors	—	929
Corporation tax	35,472	37,022
Social security and other taxes	52,344	38,031
Other creditors	20,945	10,749
	<u>153,991</u>	<u>149,163</u>

M R Lee and P Shaw, directors, have each given security of £50,000 over the bank overdraft released in May 2006.

## 8. Creditors:

Amounts falling due after more than one year

	2006	2005
	£	£
Net obligations under finance leases and hire purchase contracts	<u>3,497</u>	<u>9,493</u>

## 9. Share capital

	2006	2005
	£	£
<b>Authorised</b>		
4,900,000 Ordinary Shares Class A shares of £1 each	4,900,000	4,900,000
4,900,000 Ordinary Shares Class B shares of £1 each	4,900,000	4,900,000
25,000 Ordinary Shares Class C shares of £1 each	25,000	25,000
25,000 Ordinary Shares Class D shares of £1 each	25,000	25,000
25,000 Ordinary Shares Class E shares of £1 each	25,000	25,000
125,000 Ordinary Shares Class F,G,H,J,K shares of £1 each	125,000	125,000
	<u>10,000,000</u>	<u>10,000,000</u>
<b>Allotted, called up and fully paid</b>		
400 Ordinary Shares Class A shares of £1 each	400	400
400 Ordinary Shares Class B shares of £1 each	400	400
99 Ordinary Shares Class C shares of £1 each	99	99
100 Ordinary Shares Class D shares of £1 each	100	100
1 Ordinary Shares Class E shares of £1 each	1	1
	<u>1,000</u>	<u>1,000</u>



## PART VII

### SECTION A – PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following pro forma statement of net assets has been produced to illustrate the impact of the acquisition of Shaw & Company (Property Management) Limited by HML Group, which has occurred since 31 March 2006, as if it had occurred on 31 March 2006, and to show the effects of the demerger of the HML Group from LTC Holdings plc. The pro forma financial information is based on:

- (i) the financial information relating to the Group as at 31 March 2006, as presented in Parts IV and V of this document;
- (ii) the audited financial statements of Shaw & Company (Property Management) Limited as at 31 March 2006, as presented in Part VI of this document;
- (iii) the terms of the demerger agreement dated 15 May 2006 (the “Demerger Agreement”), further details of which are given in paragraph 10.1 of Part VIII of this document.

The pro forma statement of net assets should be read in conjunction with the financial information presented in Parts IV, V and VI of this document, and in particular the post balance sheet events presented in note 21 of the financial information in Part IV of this document and note 3 of the financial information in Part V of this document.

**The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group.**

	Net assets of HML Holdings Plc at 31 March 2006 £'000	Consolidated net assets of HML Group as at 31 March 2006 £'000	Net assets of Shaw & Company (Property Management) Limited as at 31 March 2006 £'000	Adjustments (notes 3-5) £'000	Pro forma net assets of the Group £'000
<b>Fixed assets</b>					
Intangible assets	—	2,365	—	1,044	3,409
Tangible assets	—	249	14	—	263
Investments	—	4	—	—	4
	—	2,618	14	1,044	3,676
<b>Current assets</b>					
Debtors	—	900	201	(369)	732
Cash at bank	—	161	—	—	161
	—	1,061	201	(369)	893
<b>Creditors – amounts falling due within one year</b>	—	(1,078)	(154)	310	(922)
<b>Net current (liabilities)/assets</b>	—	(17)	47	(59)	(29)
<b>Total assets less current (liabilities)/assets</b>	—	2,601	61	985	3,647
<b>Creditors – amounts falling due after more than one year</b>	—	(3,698)	(3)	375	(3,326)
<b>Net (liabilities)/assets</b>	—	(1,097)	58	1,360	321

Notes to the pro-forma financial information:

1. The pro forma statement does not take into account any movement in reserves or net assets of the Group since 31 March 2006 other than those detailed below.
2. The pro forma statement of net assets of the Group is shown as if HML had acquired the entire issued share capital of Shaw & Company (Property Management) Limited as at 31 March 2006 and as if the terms of the Demerger Agreement, further details of which are given in paragraph 10.1 of Part VIII of the Admission Document had come into effect on 31 March 2006.
3. The adjustment to intangible fixed assets relates to goodwill arising on the acquisition of the issued share capital of Shaw & Company (Property Management) Limited as at 31 March 2006. The fair value of the consideration was £1,102,000. This included cost of investment including stamp duty of £1,058,000 plus £44,000 in legal costs. The fair value of the net assets acquired is £58,000 being the net assets included within the audited accounts for Shaw & Company (Property Management) Limited as at 31 March 2006. Goodwill of £1,044,000 is therefore calculated as the difference in the fair value of the consideration of £1,102,000 and the fair value of the net assets acquired of £58,000.
4. The above consideration was funded by £668,000 of loans from LTC Holdings plc which is included in long term creditors. A total of £390,000 of the consideration is to be deferred and paid in instalments of £165,000 in April 2007, £100,000 in April 2008 and £125,000 in April 2009. Of these amounts £165,000 has been included in short term creditors and £225,000 in long term creditors. The legal fees of £44,000 have been included in short term creditors.
5. Pursuant to the Demerger Agreement dated 15 May 2006, the Company assumed the debt owing to the LTC Group, a proportion of which was subsequently capitalised. Accordingly, an adjustment has been made to capitalise £1,418,000 of the £1,500,000 agreed under the terms of the Demerger Agreement. This relates to amounts due to the LTC Group as at 31 March 2006 that are included within the consolidated net assets of HML Group. The capitalisation was undertaken by the issue of ordinary shares to LTC Holdings plc. Adjustments have been made to short term creditors of £519,000 plus long term creditors of £600,000 less short term debtors of £369,000. In addition the £668,000 detailed in note 4 has been eliminated.
6. A further adjustment was made to reclassify the balance of the intercompany loan of £2,798,000 as convertible unsecured loan notes in accordance with the terms of the Demerger Agreement. The total creditors due after one year of £3,326,000 relate to the convertible unsecured loan notes of £2,798,000, deferred consideration payments included within the HML Group balance at 31 March 2006 of £300,000, the deferred consideration payment of £225,000 referred to in note 4 and the amount relating to Shaw & Company (Property Management) Limited of £3,000 at 31 March 2006.

## SECTION B – ACCOUNTANTS’ REPORT

The following is the full text of a report on HML Holdings Plc from Baker Tilly, the Reporting Accountants, to the Directors of HML Holdings Plc.



**BAKER TILLY**

2 Bloomsbury Street  
London WC1B 3ST  
www.bakertilly.co.uk

The Directors  
HML Holdings Plc  
28 Old Church Street  
London SW3 5BY

26 June 2006

Dear Sirs

### HML HOLDINGS PLC (“the Company”)

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in Section A of Part VII of the Admission Document dated 26 June 2006 of HML Holdings Plc (“Admission Document”), which has been prepared on the basis described in Section A of Part VII of the Admission Document, for illustrative purposes only, to provide information about how the acquisition of Shaw & Company (Property Management) Limited and the demerger of HML Group from LTC Holdings plc might have affected the financial information relating to the Group presented in Parts IV and V of the Admission Document on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the year ended 31 March 2006. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

### Responsibilities

It is the responsibility of the directors of the Company (“Directors”) to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the AIM Rules.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

**Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART VIII

### Additional Information

#### 1. The Company

- 1.1 The Company was incorporated and registered in England and Wales on 2 March 2006 under the name of HML Holdings plc with registered number 05728008 as a public limited company under the Act. On 19 June 2006, the Registrar of Companies issued a certificate under section 117 of the Act to enable the Company to commence trading and to act as a holding company.
- 1.2 The Company's legal and commercial name is HML Holdings plc.
- 1.3 The registered office and principal place of business of the Company is at 28 Old Church Street, London SW3 5BY. The telephone number of the Company's registered office and principal place of business is +44 (0)207 795 1881.
- 1.4 The principal legislation under which the Company was formed and now operates is the Companies Act 1985. The Company is domiciled in the United Kingdom. The liability of the members of the Company is limited.
- 1.5 The Company is the holding company of the following subsidiaries:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Business</i>	<i>Percentage issued share capital held by the Company</i>
Hawksworth Management Limited	England	Property Management	100
Andertons Limited	England	Property Management	100
Mandells Limited	England	Property Management	100
Tecton Services Limited	England	Building Surveying	100
Alexander Bonhill Limited	England	Insurance Broking	100
Dunlop Management Services Limited	England	Property Management	100
Shaws & Company (Property Management) Limited	England	Property Management	100
HML Property Limited	England	Dormant	100
Anderton & Son Limited	England	Dormant	100

- 1.6 Save as referred to in paragraph 1.5 above, the Company does not hold any shares or other securities in the capital of any company and is not otherwise part of a group of companies.
- 1.7 The Group occupies the leasehold premises of LTC at 28 Old Church Street, London SW3 5BY as licensee. The Company is not aware of any environmental issues affecting its use of such premises or any of the tangible fixed assets of the Company.

#### 2. Share capital

- 2.1 The authorised share capital of the Company at the date of this document is £2,500,000.02 divided into 166,666,668 ordinary shares of 1.5p each.

2.2 The issued ordinary share capital of the Company at the date of this document is as follows:

<i>Amount</i>	<i>Number of Ordinary Shares</i>
£146,944.87	9,796,325

2.3 The par value of each Ordinary Share is 1.5p.

2.4 All the issued shares in the capital of the Company are credited as paid up in full as to their par value and any premium.

