

HML HOLDINGS PLC
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Executive

Alec Guthrie
James Howgego

Chief Executive Officer
Chief Financial Officer

Non-executive

Richard Smith
Geoffrey Griggs
Elizabeth Holden
Anand Verma

Chairman

COMPANY SECRETARY

James Howgego

REGISTERED OFFICE

9-11 The Quadrant
Richmond
Surrey
TW9 1BP

AUDITOR

Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

BANK

Barclays Bank plc
One Churchill Place
London
E14 5HP

NOMINATED ADVISER AND BROKER

finnCap
60 New Broad Street
London
EC2M 1JJ

PUBLIC RELATIONS AGENTS

Tavistock Communications
No.1 Cornhill
London
EC3V 3ND

REGISTRARS

Share Registrars Limited
17 West Street
Farnham
Surrey
GU9 7DR

FINANCIAL HIGHLIGHTS

YE2020	YE2019	% change
Revenue		
<i>£31.22m</i>	<i>£28.11m</i>	11%
Profit before interest, tax, amortisation and share based payments		
<i>£2.35m</i>	<i>£2.41m</i>	(2%)
Profit before tax		
<i>£1.42m</i>	<i>£1.69m</i>	(16%)
Cash generated from operations		
<i>£3.75m</i>	<i>£3.61m</i>	4%
Adjusted basic earnings per share*		
<i>4.4p</i>	<i>4.6p</i>	(4%)
Units under management		
<i>86,000 units</i>	<i>80,000 units</i>	8%

* Adjusted basic earnings per share uses profit after tax, before interest, amortisation and share based payments.

REVIEW OF BUSINESS

Financial performance

We are pleased to report a solid set of results with revenue growth of 11% to £31,215,000 (2019: £28,110,000) for the year ended 31 March 2020, albeit tempered by a 2% decline in earnings before interest, share-based payments, amortisation and tax to £2,351,000 (2019: £2,413,000).

Despite the growth in revenue, the Group has faced some headwinds during the year due to a slower than anticipated integration of two of our recent acquisitions, changes in market regulation and the impact of COVID-19 during the last six weeks of the financial year.

On the operational side of the business, we have made significant progress completing two major internal restructuring projects and also embarked on an initiative to introduce more digitalization into the business with the appointment of Anand Verma as non-executive director. Anand, who joined in early March 2020, brings more than 20 years of experience in digital and technology innovation and transformation to the business.

Progress on acquisitions

HML made four acquisitions during the year.

In the first half of the year, HML purchased the trade and assets of Thornes Chartered Surveyors (“TCS”), a property management business with an office in Luton and acquired 100% of the share capital of Prima Property Services Ltd, a lettings business based in Birmingham. Both businesses were acquired to strengthen and develop our lettings provision and we are delighted with the additional regional coverage they bring to our national network of offices.

HML also purchased two block management businesses. In the first half of the year, HML acquired Francis Butson Associates, based in St Neots and in the second half of the year, HML purchased Leasehold Management Ltd (“LML”), a business based in Worthing. Both specialise in traditional block management and in time will bring the usual synergies to our Group.

As a consolidator of a fragmented market, opportunities to acquire businesses like these are becoming more common, although we have found that it is increasingly challenging to acquire businesses at a competitive price and then to integrate them quickly into the wider HML platform which is necessary to ensure they contribute profitably in the short term. This experience has given rise to a wider review of the HML strategy, which we will update the market on in due course. This review is ongoing and it is intended that we brief the market before the end of the 2020-21 financial year.

Government regulation and compliance

Government announcements around External Wall Systems (EWS) relating to the ongoing fallout from Grenfell, have had an impact on both our Health and Safety work, as well as the ability for many developments to actively sell their properties. This is largely because neither the industry nor HML have been able to produce a certificate of safety for a large percentage of our properties. This status quo is addressed in part by the announcement of a new Government fund to support remedial works, although it will take time to access these funds.

As a business and as the spotlight focuses more on Health and Safety and compliance, we are finding it necessary to resign on buildings that are not prepared to adhere to the Government guidelines around compliance. We also continue to face competition in the market from some resident management companies who are willing to engage with less scrupulous agents.

