

**HML Holdings plc**  
**(“HML”, the “Company” or the “Group”)**

**Preliminary Results for the Year Ended 31 March 2019**

HML Holdings plc (AIM: HMLH), the property management services group, is pleased to announce its preliminary results for the year ended 31 March 2019.

***Financial and Operational Highlights:***

- Revenues up 8% to £28.1m (2018: £26.0m)
- EBITDA up 8% to £2.8m (2018: £2.6m)\*\*
- Adjusted operating profit up 9% to £2.4m (2018: £2.2m)\*
- Cash generated from operations increased to £3.6m (2018: £2.7m)
- Adjusted basic earnings per share up 10% to 4.6p (2018: 4.2p)\*\*\*
- Dividend per share proposed of 0.47p (2018: 0.42p)

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

*\*\*before interest, share based payment charges, depreciation, amortisation and tax*

*\*\*\*before interest, share based payment charges, amortisation and tax (see note 4)*

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

“It has been a good year for HML growing adjusted EBITDA by 8% while significantly improving our service coverage with the addition of four acquired offices in key locations for our growing client base. We are confident in our ability to maintain this momentum while we continue to build our network and our central support divisions.”

**For further information:** [www.hmlgroup.com](http://www.hmlgroup.com)

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Robert Plumb, Chief Executive Officer

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## **REVIEW OF BUSINESS**

We are pleased to report revenue growth of 8% to £28.11m (2018: £25.97m). Earnings before interest, share-based payments, amortisation and tax improved by 9% to £2.41m (2018: £2.21m).

We enjoyed revenue and earnings growth from virtually all the Group's business segments and revenue lines. The only exception to this positive trend was in the pre-contract enquiry fees segment where we incurred a 7% fall in revenues as a result of the lower number of property sales. Surveying fees remained steady with a reduction in freehold valuation and consultancy fees being offset by stronger buildings reinstatement valuations and to a lesser extent building surveying work. We experienced strong growth in concierge (site staff) management fees where we have consolidated and improved our service offering. Other areas such as health and safety and fire risk inspections, company secretarial fees and insurance brokerage grew strongly as the continued integration of acquisitions made in previous years contributed to greater cross referral sales opportunities. We recorded further growth in new business volumes with notable improvements in the counties south and east of London. We are particularly pleased with improvements to our new business pipeline resulting from increased contact and relationships with new build developers and the implementation of a more centralised approach to lead processing.

We remain confident in our strategy to deliver a local and personal service through our distributed network of offices while maintaining our adherence to the increasing standards of compliance required of our profession. Although frustrated somewhat by governmental attention to areas other than leasehold, we continue to anticipate legislative changes to our market. In addition to restrictions on freehold and ground rent, higher levels of compliance are expected through future regulation of managing agents. However, while client compliance awareness has significantly improved in the area of health and safety, particularly with regard to fire regulation requirements, a general lack of enforcement of all these regulations can lead to lower standards and consequently create a competitive advantage for those managing agents willing to exploit the lack of enforcement and oversight. Our examination of the reasons behind business lost to unregulated managing agents indicate that this is a significant contributory factor.

The Group continues to centralise areas of non-client facing process from our network of offices to our centralised back office, the majority of which is based in Croydon. This has inevitably incurred reorganisation costs but the benefits in productivity have begun to show. In addition to streamlining our processes, the systems development team in conjunction with user representatives have completed a major exercise to facilitate the uniform application of our property management software to operate on a single database. This is another area in which the group sees significant opportunities for operational efficiencies in the future.

Towards the end of the financial year, the Company completed a number of key acquisitions, which have expanded the Group's network. In November, Dauntons Soar Management Limited (DSML) joined our Central London operations. The business represents an excellent opportunity for HML to manage high end smaller London apartment blocks with a bespoke service methodology. The Group anticipates being able to harness the benefits of DSML's service provision while benefitting from the advantages of economies resulting from HML's back office services. In February, HML acquired Residential Block Management Services Limited (RBMS) in Blackheath. The south eastern quartile of greater London is a region in which HML has been previously under represented. RBMS whose strengths, like ours, have been in serving the Residents Management Company (RMC) market, provides us with greater presence in this area and an opportunity to consolidate our position. Similarly, we acquired Francis Butson based in St Neots, Cambridgeshire, shortly after the year end with a view to establishing ourselves in an area where it had previously been difficult to provide a local and personal service.

In April 2019, as part of our ongoing strategy of developing our lettings management service, we purchased a Birmingham-based lettings management company called Prima Property Services Limited. Our offices in the centre of the city not only facilitate the expansion of our block management services to this geographical region but enable the further development of this complementary property service with a business with whom we have already established a working relationship.