2.5 The following transactions in relation to the share capital of the Company have taken place since the date of its incorporation on 2 March 2006:

2.5.1 on incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each of which two ordinary shares of £1 were issued fully paid up to the subscribers to the Memorandum of Association of the Company;

2.5.2 on 2 March 2006 the two ordinary shares of £1 in the capital of the Company were transferred by the subscribers, one to LTC Holdings plc and one to Richard Smith.

2.5.3 by a written resolution passed on 4 May 2006:

(a) the 2 issued ordinary shares of £1 each were sub-divided into 200 ordinary shares of 1p each;

(b) the 49,998 unissued ordinary shares of £1 each were sub-divided into 4,999,800 ordinary shares of 1p each;

(c) the authorised share capital of the Company was increased from £50,000 to £2,500,000 by the creation of an additional 245,000,000 ordinary shares of 1p each;

(d) the Directors were authorised to exercise all or any of the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) in accordance with Section 80 of the Act up to an aggregate nominal amount of £2,499,998. This authority will expire on the earlier of the next annual general meeting of the Company, and 15 months from the passing of the resolution (unless previously renewed, varied or revoked by the Company in general meeting) provided that the Company may, prior to the expiry of such authority, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired. The authority conferred by the resolution was in substitution for any previous authority to allot relevant securities conferred on the Directors, and any previous authority (to the extent unexercised) was revoked; and

(e) the Directors were authorised to exercise their power to allot relevant securities as set out in paragraph 2.5.3 (d) above to such persons and on such conditions as they may in their discretion determine as if section 89(1) of the Act did not apply;

2.5.4 on 4 May 2006 1,925,000 ordinary shares of 1p were issued and allotted to Richard Smith, 1,512,500 ordinary shares of 1p were issued and allotted to Robert Plumb, 412,500 ordinary shares of 1p were issued and allotted to James Howgego and 550,000 ordinary shares of 1p were issued and allotted to Geoffrey Griggs, in each case on the terms described in paragraph 10.5 of this Part VIII below;

- 2.5.5 on 12 May 2006 2 ordinary shares of 1p were issued and allotted to LTC;
- 2.5.6 by a written resolution passed on 12 May 2006:
- (a) the authorised share capital of the Company was increased from £2,500,000 to £2,500,000.02 by the creation of an additional 2 ordinary shares of 1p each;
  - (b) the 4,400,202 issued ordinary shares of 1p each were consolidated into 2,933,468 ordinary shares of 1.5p each; and
  - (c) each of the 245,599,800 unissued ordinary shares of 1p each were consolidated into 163,733,200 ordinary shares of 1.5p each;
- 2.5.7 on 2 June 2006:
- (a) the Company issued and allotted 2,577,143 ordinary shares of 1.5p each to LTC in consideration for the transfer to the Company of the entire issued share capital of HML;
  - (b) the Company issued and allotted a further 4,285,714 ordinary shares of 1.5p each to LTC in consideration for the release and discharge of £1,500,000 of indebtedness owed by the HML Group; and
  - (c) LTC agreed to transfer 3,016,926 ordinary shares of 1.5p each to its shareholders by way of special dividend.
- 2.6 Save for the issue of any Ordinary Shares on conversion of the HMLH Loan Notes and save as disclosed in paragraphs 4 and 10.12 below, no share or loan capital of the Company or any other member of the Group is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option. Robert Plumb and James Howgego have indicated their intention to subscribe for or purchase in the market Ordinary Shares following Admission.
- 3. Securities being admitted**
- 3.1 The Ordinary Shares are ordinary shares of 1.5p in the capital of the Company, were created under the Act and are to be issued in British Pounds Sterling.
- 3.2 The Ordinary Shares are held in registered form and may be issued in certificated form or under the CREST system. CREST is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Company's Registrars are responsible for keeping the Company's register of members. The International Security Identification Number of the Ordinary Shares is GB00B16DFY89.
- 3.3 The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 6.1 of this Part VIII.
- 3.4 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital.
- 3.5 Each Ordinary Share is entitled on an equal (*pari passu*) basis with all other issued Ordinary Shares to share in any surplus on a liquidation of the Company. No shareholder has different voting rights to other shareholders.
- 3.6 The holders of Ordinary Shares will have the benefit of the pre-emption provisions contained in Section 89 et.seq. of the Act.
- 3.7 The Ordinary Shares have no redemption or conversion provisions.
- 3.8 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.
- 3.9 The Ordinary Shares will be subject to the Takeover Code (the "Code"). Under Rule 9 of the Code ("Rule 9"), any person, or group of persons acting in concert, who acquire, whether by a single transaction or by a series of transactions over a period of time, shares which taken together with shares already held by him or them, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, or any person who, together with persons

acting in concert with him or them, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights and such person(s), or any person acting in concert with him or them, acquires additional shares which increase his or their percentage of the voting rights, is normally required by the Takeover Panel (the “Panel”) to make a general offer in cash to acquire the remaining shares in the company to all its shareholders at not less than the highest price paid by him or them within the preceding twelve months. Rule 9 is subject to a number of dispensations.

In addition, in the event an offeror acquires at least nine-tenths in value of the issued share capital of the Company to which the offer relates the offeror may, in accordance with the procedure set out in sections 428-430 of the Act, require the holders of any shares he has not acquired to sell them subject to the terms of the offer, and such shareholders may in turn require the offeror to purchase such shares on the same terms.

3.10 No person has made a public takeover bid for the Company’s issued share capital in the financial period to 31 March 2006 or in the current financial period.

3.11 A person who either acquires an interest in a public company’s relevant share capital or ceases to be interested in such shares is under an obligation pursuant to section 198 of the Act to notify the Company in respect of such interests:

3.11.1 if such interests are ‘material interests’ when the aggregate nominal value of the shares in respect of which those material interests subsist is equal to or more than 3 per cent. of the nominal value of that share capital; and

3.11.2 if those interests are not ‘material interests’ when the aggregate nominal value of the shares in respect of which the interests subsist is equal to or more than 10 per cent. of the nominal value of that share capital.

A “material interest” for these purposes has the meaning set out in section 199(2A) of the Act.

The Directors are under a duty to disclose any interest in the shares of the Company pursuant to section 324 of the Act.

3.12 The Directors are not aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company save that in the event that LTC exercises its right to convert the HMLH Loan Notes in full, it will hold 15,037,999 Ordinary Shares comprising 71.64 per cent. of the Issued Share Capital as enlarged by the conversion of the HMLH Loan Notes, assuming no other Ordinary Shares have been issued at that time.

#### 4. Share options

4.1 HML Holdings Plc Enterprise Management Incentive Share Option Plan and HML Holdings Plc Unapproved Share Option Plan (“the Company Scheme”)

The Company adopted the Company Scheme on 30 May 2006. The principal terms of the Company Scheme are as follows:

##### 4.1.1 *Status of the Company Scheme*

The Company Scheme is designed to permit the Company to grant qualifying enterprise management incentive (“EMI”) share options within the meaning of Schedule 5 Income Tax (Earnings and Pensions) Act 2003 (“Schedule”) over Ordinary Shares (“EMI Options”). The Company Scheme, however, also permits the Company to grant options which are not qualifying EMI options (“Unapproved Options”).

##### 4.1.2 *Eligibility*

In order to qualify for participation in the Company Scheme, an individual must:

- (a) be employed by the Company or a member of the Group (in the case of EMI Options) or be an employee or director of the Company or any of its subsidiaries (in the case of Unapproved Options);
- (b) for EMI options satisfy the working time requirements in Part 4 of the Schedule; and

- (c) not have a material interest in any Group Company within the meaning of the Schedule.

#### 4.1.3 *Administration*

The Company Scheme is governed by its rules and is overseen by the remuneration committee of the Board (“the Committee”). The Committee will have absolute discretion in selecting the persons to whom options under the Company Scheme are to be granted and (subject to the limits set out below) in determining the number and terms of options to be so granted. No person is entitled as of right to be granted an option.

#### 4.1.4 *Option Price*

The holder of an option under the Company Scheme will be entitled to acquire Ordinary Shares at a price to be determined by the Committee at the time when the option is granted. In the case of an option granted on or after Admission, the option price shall not be less than the market value of an Ordinary Share as at the date of grant.

#### 4.1.5 *Grant Periods*

- (a) Options may be granted under the Company Scheme at any time up to the tenth anniversary of the date of adoption of the Scheme.
- (b) No consideration is payable for the grant of an option.

#### 4.1.6 *Performance Conditions and Vesting*

The Committee may, at the time of grant of an option, determine that the exercise of such option is subject to the achievement of objective performance conditions. An option will only ever be exercisable if, and to the extent to which, such performance conditions are achieved.