Government appetite for regulation in the light of Brexit and in turn COVID-19 has most definitely diminished, albeit we as an operator are still well placed to cope with this when the Government decides to push ahead with mandatory changes and control of agents.

REVIEW OF BUSINESS (CONTINUED)

Operational progress and update to strategy

Over the past few years, the business has been focused on moving back office functions to a central location and we are pleased to report that these moves are now complete.

We have also completed the restructure of our business development team to ensure greater efficiency in the flow of new business enquiries directly into our national branch network.

Our business development pipeline remains healthy despite a reduction in work from developers who are not supplying the same volume of projects to the market as a result of COVID-19.

Looking to the future, the business is now focused on how to rationalise its surveying service and restructuring much of the offering to complement the resident management company client base. We are also conducting a comprehensive strategic review of our systems before embarking on further digitising the business infrastructure to ensure we become much more digital friendly.

Offer for the share capital of HML Holdings Plc

On 30 July 2020, BDB Nominee Company Limited, a company formed at the direction of Harwood Capital LLP announced the intention to make a cash offer of 37.5p per share for the share capital of HML Holdings Plc. The offer was recommended by the board of HML Holdings Plc and the formal offer document relating to the offer was sent out to shareholders on 21 August 2020. For more detail see note 36 on post balance sheet events.

In closing, I would like to thank Rob Plumb, who stepped down as Chief Executive Officer on 31 December 2019, for his service and commitment to the business over the past 15 years.

PRINCIPAL RISKS, UNCERTAINTIES AND CHALLENGES

The principal risks, uncertainties and challenges faced by the business are set out below listed in order of priority:

Covid-19

In common with a lot of other businesses, the biggest challenge currently facing the Group is dealing with the COVID-19 pandemic. Note 20 to the accounts contains details of how the Group is mitigating the operational risks the pandemic poses to the Group.

The virus has had minimal impact on the financial performance and position of these financial statements, as the consequences of the government imposed lockdown only started to happen in late March 2020 which was right at the end of the financial year.

Going forward, the virus will mainly impact the Group's transactional revenue streams, such as pre-contract enquiries, debt collection fees and major surveying works. The directors expect there to be a material reduction in those revenue streams in the next financial year.

Acquisitions and investments

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

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

PRINCIPAL RISKS, UNCERTAINTIES AND CHALLENGES (CONTINUED)

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

Additionally, if the Group funds acquisitions through issuances of ordinary shares, the interests of its shareholders will be diluted, which may cause the market price of the ordinary shares to decline.

There is no guarantee that the Directors will be able to complete acquisitions of complementary companies on acceptable terms. Failure to do so over an extended period would limit the Directors' ability to carry out their strategy and would reduce the long-term prospects of the Group.

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

Competition

The majority of the Group's work for existing or new clients or on new projects is won competitively. The Group may face significant competition, including from larger companies which have greater capital and other resources and may result in some margin erosion. There is no assurance that the Group will be able to compete successfully in such a marketplace in the future.

Regulatory Risks

The Group may be affected by a changing regulatory and legal environment relating to property and leasehold management and the insurance services provided by its subsidiary Alexander Bonhill Limited in particular. To mitigate these risks the Group continues to review all legislation especially in relation to leasehold management. The Group constantly monitors the guidance of our professional bodies, taking action where appropriate.

Attraction and retention of key employees

The Group depends on its Directors and other key employees and whilst it has entered into contractual arrangements with these individuals, retention of these services cannot be guaranteed. The Group has attempted to reduce this risk by offering competitive remuneration packages including the opportunity to participate in a share option scheme. The Group also invests in training and development.

Ownership of the Company

LTC Holdings plc (LTCH) currently owns approximately 20.5% (2019: 20.6%) of the ordinary shares of the Group. As a result, it is able to exercise a high degree of influence over all matters requiring approval by shareholders.

Financial Risks

Information in respect of the financial risk management objectives and policies of the Group and the exposure of the Group to foreign exchange, interest rate risk, credit risk, liquidity risk and cash flow risk is contained in note 20 of the financial statements.

KEY PERFORMANCE INDICATORS

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

Operating margins of Group companies

The profit contribution from the operating business (see note 3) decreased from 13.4% to 12.0% during the year. This fall was due to the additional costs of integration of acquisitions, lower than expected new business and the impact of COVID-19 on ancillary income in the final weeks of the year.