**REVIEW OF BUSINESS (CONTINUED)**

All acquisitions have been funded by the cash generated from operations, which rose to £3.6m (2018: £2.7m). We are pleased to have further reduced borrowings by £0.5m to a total of £1.2m, thus reducing our debt to equity ratio from 9.4% to 5.9%.

After the recent acquisitions, the Group now manages more than 82,000 property units in 3,000 estates and blocks of flats from 24 offices. Our strategy to focus on owner-occupied and controlled blocks of flats and housing estates sits comfortably with our view of the structural changes ahead for the leasehold market. Improvements to our intragroup products and service offering ensure that they continue to grow as a proportion of our revenues. We anticipate this proportion continuing to grow as we refine our service and add technological efficiency to our systems. While there remains an inevitable degree of uncertainty as to the pace of leasehold reform, the market for our services grows, as does the relevance of scale and efficiency in providing a competitive quality service.

We are in the second year of operating as a single operational management structure under one HML brand and are confident that the benefits of the changes we have made in this area are now beginning to manifest themselves across the business, both financially and in enabling a more engaged employee base. Our management team continues to invest in the development and retention of employees knowing what a significant role morale and the quality of training plays in the provision of our services. On behalf of the board, I would like to express our thanks to our employees whose hard work in these changing and challenging times have enabled the group to continue to grow successfully.

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2019**

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	Notes	2019 £'000	2018 £'000
<b>CONTINUING OPERATIONS</b>			
REVENUE		28,110	25,968
Direct operating expenses		(24,332)	(22,509)
Central operating overheads		(1,365)	(1,248)
Share based payment charge		(37)	(30)
Amortisation of intangibles		(640)	(660)
Total central operating overheads		(2,042)	(1,938)
Operating expenses		(26,374)	(24,447)
PROFIT FROM OPERATIONS	2	1,736	1,521
Finance costs		(50)	(57)
PROFIT BEFORE TAXATION		1,686	1,464
Income tax charge	3	(305)	(302)
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,381	1,162
<b>EARNINGS PER SHARE</b>			
Basic	4	3.0p	2.6p
Diluted	4	3.0p	2.5p
<b>ADJUSTED EARNINGS PER SHARE</b>			
Basic	4	4.6p	4.2p
Diluted	4	4.6p	4.1p

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**  
**For the year ended 31 March 2019**

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE GROUP

	Share capital £'000	Share premium £'000	Other reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2017	671	2,251	(70)	(15)	10,058	12,895
Profit for the year	-	-	-	-	1,162	1,162
Other comprehensive income	-	-	-	-	-	-
Transactions with owners						
Share based payment charge	-	-	-	-	30	30
Share capital issued	11	199	-	-	-	210
Shares purchased by EBT	-	-	(18)	-	-	(18)
Dividend	-	-	-	-	(168)	(168)
Balance at 31 March 2018	682	2,450	(88)	(15)	11,082	14,111
Profit for the year	-	-	-	-	1,381	1,381
Other comprehensive income	-	-	-	-	-	-
Transactions with owners						
Share based payment charge	-	-	-	-	37	37
Share capital issued	5	48	-	-	-	53
Shares sold by EBT	-	-	1	-	-	1
Dividend	-	-	-	-	(192)	(192)
Balance at 31 March 2019	687	2,498	(87)	(15)	12,308	15,391

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 March 2019**  
**COMPANY NUMBER: 5728008**

<b>ASSETS</b>	Notes	2019 £'000	2018 £'000
<b>NON-CURRENT ASSETS</b>			
Goodwill		11,384	10,510
Other intangible assets		8,373	7,937
Property, plant and equipment		1,030	786
		20,787	19,233
<b>CURRENT ASSETS</b>			
Trade and other receivables		3,804	3,930
Cash at bank		235	269
		4,039	4,199
		24,826	23,432
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		6,602	6,112
Borrowings		529	529
Current tax liabilities		357	349
		7,488	6,990
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability		1,268	1,124
Borrowings		679	1,207
		1,947	2,331
		9,435	9,321
		15,391	14,111
<b>EQUITY</b>			
Called up share capital	6	687	682
Share premium		2,498	2,450
Other reserve		(87)	(88)
Merger reserve		(15)	(15)
Retained earnings		12,308	11,082
		15,391	14,111
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		15,391	14,111