#### 4.1.7 *Exercise and lapse of options.*

- (a) Generally, options may only be exercised during a stated option period by a person who remains a director or employee. In respect of any option, the option period will be decided at the discretion of the Committee.
- (b) No option may be exercised by an individual occupying a managerial position with the Company at a time when such exercise would be in breach of the Model Code on share dealing published by the Financial Services Authority or the Company’s own code on insider dealing.
- (c) If an option holder ceases to be employed by the Group for whatever reason, all options then held by the option holder which had not become exercisable at the time of such cessation shall lapse immediately (subject to the Directors’ discretion to allow otherwise) and all options which had become exercisable at the time of such cessation may be exercised within 90 days following the date of cessation of employment (or, in the case of death, within 12 months from the date of death). If not so exercised, the options shall lapse.
- (d) If as a result of a takeover offer or otherwise, the Company comes under the control of another person or persons, the option holder shall in general have 40 days to exercise his option failing which it shall lapse and cease to be exercisable.
- (e) In the event of a winding up of the Company, all options shall immediately lapse and cease to be exercisable.
- (f) As a condition of grant of an option, an option holder may be required to indemnify the Company or any member of the Group for any liability to income tax, employee’s National Insurance contributions or employer’s National Insurance contributions arising as a result of the exercise of the option.



(g) Options will not be transferable.

#### 4.1.8 *Issue and transfer of shares*

Ordinary Shares will be allotted and issued or transferred within 14 days of the exercise of an option. Ordinary Shares allotted will rank in full for all dividends or other distributions payable by reference to a record date occurring after the date of allotment of such shares. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the shares by reference to a record date preceding the date of exercise. In all other respects the Ordinary Shares so issued or transferred shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of exercise.

#### 4.1.9 *Limits applying to the Scheme*

After Admission, the number of Ordinary Shares in respect of which options may be granted under the Company Scheme may not cause the number of Ordinary Shares in respect of which options have been granted and other awards of Ordinary Shares have been made (and, if not exercised, have not then ceased to be exercisable) in the ten preceding years (in the Company Scheme or any other employees share scheme) to exceed ten per cent. of the Ordinary Share capital from time to time.

#### 4.1.10 *Individual Limits*

The total market value (at the date of grant) of Ordinary Shares over which an individual may be granted qualifying EMI Options (for the purposes of paragraph 1(2) of the Schedule) under the Company Scheme is £100,000. The total value of Ordinary Shares over which qualifying EMI Options may be granted pursuant to the Company Scheme must not exceed £3,000,000 at any time.

#### 4.1.11 *Variations in share capital*

In the event of any variation or alteration of the share capital of the Company, the number of shares subject to options and/or the option price may be adjusted in such manner as the auditors of the Company confirm is fair and reasonable.

#### 4.1.12 *Amendments*

The Board has the power to amend the rules of the Company Scheme. However, the rules cannot be altered to affect adversely any subsisting options.

4.2 At the date of this document, the Board has granted:

4.2.1 EMI Options over 937,000 Ordinary Shares to employees of the Company, which are exercisable at 17p per Ordinary Share and which have an exercise period of between the second anniversary (or earlier, at the discretion of the Board) and the tenth anniversary of the date of grant; and

4.2.2 Unapproved Options over 152,500 Ordinary Shares, which are exercisable at 17p per Ordinary Share and which have an exercise period of between the second anniversary (or earlier, at the discretion of the Board) and the tenth anniversary of the date of grant.

4.3 Included in the grant of options referred to in paragraph 4.2 above are the grant of the following options to Directors:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Type of option</i>
Richard Smith	225,000	EMI
Robert Plumb	275,000	EMI
James Howgego	137,500	EMI
Geoffrey Griggs	112,500	Unapproved

4.4 Save for those option agreements or arrangements referred to in this paragraph 4 and in paragraph 10.5 below, the Company has made no arrangements to involve its employees in its share capital.

4.5 The Company has issued £2,798,000 in nominal amount of convertible unsecured loan notes to LTC on completion of the Demerger on 2 June 2006. The terms of the HMLH Loan Notes including the procedure for conversion are set out in paragraphs 10.2 and 10.17 below.

## 5. Memorandum of Association

The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. The Company's objects and purposes are set out in full in clause 4 of the Memorandum of Association.

## 6. The Articles of Association

The Articles of Association of the Company include, *inter alia*, provisions to the following effect:

### 6.1 Rights attaching to the Ordinary Shares

#### 6.1.1 *Voting*

Subject to any rights or restrictions attached to any shares, on a show of hands every holder of Ordinary Shares who being an individual, is present in person or, being a corporation, is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for each Ordinary Share held by him.

Unless the Board otherwise decides, a member of the Company shall not be entitled, in respect of any Ordinary Share held by him to vote, either personally or by proxy at any general meeting of the Company unless all calls and other amounts payable by him in respect of that Ordinary Share have been paid. Voting rights may not be exercised by a member in respect of any shares if such shares are subject to disenfranchisement sanctions described in paragraph 6.1.2 below.

#### 6.1.2 *Restriction on Voting*

No Shareholder is entitled to vote at any general meeting or at any class meeting in respect of any Ordinary Shares unless all monies payable by him in respect of such Ordinary Shares have been paid. The Board is authorised to serve notice under section 212 of the Act on any shareholder, or other person appearing to be interested in shares of the Company, requiring them to give information as to who is interested (within the meaning of Section 212) in shares in the Company within the relevant period. If such notice is not complied with, or, in purported compliance with such a notice, a shareholder has made a statement which is false or inadequate in a material particular, the Board may in their absolute discretion give notice to the Shareholder disenfranchising him from voting in respect of the shares in question and where the shares in question represent 0.25 per cent. or more in nominal value of the issued shares of that class less any shares of that class held in treasury by the Company and additionally (a) withholding payment of dividends or other distributions on such shares and (b) refusing registration of any transfer of such shares, other than a transfer on arm's length terms.

#### 6.1.3 *Income*

The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the Directors. In addition, the Directors may pay interim dividends if justified by the profits of the Company available for distribution. There are no fixed dates on which a dividend entitlement arises.

The dividend payment to each Shareholder shall be calculated proportionately to the amounts paid up on each issued Share. All dividend payments shall be non-cumulative.

All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend which remains unclaimed twelve years after the date the dividend becomes due for payment shall, at the option of the Directors, be forfeited and shall revert to the Company.

There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the directors consider appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The Directors may make such arrangements as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident shareholders are present.

#### 6.1.4 *Capital*

If the Company is wound-up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Insolvency Act 1986, divide among the holders of Ordinary Shares in specie the whole or any part of the assets of the Company or vest the whole or any part of the assets in trustees upon such trusts for the benefit of holders of Ordinary Shares as the liquidator with the like sanction shall think fit, but no holder of Ordinary Shares shall be compelled to accept any assets upon which there is any liability.

#### 6.1.5 *Transfers*

Save as referred to in this paragraph the Ordinary Shares are freely transferable and may be held in certificated or uncertificated form. All transfers of uncertificated shares may be made by means of a relevant system pursuant to the CREST Regulations. All transfers of certificated shares may be effected by an instrument of transfer in writing in any usual form or in any other form acceptable to the Board. The instrument of transfer must be executed by or on behalf of the transferor and except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members of the Company in respect thereof. The registration of transfers may be suspended at such times and for such periods, not exceeding thirty days in any year, as the Board may from time to time determine and either generally or in respect of any class of shares. The Board may in its absolute discretion and without giving any reason for its decision refuse to register any transfer of a share which is not fully paid up or any transfer of a share fully paid up on which the Company has a lien, provided that such restrictions will not prevent dealings in the shares from taking place on an open and proper basis. The Board may also refuse to register any transfer of certificated shares unless it relates to only one class of shares, is left at the registered office or at such other place as the Board may decide for registration, is accompanied by the share certificate and such other evidence (if any) of the transferor's title as the Board may reasonably require and is duly stamped if required.

No fee shall be charged by the Company on the registration of any instrument of transfer or any document relating to or affecting the title to, any shares or otherwise for making an entry on the register of members.

#### 6.1.6 *Variation of Rights*

The rights attached to the Ordinary Shares may be varied or abrogated with the written consent of the holders of three-fourths in nominal value of the issued Ordinary Shares or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders and shall be deemed to be varied by a reduction of the capital paid up on those shares otherwise than by a purchase or redemption by the Company of its own shares; and the allotment of other shares ranking in priority for payment of a dividend or in respect of capital or which confer more favourable voting rights on the holders but shall not otherwise be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them or by the purchase or redemption by the Company of any of its own shares.

## 6.2 *General Meetings*

All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings. The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The holders of Ordinary Shares may requisition the holding of a general meeting pursuant to the Act.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a Director shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days notice.

Subject to the provisions of the Act, the notice shall be given to all the members, to each of the Directors and to the auditors for the time being of the Company.

The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of such business. The notice shall, in the case of an annual general meeting, specify the meeting as such, and, in the case of a meeting to pass a special or extraordinary resolution, specify the intention to propose the resolution as a special or extraordinary resolution, as the case may be.

The accidental omission to give notice of a meeting, or to send a form of proxy with a notice, to any person entitled to receive the same, or the non-receipt of a notice or form of proxy by any such person, shall not invalidate the proceedings at that meeting.

## 6.3 *Change of Control*

There is no provision in the articles of association of the Company that would have the effect of delaying, deferring or preventing a change of control of the Company.

## 6.4 *Alteration of Capital*

6.4.1 The Company may by ordinary resolution:

- (a) increase its share capital;
- (b) consolidate and divide its share capital into shares of a higher nominal value;
- (c) sub-divide its shares into shares of a lower nominal value; or
- (d) cancel any shares at the date of the passing of the resolution which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

6.4.2 Subject to the provisions of the Act, and to any rights conferred on the holders of any class of shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other un-distributable reserve in any way.