The overall margin after the inclusion of head office costs also decreased from 8.6% to 7.5%.

KEY PERFORMANCE INDICATORS (CONTINUED)

Group turnover

A combination of acquisitive and organic growth resulted in an increase in turnover of over 11% (2019: 8%) during the year.

Profit from operations

The profit the Group made from operations decreased by 7% from £1,736,000 to £1,615,000 during the year.

Profit before interest, tax, amortisation and share based payments

The Group made profit before interest, tax, amortisation and share based payments of £2,351,000 (2019: £2,413,000) which represented a 2% fall on the performance of the previous year. See note 3 for a reconciliation of this calculation.

Earnings per share

During the year, the earnings per share fell by 4% from 4.6p to 4.4p.

Staff retention

During the year, Group staff turnover fell from 29% to 25%.

COMPANIES ACT s.172 STATEMENT

The Directors set out below their statement of compliance with s.172(1) of the Companies Act 2006 which should be read in conjunction with the other sections of the annual report and with the Corporate Governance section of the Group website, www.hmlgroup.com. S.172 requires a Director of a Company to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The Directors preside over the Group for the benefit of all stakeholders. When making decisions, the Directors consider both the potential short and long term implications of such decisions. The main goal is the development and growth of the business which we see improving returns for shareholders, the realisation of the ambitions of Group employees and the delivery of a best in class service to all clients whilst being mindful of the impact of operations on the environment.

The individual stakeholder groups are considered in more detail below:

Shareholders

The Directors provide information for the shareholders through the AGM, the annual report, the interim report, investor meetings and public announcements made through RNS. The Board recognizes the AGM as an important opportunity to meet shareholders and discuss matters both formally and informally. There is only one class of share so all members are treated equally.

Employees

The Group is a service business so the employees are hugely important in the development and success of the Group. The Directors place significant importance on the outcome of decisions on its employees and undertake to act in their best interests. The Directors strive for the Group to be the employer of choice in the industry in which it operates by offering superior training and prospects compared its peers. They are also committed to creating a workplace that promotes employee's wellbeing and equal opportunities.

The Directors undertake a thorough employee survey once a year to understand what the Group does well and where it could improve.

COMPANIES ACT s.172 STATEMENT (CONTINUED)

Clients and customers

The Directors strive to give clients the best possible experience by investing heavily in systems and employees. An example of how the Group is doing this is evidenced by the current investment in the digitisation project that is currently underway. It is hoped that once complete, the client experience will be much improved and more efficient from client point of view.

To foster and understand relationships with clients, the Directors regularly use client satisfaction surveys to understand performance and to understand how the Group could improve services.

The Directors have also invested in creating a new contractor accreditation scheme to ensure the skillset of the contractors carrying out maintenance and repairs for clients matches the needs and standards of the clients from a competency perspective as well as a legal compliance and environment standpoint.

As the Group's is service based business, the Group's main inputs come from employees and consequently does not have a significant number of supplier relationships. Where the Group has a relationship with a supplier, the Directors endeavor to pay all suppliers in a timely fashion.

Community and environment

The Directors are mindful of the impact of its operations on both the community and the environment. As such, the Group expects its employees and its suppliers to be considerate and aware of the results of their actions at all times. The Group strives to maintain the highest ethical standards at all times.

The Directors actively work to wherever possible to ensure our client suppliers and contractors can demonstrate that they use renewable energy and use products of a sustainable source. Whilst the Group encourages our clients to procure all utilities from providers that use environmentally friendly renewable sources, it should be noted that not all clients embrace this due to the extra cost involved.

All Group stationery is environmentally friendly and the outsourced postage service works within the ISO14001 green accreditation regime.

By order of the Board

Alec Guthrie
Chief Executive Officer
25 August 2020

DIRECTORS' REPORT

The Directors submit their report and the Group financial statements of HML Holdings plc for the year ended 31 March 2020.

HML Holdings plc is a public limited company, incorporated and domiciled in England and Wales whose shares are traded on the AIM market of the London Stock Exchange. The Company's registered number is 05728008.

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of property management and related services in the South East, South West and North West of England.