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2019**

	Notes	2019 £'000	2018 £'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations		3,606	2,674
Income taxes paid		(297)	(238)
Interest paid		(50)	(57)
		<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>3,259</b>	<b>2,379</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(629)	(410)
Sales/acquisition of own shares		1	(18)
Purchase of software		(245)	(235)
Purchase of client relationships		-	(36)
Purchases of businesses		(994)	77
Payments of deferred/contingent consideration		(759)	(337)
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,626)</b>	<b>(959)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of loans		(528)	(414)
Net movement in overdraft		-	(648)
Share issue		53	79
Dividend payment		(192)	(168)
		<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(667)</b>	<b>(1,151)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(34)</b>	<b>269</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>269</b>	<b>-</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>235</b>	<b>269</b>
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**HML HOLDINGS PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**

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**GENERAL INFORMATION**

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

The financial information is presented in pounds sterling, prepared on a historical cost basis, except for the revaluation of contingent considerations and rounded to the nearest thousand. The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 March 2019 or 31 March 2018.

The financial information for the year ended 31 March 2018 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 March 2019 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them. This preliminary announcement does not constitute statutory accounts under section 435 of the Companies Act 2006.

HML Holdings plc and its subsidiaries specifically focus on residential property management. The Group operates in the UK. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 9-11 The Quadrant, Richmond, Surrey, TW9 1BP. The Company is listed on the AIM market of the London Stock Exchange.

The preliminary results were authorised for issue by the board of directors on 1 July 2019.



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

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**1. PROFIT RECONCILIATION**

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

	2019 £'000	2018 £'000
Revenue	28,110	25,968
Direct operating expenses	(24,332)	(22,509)
Profit contribution from businesses	3,778	3,459
Central operating overheads	(1,365)	(1,248)
Profit before interest, tax, amortisation and share based payments	2,413	2,211
Finance costs	(50)	(57)
Profit before share based payment charges, amortisation and taxation	2,363	2,154
Amortisation of other intangible assets	(640)	(660)
Share based payment charge	(37)	(30)
Profit before taxation	1,686	1,464

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

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

<b>2. PROFIT FROM OPERATIONS</b>	2019	2018
	£'000	£'000
Profit from operations is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
- charge for the year on owned assets	385	372
Amortisation of intangible assets	640	660
Operating lease rentals:		
- land and buildings	970	1,056

Set out below is an analysis of other operating expenses:

	2019	2018
	£'000	£'000
Employee salaries and staff related expenses	19,807	17,863
Management costs	377	347
Travel costs	287	268
Advertising costs	95	86
Premises costs	2,046	1,988
Office costs	745	791
Insurance brokerage	761	692
Professional fees	440	531
IT costs	730	756
Depreciation	385	372
Amortisation	640	660
Share based payment charges	37	30
Other expenses	24	63
Total operating expenses	26,374	24,447

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

	2019	2018
	£'000	£'000
Fees payable for the statutory audit of the Company's annual accounts	23	19
Fees payable to auditor for other services:		
Statutory audit of the Company's subsidiaries	49	41
Total fees payable to the auditor	72	60

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

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<b>3. INCOME TAX</b>	2019	2018
	£'000	£'000
UK Corporation tax:		
Current tax on profits of the year	326	307
Over provision of tax in previous year	(21)	(5)
	<hr/>	<hr/>
Tax attributable to the company and its subsidiaries	305	302
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Factors affecting tax charge for the year

The tax assessed for the period is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£'000	£'000
Profit before tax	1,686	1,464
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%).	320	278
Effects of:		
Amortisation and non-deductible expenses adjustment	6	29
Over provision in previous year	(21)	(5)
	<hr/>	<hr/>
Tax charge for the year	305	302
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Future tax charges may be affected by the fact that no deferred tax asset is recognised in respect of losses. Deferred tax assets are not recognised until the utilisation of the losses is probable.

The Group has losses carried forward in its subsidiary, HML PM Limited which can be recovered against future profits arising from the same trade. The total tax losses carried forward to future years are £1,243,000 (2018: £1,243,000). Consequently, the unprovided deferred tax asset in respect of these losses is £211,000 (2018: £211,00).

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

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**4. EARNINGS PER SHARE**

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

	2019 £'000	2018 £'000
<b>Earnings</b>		
Profit after tax for the period (used to calculate the basic and diluted earnings per share)	1,381	1,162
Add back:		
Share based payment charge	37	30
Amortisation of intangible assets	640	660
Interest costs	50	57
	<hr/>	<hr/>
Adjusted profit after the tax for the period	2,108	1,909
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The adjusted profit after tax has been used to calculate the basic and diluted adjusted earnings per share.