## 6.5 *Management*

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, including the power to dispose of all or any part of the undertaking of the Company. The Board may delegate any of its powers to any committee consisting of one or more Directors. The Board may also delegate to any Director holding any executive office such of its powers as the Board considers desirable to be exercised by him. Any such delegation shall, in the absence of express provision to the contrary in the terms of the delegation, be deemed to include authority to sub-delegate to one or more Directors (whether or not acting as a Committee) or to any employee or agent of the Company all or any of the powers delegated and may be made subject to such conditions as the Board may specify, and may be revoked or altered. The Board may also establish local or divisional boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of the local or divisional boards, or any managers or agents, and may fix their remuneration. The Board may delegate to any local or divisional board, manager or agent any of the powers,

authorities and discretions vested in or exercisable by the Board, with power to sub-delegate, and may authorise the members of any local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies.

## 6.6 *Directors*

6.6.1 A Director is not required to hold any qualification shares.

6.6.2 The amount of any fees payable to Directors shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of £150,000 or such other sum as may from time to time be approved by ordinary resolution. Any such fees shall be divisible among the Directors as they may agree, or failing agreement, equally. The Directors are also entitled to be repaid all expenses properly incurred by them respectively in the performance of their duties. Any Director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.

6.6.3 The Directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any other company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary of any such other company (“associated companies”) and the families and dependants of any such persons and the Directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers, employees or auditors of the Company, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.

6.6.4 The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including the office of chairman, deputy chairman, managing director or chief executive) on such terms and for such period as they may determine.

6.6.5 Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
- (b) may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
- (c) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the directors may arrange; and
- (d) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

- 6.6.6 Save as specifically provided in the Articles, a Director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director will be not counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- 6.6.7 Subject to applicable law, a Director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (a) the giving of any guarantee, security or indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
  - (b) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;
  - (d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company;
  - (e) any contract or arrangement in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise, provided that he does not hold an interest (as defined in sections 198-211 of the Act) in one per cent. or more of the issued shares of any such body corporate;
  - (f) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its subsidiaries;
  - (g) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner to the employees; and
  - (h) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of Directors or persons who include Directors.
- 6.6.8 Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs (f) and (g) above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.

## 6.7 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to applicable law, to issue debentures and other securities.

## 7. **Directors' and other interests**

- 7.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and their respective immediate families and the persons connected with them (within the meaning of Section 346 of the Act) in the issued share capital of the Company which have been notified to the Company pursuant to Sections 324 and 328 of the Act or are required to be disclosed in the Register of Directors' Interests pursuant to Section 325 of the Act and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director and as they are expected to be on Admission are as follows:

<i>Name</i>	<i>Number of Ordinary Shares on Admission</i>	<i>Percentage of issued Ordinary Shares on Admission</i>	<i>Number of Ordinary Shares over which options to be held<sup>(2)</sup></i>
Richard Smith <sup>(1)</sup>	1,533,400	15.65	225,000
Robert Plumb	1,008,333	10.29	275,000
James Howgego	275,000	2.81	137,500
Geoffrey Griggs	367,167	3.75	112,500

*Notes*

1. The above interests represent Richard Smith's direct interests in the Ordinary Shares, including those shares owned by his wholly owned companies, Arden Park Limited and Ortund Limited. Richard Smith also has an indirect interest in Ordinary Shares held by LTC, as a result of his 8.29 per cent. interest in LTC. LTC's holding of Ordinary Shares is disclosed in paragraph 7.3 below.

2. Further details regarding these options are set out in paragraph 4 of this Part VIII above.

7.2 Save as disclosed in paragraphs 4.3 and 7.1 above, none of the Directors nor any member of their immediate families nor any person connected with the Directors (within the meaning of Section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.

7.3 Save for the interests of certain of its Directors as disclosed in paragraph 7.1 above, the Company is only aware of the following persons who, directly or indirectly, jointly or severally, hold or will hold shares, amounting to 3 per cent. or more of the issued share capital of the Company on Admission:

<i>Name</i>	<i>Number of Ordinary Shares on Admission</i>	<i>Percentage of issued Ordinary Shares on Admission</i>
LTC Holdings Plc	3,845,999	39.26

The Company and LTC entered into a relationship agreement on 26 June 2006, further details of which are set out in paragraph 10.15.

7.4 Save as disclosed in paragraphs 7.1 and 7.3 above, the Directors are not aware of any person, directly or indirectly, jointly or severally, who at the date of this document exercises or could exercise control over the Company.

7.5 The voting rights of the Shareholders set out in paragraphs 7.1 and 7.3 above do not differ from the voting rights held by other shareholders in the Company.

## 8. Service contracts for directors

8.1 The terms of the Directors' service agreements or letters of appointment are summarised below:

### 8.2 *Richard Smith, Robert Plumb and James Howgego*

New service contracts have been entered into with each of Richard Smith, Robert Plumb and James Howgego in their roles as Chairman, Chief Executive and Finance Director of the Company respectively (the "Executives") a summary of the main terms of which are set out below:

8.2.1 The employment of Richard Smith began on the date of this document, the employment of Robert Plumb began on 1 November 2005 and the employment of James Howgego began on 30 January 2006. The employment of the Executives is to continue until terminated by the Company or the Executive on not less than 12 months' notice in writing in the case of Richard Smith and Robert Plumb and three months' notice in writing in the case of James Howgego.

- 8.2.2 The Executive's employment may be terminated by the Company without notice or payment in lieu of notice in certain circumstances and terminates automatically upon him reaching the normal retirement age of the Company (65 years of age).
  - 8.2.3 The rate of remuneration of Richard Smith is £30,000 per annum, of Robert Plumb is £100,000 per annum and of James Howgego is £75,000 per annum. Such remuneration is to be reviewed by the Remuneration Committee of the Board annually save that Richard Smith's remuneration will automatically increase to not less than £40,000 per annum with effect from 1 April 2007.
  - 8.2.4 Robert Plumb and James Howgego will be provided with private medical health insurance and Robert Plumb will receive a car allowance of £6,000 per annum. Executives may be provided with the use of a mobile phone on company business.
  - 8.2.5 The Executive is required to devote such time as is reasonably necessary for the performance of his duties and to discharge his responsibilities as an executive director of the Company. Richard Smith is required to spend not less than 25 hours per week on the performance of his duties as set out in his service contract. Robert Plumb and James Howgego are both full time employees who will be engaged on Company business for not less than 37.5 hours per week.
  - 8.2.6 The Executive is entitled to 25 working days' paid holiday plus the usual United Kingdom public holidays.
  - 8.2.7 The Executive is entitled to receive his salary at full rate for 60 working days of sickness/incapacity in any 12 month period and thereafter shall be paid salary only at the absolute discretion of the Board.
  - 8.2.8 For a period of 12 months from the date of termination of his employment, the Executive has agreed that he will not be involved in any capacity with any business that competes with the Company, without the prior written consent of the Company.
  - 8.2.9 The Executive may be required by the Company to take up to 12 months garden leave following service of notice of termination of the Executive's employment by the Company or the Executive.
- 8.3 *Geoffrey Griggs*
- The terms of appointment of Geoffrey Griggs as a non-executive Director of the Company are summarised below:
- 8.3.1 Geoffrey Griggs' appointment with the Company began on 2 March 2006 and such appointment shall continue unless terminated by the Company or Geoffrey Griggs upon six months' prior written notice.
  - 8.3.2 His rate of remuneration is £10,000 per annum with effect from 1 July 2006 and will automatically increase to not less than £15,000 per annum with effect from 1 April 2007. Thereafter his remuneration is subject to review from time to time by the Remuneration Committee of the Board.
  - 8.3.3 Geoffrey Griggs will be provided with director's and officer's liability insurance throughout the period of his appointment.
  - 8.3.4 The role of Geoffrey Griggs is to bring an independent judgment to bear on issues of Company strategy, performance, resources and conduct and to attend Board, committee and shareholder meetings.
- 8.4 Save as disclosed in paragraphs 8.2 and 8.3 above, there are no service contracts in existence between any Director and the Company which provide benefits upon termination of employment.
- 8.5 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments.



8.6 The aggregate remuneration and benefits in kind paid to the Directors by the Company for the period since incorporation of the Company is £nil. It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the twelve months period ending 31 March 2007 will be approximately £180,833.