RESULTS AND DIVIDENDS

The Group's result for the year was a profit of £1,093,000 (2019: £1,381,000). For more details on the performance for the year, see the Review of Business in the Strategic Report.

The Directors do not propose to pay a dividend in respect of the year to 31 March 2020 (2019: 0.47p). See note 28 for more detail.

SHARE CAPITAL

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

ACQUISITIONS

On 6 April 2019, HML PM Limited purchased the trade and assets of Francis Butson Associates, a residential property management business based in St Neots.

On 30 April 2019, HML LAM Limited purchased 100% of the share capital of Prima Lettings Limited, a lettings management business based in Birmingham.

On 30 September 2019, HML LAM Limited purchased the trade and assets of Thornes Surveyors, a residential property management and lettings business based in Luton.

On 7 January 2020, HML PM Limited purchased 100% of the share capital of Leasehold Management Limited, a residential property management business based in Worthing.

More detail on the all the acquisitions can be found in note 9.

FUTURE DEVELOPMENTS

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

The Group has also embarked on a digitalisation project, which the directors hope will reduce staff costs in the medium term. It should be noted that this project was already underway before the COVID-19 virus became prevalent. The Group managed to move its operations online within a couple of weeks of the pandemic breaking out but it is hoped the digital strategy will improve workplace flexibility and save costs.

The pandemic has also led Directors to consider the geographical spread of offices and a strategic review of the office network will be undertaken in the coming months.

GOING CONCERN

The Directors have adopted the going concern basis in preparing these accounts, after assessing the principal risks of the Group and having considered the impact of a severe downside scenario on Group forecasts and cashflow requirements, for the COVID-19 pandemic. The major variables are the depth and duration of COVID-19. The Directors have considered the impact of the current COVID-19 situation on the business for the next 12 months and the longer term. Scenario planning is made difficult by the situation currently changing daily, but the impact on fees, profits and cash flows has been contemplated in detail. We have assumed that HML operations continue to deliver services as they have done throughout the pandemic period. Whilst the virus may make the delivery of certain services difficult, we are confident that the provision of all services offered by HML will continue. The main impact of the virus on HML operations will be where fees are based on transactions, such as the service performed when a lessee sells their flat.

Overall, we have scenario planned for significant reductions (in the range of 33% to 53%) on revenue streams that are dependent on housing transactions and have forecasted the impact lasting until March 2021. The impact of the reduction of revenues would have a significant negative impact on Group profitability, as will a potential recession which many commentators are predicting, but the financial modelling undertaken indicates the Group will remain profitable over the next 12 months and we would anticipate a full recovery in following years.

Under the severe downside scenario, the Group is forecast to have significant financial headroom on its existing overdraft facilities and remains within banking covenants.

The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing of these consolidated financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

DIRECTORS

The following Directors have held office during the year:

Robert Plumb (resigned 31 December 2019)

Alec Guthrie

James Howgego

Richard Smith

Geoffrey Griggs

Elizabeth Holden

Anand Verma (appointed 16 March 2020)

DIRECTORS' REMUNERATION

The Directors' emoluments in the year are detailed below:

	Annual emoluments incl. pension contributions		Benefits in kind		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Robert Plumb	149	184	11	9	160	193
James Howgego	150	143	3	3	153	146
Alec Guthrie	152	142	-	-	152	142
Richard Smith	53	51	-	-	53	51
Geoffrey Griggs	20	20	-	-	20	20
Elizabeth Holden	20	20	-	-	20	20
Anand Verma	-	-	-	-	-	-
	544	560	14	12	558	572

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

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

	Ordinary shares of 1.5p each	
	31 March 2020	31 March 2019
James Howgego	1,587,500	1,587,500
Richard Smith	1,952,400	1,952,400
Geoffrey Griggs	533,167	533,167