	2019 '000	2018 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	45,630	45,269
Effect of dilutive potential ordinary shares:		
- share options	494	857
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	46,124	46,126
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**Earnings per share**

Basic	3.0p	2.6p
Diluted	3.0p	2.5p

**Adjusted earnings per share**

Basic	4.6p	4.2p
Diluted	4.6p	4.1p

The diluted earnings per share are the basic earnings per share adjusted for the dilutive effect of the conversion into fully paid shares of the outstanding share options.

**5. BUSINESS COMBINATIONS (ACQUISITIONS)**

On 1 December 2018, HML PM Limited purchased 100% of the share capital of Dauntons Soar Management Limited, a business based in Victoria, London. The acquisition will not only strengthen the Group's position in Central London but also gives the Group critical mass that will assist in growing the Group's ancillary revenues.

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

	£'000
Consideration	918
Stamp duty	2
	<hr/>
Total cost of investment	920
Less:	
Trade and other receivables	(158)
Cash at bank	(210)
Tangible fixed assets	(5)
Trade and other payables	99
Client relationships	(336)
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Goodwill	310
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The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	467
Deferred and contingent consideration	451
	<hr/>
	918
	<hr/>

Net cash flow arising on the acquisition was £259,000 which represents the consideration and stamp duty paid less cash at bank acquired.

The contingent consideration of £451,000 is due within two years. The contingent consideration is made up of two components, firstly the payment relating to the excess working capital in the business on acquisition and secondly another payment that is adjustable depending on the retention of clients and the arrival of contracted new clients. The payment for working excess capital will be £249,000. The range of potential payments of contingent consideration could vary from £0 to £202,000, however the more likely outcome would be to pay £202,000. Contingent consideration has not been discounted as the discounting is immaterial to the Group.

The business contributed £196,000 to the Group's revenue and increased the Group's profit by £1,000 from the date of the acquisition to the year-end date.

**5. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED**

On 18 February 2019, HML PM Limited purchased 100% of the share capital of Residential Block Management Services Limited, a property management business based in Blackheath, London. The acquisition will strengthen the Group's position in the South East London.

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

	£'000
Consideration	794
Less:	
Tangible fixed assets	(4)
Trade and other receivables	(94)
Cash at bank	(2)
Trade and other payables	146
Client relationships	(420)
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Goodwill	420
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The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	675
Deferred and contingent consideration	119
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	794
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Net cash flow arising on the acquisition was £673,000 which represents the consideration and transaction costs, less cash at bank.

The contingent consideration of £119,000 is due within one year. The contingent consideration is made up of two components, firstly the payment relating to the excess working capital in the business on acquisition and secondly another payment that is adjustable depending on the reduction of clients. The range of potential payments of contingent consideration could vary from £0 to £119,000, however the more likely outcome would be to pay £119,000. Contingent consideration has not been discounted as the discount would be immaterial to the Group.

The business contributed £168,000 to the Group's revenue and increased the Group's profit by £80,000, from the date of the acquisition to the year-end date.

On 28 February 2019, HML PM Limited purchased a small portfolio of block management instructions from Grillo LLP Chartered Surveyors, a business in Surrey. An initial payment of £51,000 was made with contingent consideration of £11,000 due within one year.

If all business combinations arising in the year had occurred on 1 April 2018, the consolidated revenue and profit for the Group for the year ended 31 March 2019 would have increased to £1,269,000 and £157,000 respectively

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

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**6. SHARE CAPITAL**

	Group and Company	
	2019	2018
	£'000	£'000
Authorised:		
163,733,200 ordinary shares of 1.5p each	2,456	2,456
	2,456	2,456
	Group and Company	
	2019	2018
	£'000	£'000
Allotted, issued and fully paid ordinary shares of 1.5p:		
1 April	682	671
Issued during the year – 341,500 (2018:730,539) shares	5	11
	687	682
31 March		
No. of shares in issue at year end	45,830,135	45,488,635

Shares issued during the year ended 31 March 2019 relate to the exercising of share options by HML staff in August 2018 and February 2019.

**7. DIVIDENDS**

The Directors have proposed paying a dividend of 0.47p per share in relation to the current year (2018: 0.42p per share).

If approved the final dividend will be paid on 18 October to shareholder on the register at 4 October 2019. The corresponding ex-dividend date is 3 October 2019.

**8. ADOPTION OF IFRS 9 AND IFRS 15**

IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” were both adopted with effect from 1 April 2018 in line with the transitional provisions provided in the new standards. The standards have been adopted using the modified retrospective approach where the prior period amounts have not been restated but any difference between amounts recognised under IFRS 9 and IFRS 15 and those previously recognised under IAS 39, IAS 11 and IAS 18 has been recognized in the opening retained earnings at 1 April 2018.

The adoption of IFRS 15 and IFRS 9 has resulted in no material adjustments to the financial statements.