## 9. Additional information on the Directors

9.1 In addition to the directorships in the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years immediately prior to the date of this document:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Richard Smith	First Hunter Properties Limited	First Distributor Properties Plc
	Second Hunter Properties Limited	London's Third City Limited
	Third Hunter Properties Limited	The Management Company (Albany Row) Limited
	Fourth Hunter Properties Limited	GGT Management Limited
	Fifth Hunter Properties Limited	College Hill Estates (Rochester) Limited
	Sixth Hunter Properties Limited	Millennium Village
	LTC Holdings Plc	Management Company Limited
	Ortund Limited	Millennium Loft Houses
	Eaton Investments Limited	Millennium Village Mews
	LTC Residential Limited	Houses Management Company Limited
	Secure Residential Investments Limited	Lion Yard (Faversham)
	51 Kensington Court Limited	Management Company Limited
	Arden Park Limited	Tecton Services Limited
	Info-Linc Limited	Alexander Bonhill Limited
	Anderton & Son Limited	HML Property Limited
	Andertons Limited	Mandells Limited
	Robert Plumb	Resource Partners Group Limited
Hawksworth Management Limited		Hercules Property Services plc
Tecton Services Limited		Dunlop Heywood Lorenz Executive Board Limited
HML Property Limited		Harman Healy Limited
Alexander Bonhill Limited		Cadogan Insurance Services Limited
Mandells Limited		David Glass Associates plc
Dunlop Management Services Limited		Simmons and Partners Limited
Andertons Limited		Michael Coucier and Partners Limited
Anderton & Son Limited		Waterglen Limited
Shaw & Company (Property Management) Limited		Mainguild Limited
		Farr Corporate Risks Limited
		Taskfine Management Limited
		Tulipwood Limited
		MBA International Limited
		FIIB Limited
		ABCDEFG Plc
		Duoquote Limited
	Farr Holdings Limited	
	Farr Plc	

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Robert Plumb (continued)		Deacon Insurance Services Limited Long Term Reversions Limited Wood Managements Limited
James Howgego	Hawksworth Management Limited Mandells Limited Andertons Limited HML Property Limited Tecton Services Limited Alexander Bonhill Limited Anderton & Son Limited Dunlop Management Services Limited Shaw & Company (Property Management) Limited	None
Geoffrey Griggs	Geoffrey Griggs Limited LTC Holdings Plc Netb2b2 Plc Cscape Strategic Internet Services Limited Global News Net Limited Firstlight Online Limited Firstlight Global Ltd Firstlight Online UK Ltd LTC Trustees Limited Synesis Media Limited	Velocitas Limited Velocitas Nominees Limited Windscreen Entertainment Limited IT Guard Limited Info-Linc Limited Gees Headhunters Limited Integrated Technology Group Limited Info-Linc Limited Drivemist Videos Limited BS Communications Limited

9.2 Asprey Developments Limited, a company of which Richard Smith was a director, went into insolvent liquidation on 10 May 1991. As a result of this insolvency Richard Smith entered into an Individual Voluntary Arrangement on 6 November 1991 to repay the company's debts which had been guaranteed by him personally. This arrangement was completed on 21 March 1997.

Save as referred to in this paragraph 9.2, none of the Directors has:

- 9.2.1 any unspent convictions in relation to indictable offences;
- 9.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 9.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 9.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 9.2.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- 9.2.6 been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or
- 9.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of any company.

- 9.3 Save as disclosed in this document, no director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- 9.4 No loans made or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.
- 9.5 No Director or member of his family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares following Admission, including any contract for difference or a fixed odds bet.

## 10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business of the HML Group, have been entered into by the Company or another member of the Group and are or may be material:

### 10.1 *Demerger Agreement*

Pursuant to a demerger agreement between LTC (1), the Company (2) and HML (3), dated 15 May 2006, LTC agreed to separate its HML business from its other businesses as follows:

- 10.1.1 LTC agreed to transfer its entire shareholding in HML to the Company in consideration for the issue and allotment to LTC of 2,577,143 Ordinary Shares;
- 10.1.2 the Company agreed to assume all of the indebtedness of the HML Group to the LTC Group (other than normal trading indebtedness) (“HML Group Indebtedness”) in consideration for an amount equal to such HML Group Indebtedness being left outstanding on inter-company account as a debt owed by HML to the Company;
- 10.1.3 LTC agreed to release and discharge HML from all liability to repay the HML Group Indebtedness;
- 10.1.4 LTC agreed to release and discharge the Company in respect of £1,500,000 of the HML Group Indebtedness assumed by it in consideration for the issue and allotment of 4,285,714 Ordinary Shares to LTC;
- 10.1.5 LTC agreed to release and discharge the Company in respect of the balance of the HML Group Indebtedness assumed by it in consideration for the issue and allotment of HMLH Loan Notes having an aggregate nominal value equal to the amount of the HML Group Indebtedness at completion of the Demerger less £1,500,000;
- 10.1.6 LTC and HMLH agreed to procure the release of the other from any indemnities, guarantees or other form of assurance or undertaking entered into by LTC in favour of any HML Group Company and by HML in favour of any LTC Group Company and to indemnify the other in the event and to extent that such releases are not available on completion of the Demerger; and
- 10.1.7 LTC and the Company agreed to enter into mutual restrictive covenants not to compete with the businesses carried on by the other on completion of the Demerger save that LTC may carry on property management services in relation to properties owned by it or in which it has a significant investment interest so long as such activity remains ancillary to its core business.

Completion of the Demerger Agreement took place on 2 June 2006.

### 10.2 *HMLH Loan Notes*

By a resolution of the Board on 2 June 2006 (as varied by a resolution of the Board dated 26 June 2006), the Company has entered into an Instrument creating £6,000,000 of convertible unsecured loan notes 2016 (“Notes”) and pursuant to which:

- 10.2.1 the Notes may be issued in denominations and integral multiples of £1 as unsecured obligations of the Company;
- 10.2.2 no interest shall be payable on the Notes;
- 10.2.3 the Notes are convertible at the option of the Noteholder into Ordinary Shares at any time up to 31 December 2016 subject to the overriding condition that the relevant Noteholder must not prior to or by reason of the conversion hold or acquire Control of the Company, where “Control” has the meaning set out in Schedule 28B of the Income and Corporation Taxes Act 1988 or be required to make a mandatory offer for the share capital of the Company not owned or controlled by it pursuant to Rule 9 of the Code (“Overriding Condition”);
- 10.2.4 the Notes are convertible at the rate of one Ordinary Share for 25p in nominal value of the Notes;
- 10.2.5 the Notes are not redeemable for cash except in certain limited circumstances; and
- 10.2.6 unless previously converted, the Notes will be redeemed for cash at par value on 31 December 2016.

£2,798,000 in principal amount of the Notes were issued to LTC on completion of the Demerger Agreement (“HMLH Loan Notes”). The terms of the HMLH Loan Notes granted to LTC were subsequently varied in accordance with the Deed of Variation, details of which are summarised in paragraph 10.17 below. LTC has undertaken to Smith & Williamson, pursuant to the Introduction Agreement, not to convert the HMLH Loan Notes for at least 24 months from Admission or in any close period of HMLH, save in certain limited circumstances.

### 10.3 *Transitional Services Agreement*

- 10.3.1 Pursuant to a Transitional Services Agreement between LTC (1) and HMLH (2) dated 1 April 2006 (“Transitional Services Agreement”) LTC has agreed to provide certain services to the Group and HMLH on a transitional basis for an initial period of 12 months after the completion of the Demerger.
- 10.3.2 Under the Transitional Services Agreement, HMLH has agreed to pay LTC the sum of £20,000 per annum in respect of the use of its premises at 28 Old Church Street, London SW3 5BY, provision of telephone and receptionist services, provision of computer hardware and software and provision of stationery and office supplies. After 12 months, levels of services and costs are to be agreed between the parties and the agreement will be terminable on 6 months notice.

### 10.4 *HML Intra-Group Transfer Agreement*

- 10.4.1 Pursuant to sale and purchase agreements dated 2 June 2006 and 12 June 2006, HML agreed to sell and the Company agreed to purchase the entire issued share capitals of each of the subsidiaries of HML, namely Andertons Limited, Mandells Limited, Tecton Services Limited, Alexander Bonhill Limited, Dunlop Management Services Limited, HML Property Limited, Shaw & Company (Property Management) Limited and Anderton & Son Limited (“HML Subsidiaries”).
- 10.4.2 The consideration for the sale and purchase of the HML Subsidiaries was the sum of £1,265,433 which was settled through a reduction in the indebtedness of HML to the Company.

### 10.5 *Restricted Share Agreements*

On 4 May 2006 the Company and the Directors entered into agreements for the subscription by each of the Directors for Ordinary Shares on the following terms:

- 10.5.1 Richard Smith subscribed for 1,925,000 ordinary shares of 1p (comprising 1,283,333 Ordinary Shares post consolidation of the ordinary share capital of the Company into 1.5p shares) for cash at 1p per share;
- 10.5.2 Robert Plumb subscribed for 1,512,500 ordinary shares of 1p (comprising 1,008,333 Ordinary Shares post consolidation of the ordinary share capital of the Company into 1.5p shares) for cash at 1p per share;

- 10.5.3 James Howgego subscribed for 412,500 ordinary shares of 1p (comprising 275,000 Ordinary Shares post consolidation of the ordinary share capital of the Company into 1.5p shares) for cash at 1p per share;
  - 10.5.4 Geoffrey Griggs subscribed for 550,000 ordinary shares of 1p (comprising 366,667 Ordinary Shares post consolidation of the ordinary share capital of the Company into 1.5p shares) for cash at 1p per share;
  - 10.5.5 each of the Directors agreed to pay any income tax or national insurance contributions payable on the difference between the market value of the shares subscribed for (“Subscribed Shares”) and the price paid;
  - 10.5.6 each of the Directors agreed not to transfer the Subscribed Shares for 3 years from the date of allotment save in the event of a change of control of the Company or with the consent of the Board;
  - 10.5.7 if the directorship or employment of the Director with the Company terminates for cause or at the volition of the Director within such 3 year period, the Subscribed Shares will be transferred back to the Company or its nominee at the lower of their market value at the relevant time and 1.5p per share.
- 10.6 *The acquisition of PRP Asset Management Limited (now Tecton Services Limited)*  
Pursuant to an Acquisition Agreement dated 30 May 2002:
- 10.6.1 HML agreed to purchase and Andrew Garwood-Watkins (“Tecton Vendor”) agreed to sell the entire issued share capital of PRP Asset Management Limited (now Tecton Services Limited) (the “Sale Shares”);
  - 10.6.2 the total aggregate consideration for the sale and purchase of the Sale Shares (“Consideration”) was £120,000 of which £80,400 was payable in cash and the balance was satisfied by an issue of 20,000 ordinary shares of 50p each in LTC;
  - 10.6.3 certain warranties and indemnities were given by the Tecton Vendor to HML of which only the tax warranties are still subsisting.
- 10.7 *The acquisition of the Dunlop Management Services Business*  
Pursuant to a purchase agreement dated 1 November 2003:
- 10.7.1 Andertons Limited (“Andertons”) (under its then name HML Property Limited) agreed to purchase and Mr Holdaway (“Dunlop Vendor”) agreed to sell 51 per cent. of the Dunlop Management Services business (“Dunlop Business”);
  - 10.7.2 the consideration for the sale and purchase of 51 per cent. of the Dunlop Business was £68,000 plus an amount equal to 51 per cent. of the net asset value of the Dunlop Business;
  - 10.7.3 certain warranties were given by the Dunlop Vendor in favour of Andertons none of which are still subsisting;
  - 10.7.4 the Dunlop Vendor granted Andertons an option to purchase his remaining 49 per cent. interest in the Dunlop Business (“Option”);
  - 10.7.5 the Option was exercisable between 1 June 2005 and 31 December 2005 and was actually exercised on 1 November 2005. An additional consideration payment of £83,025 was made to the Dunlop Vendor in respect of the exercise of the Option.
- 10.8 *The acquisition of the Anderton Business*
- 10.8.1 Pursuant to an acquisition agreement dated 2 July 2001, Andertons acquired 51 per cent. of the business and goodwill of Anderton & Son (“Anderton Business”) from Mr Anderton (“Anderton Vendor”).
  - 10.8.2 The consideration for the acquisition of 51 per cent. of the Anderton Business was £400,000 plus an amount equal to 51 per cent. of its net asset value as at 2 July 2001. A total consideration of £410,000 was paid to the Anderton Vendor.

- 10.8.3 Pursuant to an acquisition agreement dated 14 April 2004, Andertons agreed to purchase the remainder of the Anderton Business from the Anderton Vendor.
- 10.8.4 The consideration for the sale and purchase of the remainder of the Anderton Business was calculated by reference to the profits and turnover of the Anderton Business for the year ended 31 March 2004 and comprised a further payment to the Anderton Vendor of £591,000.
- 10.8.5 Certain warranties were given by the Anderton Vendor in favour of Andertons. None of these warranties are still subsisting;
- 10.8.6 The Anderton Vendor and Andertons are parties to a Deed of Indemnity dated 14 April 2004, whereby Andertons agreed to indemnify the Anderton Vendor in respect of any claim in respect of the contracts entered into by the Anderton Vendor or the Anderton Vendor and Andertons as partners prior to 14 April 2004.
- 10.9 *The acquisition of the business of Mandells*
- 10.9.1 Pursuant to an agreement between Mervyn Mandell and Ivan Taylor (“Mandell Vendors”) (1), Mandells Limited (“Mandells”) (2) and LTC (3) dated 28 June 2004, Mandells agreed to purchase and the Mandell Vendors agreed to sell the business known as Mandells (together with its assets) (“Mandells Business”).
- 10.9.2 The consideration payable on completion of the sale and purchase of the Mandells Business was £650,000 (“Completion Consideration”). In addition to the Completion Consideration additional consideration is payable based on the management fees receivable from clients of the Mandells Business during the period from completion of the acquisition of the Mandells Business to 31 March 2007. As a result, additional consideration of £162,552 was paid on 19 July 2005 and further additional consideration payments of £170,000 and £300,000 are expected to be made on 1 July 2006 and 1 July 2007 respectively.
- 10.9.3 Certain warranties were given by the Mandell Vendors to Mandells. These warranties are limited to six years from completion in the case of the tax warranties and for two years from completion in the case of the general warranties.
- 10.10 *The acquisition of Shaw & Company (Property Management) Limited*
- 10.10.1 Pursuant to an agreement between Mr M R Lee and others (“Shaw Vendors”) (1) and HML (2) dated 3 April 2006 (“Original Agreement”), HML agreed to purchase and the Shaw Vendors agreed to sell 725 ordinary shares of £1 each in Shaw & Company (Property Management) Limited (“Shaws”) (the “725 Shares”) (comprising 72.5 per cent. of the issued share capital of Shaws).
- 10.10.2 The total aggregate consideration for the sale and purchase of the 725 Shares was £725,000 of which £660,000 was payable on completion and the balance of £65,000 was deferred until 3 April 2007.
- 10.10.3 Certain warranties and indemnities were given by the Shaw Vendors to HML pursuant to the Original Agreement. Claims under warranties are limited to six years from 3 April 2006 in the case of the tax warranties and to two years from 3 April 2006 in the case of the general warranties.
- 10.10.4 Pursuant to an agreement between Mr M R Lee (1) HML (2) and LTC (3) dated 19 May 2006, HML agreed to purchase and Mr Lee agreed to sell 275 ordinary shares of £1 each in Shaws (the “275 Shares”) (comprising 27.5 per cent. of the issued share capital of Shaws).
- 10.10.5 The total aggregate consideration for the sale and purchase of the 275 Shares was £325,000 payable by the allotment and issue to Mr Lee of £100,000 Loan Notes 2007, £100,000, Loan Notes 2008 and £125,000 Loan Notes 2009 created by HML under the loan note instruments details of which are summarised at paragraph 10.11 below.

#### 10.11 *HML Loan Note Instruments*

On 19 May 2006, HML entered into three separate instruments (“Instruments”) creating a total of £325,000 of guaranteed loan notes 2007, 2008 and 2009 all dated 19 May 2006 (together the “HML Notes”). Each of the Instruments is in identical terms (save as indicated below) and may be summarised as follows:

- 10.11.1 the HML Notes may be issued in denominations of any amount and shall be transferable in whole or in part (in amounts and integral multiples of £10,000) by instrument in writing;
- 10.11.2 HML may at any time purchase the HML Notes by private treaty, by tender or by any other means;
- 10.11.3 the HML Notes do not attract interest;
- 10.11.4 any of the HML Notes not previously redeemed will be repaid at par value on 3 April 2007, 3 April 2008 and 3 April 2009 (“Redemption Dates”) (in the case of HML Notes issued under the 2007 Instrument, the 2008 Instrument and the 2009 Instrument respectively);
- 10.11.5 the holder of the HML Notes is not entitled to redeem the HML Notes prior to the relevant Redemption Date save in certain limited circumstances such as a default by HML of any of its payment obligations or the winding up of HML, in which case he will be entitled to an early redemption of his HML Notes by serving 28 days notice in writing on HML;
- 10.11.6 LTC has agreed to act as guarantor of HML’s obligations under each of the Instruments.

#### 10.12 *Introduction Agreement*

Pursuant to an agreement made between the Company (1), LTC (2) the Directors (3) and Smith & Williamson (4) dated 26 June 2006 (“Introduction Agreement”), Smith & Williamson has agreed to act as the Company’s agent for the purposes of Admission.

- 10.12.1 The Introduction Agreement provides, *inter alia*, for the payment by the Company of a fixed fee of £70,000 (excluding VAT) to Smith & Williamson.
- 10.12.2 The Directors and LTC have agreed not to dispose of any interest in their holdings of Ordinary Shares and HMLH Loan Notes for 12 months from the date of Admission and for a further period of 12 months only to dispose of such holdings of Ordinary Shares through the appointed broker for the time being of the Company and otherwise in such a manner as to maintain an orderly market in the Company’s shares.
- 10.12.3 LTC has undertaken to Smith & Williamson, pursuant to the Introduction Agreement, not to convert the HMLH Loan Notes for at least 24 months from Admission or during a close period for HMLH, save in certain limited circumstances.
- 10.12.4 The Introduction Agreement contains certain representations and warranties by the Company, LTC and the Directors to Smith & Williamson as to the accuracy of the information contained in this document and other matters relating to the Company, the Group and its business.
- 10.12.5 The Company has agreed to issue a maximum of 1,500,000 Ordinary Shares at 17p per Ordinary Share to subscribers procured by Smith & Williamson in the three months following Admission. Smith & Williamson is entitled to a commission of 4.5 per cent. (plus VAT) of the amounts subscribed.

#### 10.13 *Nominated Adviser and Broker Agreement*

Under an agreement dated 26 June 2006 between the Company (1) and Smith & Williamson as nominated adviser and broker (2) (“Nomad Broker Agreement”), the Company has, *inter alia*, appointed Smith & Williamson to act as nominated adviser and broker to the Company for the purposes of its continuing obligations following Admission. In

consideration of the services to be provided pursuant to the Nomad Broker Agreement, the Company has agreed to pay Smith & Williamson a fee of £25,000 per annum, payable quarterly in advance. The Nomad Broker Agreement is to continue until the first anniversary of the date of Admission and thereafter is terminable on three months' notice by either party. The agreement contains an indemnity from the Company in respect of the services provided by Smith & Williamson.

#### 10.14 *Deed of Release and Confirmation*

HML is a party to a Deed of Release and Confirmation dated 2 June 2006 between The Governor and Company of the Bank of Scotland (the "Bank") (1), HML (2) and LTC and others (3), pursuant to which the Bank agreed (i) to grant (for the purpose of the Demerger) the release of the HML shares from the debentures dated 8 November 1996, 10 July 1998, 26 October 1998 and 21 January 2001, pursuant to which LTC charged its shares in HML to the Bank (ii) to release HML from the security documents in favour of the Bank to which it is a party (including the debentures referred to above) and (iii) to discharge HML from any liabilities or claims under any guarantee to which it is a party, pursuant to the Facilities Agreement dated 10 July 1998 (as supplemented) between LTC and the British Linen Bank.

#### 10.15 *Relationship Agreement*

The Company and LTC entered into a relationship agreement on 26 June 2006 ("the Relationship Agreement"). Pursuant to the Relationship Agreement, LTC has agreed to exercise its rights as a shareholder of the Company at all times, and to procure that its associated companies who may also be shareholders in the Company exercise their rights, so as to ensure that the Company is capable of carrying on its business independently of LTC or any control which LTC or its associated companies may otherwise be able to exercise on the Company. For the purposes of the Relationship Agreement the term "associated company" shall be construed in accordance with section 416 of the Income and Corporation Taxes Act 1988. Moreover, LTC has undertaken to ensure, so far as it is able to, that all transactions, relationships and agreements between LTC or its associated companies and the Company or any of its subsidiaries are on arms' length terms on a normal commercial basis. In addition, LTC and HMLH have agreed, amongst other things, that no Director who is also a director or employee of LTC will participate in the deliberations of the Board in relation to any proposal to enter into any commercial arrangements with LTC or its associated companies.

#### 10.16 *Software Licence and Development Agreement*

HMLH is a party to a Software Development and Licence Agreement with LTC dated 26 June 2006 ("**Licence Agreement**"). Pursuant to the Licence Agreement LTC has agreed to grant HMLH a licence to use its PMS software for its own internal purposes for a period of 50 years expiring on 31 March 2056. The fee for the grant of the licence is £2,500 per month during the initial 2 year period and thereafter a quarterly fee based on the accumulated cost of the software (subject to a maximum fee of £400 per user per quarter). All proprietary rights in the PMS software software reside in LTC.

#### 10.17 *Deed of Variation*

The Company and LTC are a party to a deed of variation in relation to the HMLH Loan Notes dated 26 June 2006 ("Deed of Variation"). Pursuant to the Deed of Variation, the Company and LTC have agreed;

10.17.1 to vary the conversion rate of the HMLH Loan Notes to one Ordinary Share for each 25p in principal amount paid up on the HMLH Loan Notes so converted ("New Conversion Rate");

10.17.2 that unless previously repaid, redeemed or converted, the HMLH Loan Notes will automatically convert into Ordinary Shares at the New Conversion Rate on 30 June 2009 to the fullest extent possible without rendering the Company in breach of the Overriding Condition (defined in paragraph 10.2.3 above); and

10.17.3 any Notes which have not been repaid, redeemed or converted on or before 30 June 2009, as referred to in paragraph 10.17.2 above shall attract interest at 1 per cent. above LIBOR from 30 June 2009 until the date of repayment, redemption or conversion of such Notes.



## 11. Litigation

There are no governmental, legal or arbitration proceedings (including, so far as the Directors are aware, any such proceedings which are pending or threatened) which may have or have had a significant effect on the financial position or profitability of the Company or any other member of the Group.

## 12. Working capital

The Directors are of the opinion, having made due and careful enquiry, that following Admission the Group will have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of Admission.

## 13. United Kingdom Taxation

**This paragraph is intended as a general guide to United Kingdom current tax law and practice in the areas referred to below. It applies to persons who (unless the position of non-resident shareholders is expressly referred to) are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially own shares as investments. Any person who is in doubt as to his or her tax position or requires further information should consult an appropriate professional adviser.**

### 13.1 *United Kingdom taxation of dividends*

13.1.1 The Company is not required to withhold at source any amount in respect of United Kingdom tax when it pays dividends under current United Kingdom tax legislation.

13.1.2 An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company is currently entitled to a tax credit equal to one ninth of the amount of the net dividend which is equivalent to a tax credit of 10 per cent. of the sum of the net dividend and the tax credit (the “gross dividend”).

13.1.3 Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual’s income. The tax credit referred to in paragraph 13.1.2 above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to income tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate tax payer will be liable to income tax equal to 25 per cent. of the net dividend.

13.1.4 For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent. with a tax credit equal to 10 per cent. of the gross dividend.

13.1.5 The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust will not be repaid.

#### 13.1.6 *Corporate shareholders*

Subject to certain exceptions for certain insurance companies and companies which hold shares as trading stock, a shareholder that is a company resident (for tax purposes) in the United Kingdom and that receives a dividend paid by the Company will not be liable to corporation tax or income tax on that dividend.

#### 13.1.7 *Non-resident shareholders*

Shareholders who are resident in countries other than the United Kingdom may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the United Kingdom should consult their own tax adviser on the application of such provisions and the procedure for claiming relief. However the current amount of the tax credit will mean that, in many cases, no amount in respect of the tax credit may be claimed under a relevant double taxation agreement.

### 13.2 *Taxation on capital gains for shareholders*

If a shareholder disposes of all or any of his or its Ordinary Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

The Inland Revenue has confirmed that securities dealt with on AIM will not fall to be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case).

### 13.3 *Stamp duty and stamp duty reserve tax ("SDRT")*

13.3.1 No liability to stamp duty or SDRT will generally arise on the allotment and issue of Ordinary Shares, except in the case of Ordinary Shares issued to issuers of depository receipts or providers of clearance services. However the Company has no liability to pay any stamp duty or SDRT that may arise (in particular under the provisions of sections 67, 70, 93 or 96 of the Finance Act 1986). Any subsequent dealings in the Ordinary Shares will normally be subject to stamp duty or SDRT.

13.3.2 Except as mentioned in paragraph 13.3.3 below, the transfer on sale of Ordinary Shares will generally be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value of the consideration paid or, if an unconditional agreement to transfer the shares is not immediately completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay the stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

13.3.3 Where a charge to stamp duty or SDRT arises under sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or subsequent transfer.

13.3.4 Paperless transfers of Ordinary Shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent. of the actual consideration paid) rather than stamp duty and stamp duty reserve tax on relevant transactions settled within the CREST system or reported through it for regulatory purposes is collected by CREST.

### 13.4 *Self Invested Personal Pension Schemes ("SIPPs")*

The Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are listed in or dealt on a recognised stock exchange. In accordance with Revenue practice, stocks and shares listed in or dealt on AIM are permitted investments for SIPPs.

### 13.5 *EIS Tax Relief*

The following information provides an outline only of the Enterprise Investment Scheme ("EIS"). It is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

The tax legislation in respect of the EIS income tax and EIS deferral relief is found in sections 289 – 312 Income and Corporation Taxes Act 1988 and schedule 5B Taxation of Chargeable Gains Act 1992. The following is a summary of the more common conditions and should not be construed as comprehensive.

## *EIS Relief*

Income tax relief, Capital Gains Tax (“CGT”) deferral relief, CGT exemption relief and loss relief may all be available to investors under the EIS legislation. EIS Relief can be claimed only by a “qualifying investor” (see below) who subscribes for new “eligible shares” (see below) issued by a “qualifying company” (see below).

### (i) *Income tax relief*

Individuals who qualify may deduct an amount that is equal to tax at the lower rate of income tax on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year in which the shares are issued. EIS Relief is obtained at a rate of up to 20 per cent. The maximum investment is £400,000 per tax year. Spouses are entitled to a maximum of £400,000 each. The minimum amount subscribed must be at least £500.

For income tax purposes (but not CGT deferral, see below), the individual does not need to be a United Kingdom resident. However, income tax relief is only available where an investor has a United Kingdom income tax liability. The amount of income tax relief cannot exceed an individual’s tax liability before other reliefs given by way of discharge of tax. Relief is normally given in the tax year in which the individual invests.

### (ii) *CGT exemption*

To the extent that EIS income tax relief is given and not withdrawn, any capital gain accruing to an individual on the first disposal of the shares issued three or more years after the date of issue (or, if later, three or more years after the anniversary of the date trading commences) is not chargeable to CGT. The exemption does not extend to any gain deferred by CGT deferral (see above).

### (iii) *Loss relief*

Where an investor incurs a loss on the first disposal of their shares, the loss calculated after deducting EIS income tax relief from the base cost usually may be set against either chargeable gains or taxable income at the election of the investor.

### *“Qualifying Investor” for EIS Income Tax Relief*

An individual must not be, nor have been within the previous two years prior to the date of issue of the shares, connected with the Company, or become connected with it within the next three years (or, if later, within the three years following the date of commencement of trading), if they are to retain the tax reliefs. The main rules relating to connection are that:

- (i) neither the individual nor their associates may be an employee, partner or paid director of the Company (subject to (iii) below) or its subsidiaries. An unpaid director is not disqualified if they are reimbursed travelling or subsistence expenses which would otherwise be allowable for taxation;
- (ii) neither the individual nor their associates may control the Company or possess more than 30 per cent. of the issued ordinary share or loan capital or voting powers in the Company or rights carrying entitlements to 30 per cent. of the assets available for distribution to equity holders;
- (iii) an individual may become a paid director of the Company provided at the time they subscribe for eligible shares they were not, and had not previously been, otherwise connected with the Company nor with the trade carried on by the Company by reference to i) or ii) above. Any remuneration paid to a director must be reasonable.

There is also various anti-avoidance legislation, in particular the value received rules. Under these, EIS income tax relief may be reduced or withdrawn where the investor receives any value from the Company. Relief of the investor may also be withdrawn where other shareholders of the Company are repaid capital or receive value from the Company.

### *Qualifying Company*

For a period of three years following the issue of the shares (or, if later, three years following the date of commencement of the trade), the Company must only:

- (i) carry on a qualifying trade; and/or
- (ii) be the parent company of a group which exists wholly, or substantially wholly for the purposes of carrying on qualifying trades; and
- (iii) not be disqualified by anti-avoidance rules.

At least 80 per cent. of the money raised by the issue of qualifying shares must be employed wholly for the purpose of a qualifying business activity within 12 months of the date of the issue of the shares or, if later, the commencement of trade and the balance within 24 months of the date of issue (or commencement of trade, if later).

To be qualifying, the shares of the company must not be quoted on a recognised Stock Exchange at the time the eligible shares are issued and no arrangements must exist at that time for the company to become quoted. Shares listed on AIM are not regarded as quoted for these purposes.

#### *Eligible Shares*

Eligible EIS shares are new ordinary shares which, throughout the period of 3 years beginning with the date on which they are issued or, if later, the date of commencement of the trade, carry no present or future preferential right to dividends or to the Company's assets on its winding up and carry no present or future right to be redeemed.

#### *Provisional Approval*

The Company has received from the Inland Revenue provisional approval that the Company will be carrying on a qualifying trade and that the shares to be issued will be "eligible shares". Provisional approval, once given, is indicative but is not binding on the Inland Revenue. The position could also be affected by acts or omissions of the Company during the 3 year period from the issue of the shares (or, if later, the date of commencement of the trade). Formal approval and the EIS certificates cannot be sought until four months after the Company has commenced to trade i.e. after completion of its first acquisition.

#### *Claims*

Investors claim income tax relief by submitting a tax relief certificate (Form EIS 3) issued to them by the Company to the Inspector of Taxes dealing with their own tax affairs. The claims for relief must be made no later than 5 years after the 31 January following the end of the tax year in which the shares are issued.

#### *Carry Back of Relief*

For shares subscribed on or after 6 April and before 6 October, up to one half of the investment (up to a maximum of £50,000) may be effectively carried back to the previous tax year if the relevant claim is made.

#### *Withdrawal of EIS Relief*

If the conditions for EIS Relief relating to a company cease to be satisfied during the period of three years from the issue of the shares (or, if later, three years from the date of commencement of trade), the relief will be withdrawn. EIS Relief will also be wholly or partly withdrawn if, for example, the claimant receives significant value from the Company (other than dividends) or disposes of the shares within three years of the date of issue (or, if later, within three years of the date of commencement of the trade). EIS Relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.

#### *CGT deferral*

CGT deferral enables investors to defer capital gains by reinvesting in qualifying investments. Provided a capital gain realised on any asset is reinvested in new "eligible shares" of a "qualifying company" within 3 years of the disposal giving rise to the gain or not more than 1 year prior to a disposal giving rise to a gain, assessment to tax on the gain arising may be deferred until the qualifying investment is sold or (if within 3 years from subscription, or commencement of trade, if later) otherwise ceases to qualify. At this point, the deferred gain would come back into charge, without the benefit of any additional taper relief.

The legislation, conditions and anti-avoidance rules for deferral relief are broadly similar to those for EIS income tax relief outlined above, but there are differences.

#### **14. General**

- 14.1 Save as disclosed in paragraph 10 of this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Group within 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group on or after Admission any of the following:
  - 14.1.1 fees totalling £10,000 or more; or
  - 14.1.2 securities in the Company with a value of £10,000 or more; or
  - 14.1.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 14.2 Other than the current application for Admission, the Ordinary Shares have not been admitted to any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 14.3 The financial information on the HML Group contained in Part IV of this document has been extracted from the audited financial statements of HML for the three financial years ended 31 March 2006. The financial information on the Company contained in Part V of this document is unaudited and has been provided by the Directors. The financial information on Shaws contained in Part VI of this document has been extracted from the audited financial statements of Shaws for the financial year ended 31 March 2006.
- 14.4 The accounting reference date of the Company is 31 March.
- 14.5 The auditors of the HML Group for the three financial years ended 31 March 2006 were Baker Tilly, chartered accountants, who are regulated by the Institute of Chartered Accountants of Scotland, of 2 Bloomsbury Street, London WC1B 3ST. No audited accounts have been prepared to date for the Company.
- 14.6 Baker Tilly have given and not withdrawn their written consent to the inclusion of and references to their name and their reports in Parts IV, V and VII of this document in the form and context in which they appear.
- 14.7 Smith & Williamson Corporate Finance Limited of 25 Moorgate, London EC2R 6AY has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.
- 14.8 All the information provided in this document has been sourced from the Company and the Company's advisers named on page 3 of this document. All such information has been accurately reproduced and so far as the Company is aware and is able to ascertain no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.9 Smith & Williamson is acting as nominated adviser and broker to the Company in connection with the application for Admission. It does not have and has not in the past three years had any other material relationship with the Company or any other member of the HML Group.
- 14.10 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 14.11 The total costs of Admission (excluding VAT) are expected to be approximately £310,000.
- 14.12 Save as referred to in paragraph 10.12 of this Part VIII, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities, and no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 14.13 No paying agent has been appointed by the Company.

- 14.14 There are no patents, licences, industrial, commercial or new manufacturing processes which are material to the business or profitability of the Company and save as disclosed in this document there are no commercial or financial contracts that are material to the business or profitability of the Company.
- 14.15 Apart from the acquisitions of HML and the subsidiaries of HML (on the terms described in paragraphs 10.1 and 10.4 of this Part VIII of this document), the Company has not made any investment since its incorporation. It has no other investments in progress on the date of this document and neither has the Board made any firm commitment in relation to future investments.
- 14.16 There have been no related party transactions (for the purposes of the Standards adopted according to the Regulation (EC) No 1606/2002) entered into by the Company prior to the date of this document.
- 14.17 Save as disclosed in Parts IV and V of this document, no significant change in the financial or trading position of the Group has occurred since 31 March 2006, the date to which the Accountant's Reports set out in Parts IV and V of this document have been prepared.

**15. Documents available for inspection**

Copies of this document are available free of charge from the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY and from the registered office of the Company at 28 Old Church Street, London SW3 5BY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until at least 30 days after the date of Admission.

26 June 2006

## DEFINITIONS

In this document, where the context permits, the expressions set out below shall have the following meanings:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for AIM published by the London Stock Exchange governing admission to and the operation of AIM
“Board” or “Directors”	the Directors of the Company whose names appear on page 3 of this document and “Director” means any one of them
“Code” or “the Takeover Code”	the Takeover Code published by the Panel on Takeovers and Mergers
“Company”, “HMLH” or “HML Holdings plc”	HML Holdings plc, a company incorporated under the laws of England and Wales, with registered number 05728008
“Company Scheme”	the HML Holdings plc Enterprise Management Incentive Share Option Plan and the HML Holdings plc Unapproved Share Option Plan, a summary of which is set out in paragraph 4.1 of Part VIII of this document
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo. Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Demerger”	the separation of the HML Group from the LTC Group in accordance with the Demerger Agreement
“Demerger Agreement”	the demerger agreement between LTC (1), HML (2) and the Company (3), dated 15 May 2006, a summary of which is set out in paragraph 10.1 of Part VIII of this document
“EIS”	the Enterprise Investment Scheme
“Existing Ordinary Shares”	the 9,796,325 issued Ordinary Shares in the capital of the Company on the date of this document
“Group”	the Company and its subsidiaries from time to time
“HML” or or “Hawksworth Management Limited”	Hawksworth Management Limited, a company incorporated under the laws of England and Wales, with registered number 2560328
“HML Group”	HML and the HML Subsidiaries

“HML Subsidiaries”	the subsidiaries of HMLH (other than HML) on the date of this document, the share capitals of which were transferred by HML to HMLH pursuant to the intra-group transfer agreements dated 2 June 2006 and 12 June 2006 details of which are summarised in paragraph 10.4 of Part VIII of this document, being namely: Alexander Bonhill Limited, Andertons Limited, HML Property Limited, Mandells Limited, Tecton Services Limited, Dunlop Management Services Limited, Shaw & Company (Property Management) Limited and Anderton & Son Limited
“HMLH Loan Notes”	the convertible unsecured loan notes in the Company having an aggregate nominal value equal to £2,798,000, created by the HMLH Convertible Loan Note Instrument, details of which are summarised in paragraph 10.2 of Part VIII of this document
“Introduction Agreement”	the agreement dated 26 June 2006 between the Company (1), LTC (2), the Directors (3) and Smith & Williamson (4) details of which are set out in paragraph 10.12 of Part VIII of this document
“Issued Share Capital”	the issued share capital of the Company on Admission
“London Stock Exchange”	London Stock Exchange plc
“LTC” or “LTC Holdings plc”	LTC Holdings plc, a company incorporated under the laws of England and Wales, with registered number 2570517
“LTC Group”	LTC and each of its subsidiaries on the date of this document
“Ordinary Shares”	the ordinary shares of 1.5p each in the capital of the Company
“recognised investment exchange”	has the meaning set out in Section 285 of the Financial Services and Markets Act 2000
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited, regulated by the Financial Services Authority
“VCT”	Venture Capital Trust