DIRECTORS' SHARE OPTIONS

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

	Robert Plumb	James Howgego	Alec Guthrie	Richard Smith	Geoffrey Griggs	Elizabeth Holden	Anand Verma
2011 share options	-	-	-	-	20,000	-	-
2012 share options	-	100,000	-	60,000	20,000	-	-
2013 share options	190,000	100,000	11,250	60,000	25,000	-	-
2014 share options	180,000	90,000	11,500	50,000	20,000	-	-
2015 share options	160,000	80,000	21,250	40,000	20,000	20,000	-
2016 share options	170,000	80,000	30,000	40,000	20,000	20,000	-
2017 share options	160,000	100,000	60,000	41,000	21,000	21,000	-
2018 share options	150,000	100,000	100,000	41,000	21,000	21,000	-
2019 share option	-	90,000	90,000	40,000	20,000	20,000	-
	1,010,000	740,000	324,000	372,000	187,000	102,000	-

The options issued from 2011 to 2012 are all Enterprise Management Incentive (EMI) approved options, with the exception of the options issued to Geoffrey Griggs which were unapproved.

The options issued in 2013 were all unapproved and the options issued in 2014 to 2018 were CSOP approved except for the options issued to Geoffrey Griggs, Richard Smith and Elizabeth Holden, which were unapproved.

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

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

	Date of Issue	Exercise Price
2011 share options	24.06.11	11.75p
2012 share options	26.07.12	17.75p
2013 share options	25.07.13	15.25p
2014 share options	06.08.14	33.00p
2015 share options	08.10.15	41.00p
2016 share options	16.08.16	32.00p
2017 share options	25.09.17	36.00p
2018 share options	10.09.18	33.50p
2019 share options	04.12.19	32.00p

During the year ended 31 March 2020, no directors exercised share option. During the year ended 31 March 2019, Robert Plumb exercised 190,000 options and Geoffrey Griggs exercised 16,000 options.

SIGNIFICANT SHAREHOLDINGS

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

	Shares	Percentage
LTC Holdings Plc	9,432,117	20.5%
Oryx International Growth Fund	6,925,000	15.1%
BGF	3,787,018	8.2%
Unicorn Asset Management	3,719,278	8.1%
Robert Plumb	2,964,067	6.5%
City Asset Management	2,055,985	4.5%
Richard Smith	1,952,400	4.3%
James Howgego	1,587,500	3.5%
M D Barnard	1,247,525	2.7%

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

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

FINANCIAL INSTRUMENTS

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

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

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

POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year or the preceding year. However charitable donations of £1,390 (2019: £1,085) were made to local charities.

UK ENERGY CONSUMPTION AND GREENHOUSE GAS DISCLOSURE

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the Group to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR sources.

Reported energy and GHG data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held. This includes electricity, natural gas and business travel in company owned or employee owned cars. The table below details the regulated SECR energy and GHG emission sources for the year ending 31 March 2020.

	2020 £'000
ENERGY (kWh)	
Electricity	1,547,242
Natural Gas	1,078,103
Transport	855,764
	<hr/>
Total Energy	3,481,109
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EMISSIONS (tCO ₂ e)	
Electricity	361
Natural Gas	176
Transport	215
	<hr/>
Total GHG Emissions	752
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INTENSITY METRIC	
Group turnover (£'m)	31
	<hr/>
tCO ₂ e per £m turnover	24
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The Group is committed to reducing its environmental impact and contribution to climate change. Whilst the opportunities are not significant, the Group takes its impact on the environment seriously and is currently working on an energy saving action plan that will be implemented during the coming year and it is hoped that a reduction in emissions will be achieved.

Scope 1 (direct GHG emissions) resulted from direct management of Group owned assets – vehicles and business miles travelled by employee cars and public transport. The methodology for calculating emissions from transport activities is based on a combination of litres of fuel purchased and miles travelled, multiplied by the appropriate conversion factor.

Scope 2 (indirect GHG emissions) derived from the energy purchased (electricity and gas) for the operation of the Group's managed facilities. Metered kWh consumption taken from utility providers and or landlord invoices is reported where possible. Where no data was available, energy consumption has been estimated using the office floor area in relation to the costs identified, multiplied by the appropriate conversion factor (adjusted for transmission and distribution losses).

AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint Nexia Smith & Williamson as auditor will be put to the members at the Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors are responsible for ensuring that they meet their responsibilities under the AIM rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

James Howgego
Company Secretary
25 August 2020

The Group strategy is committed to high standards of corporate governance and the Board has ensured that the Company has adopted policies and procedures that the Directors consider appropriate with regard to the Company's size.

In order to fulfill the requirements under AIM Rule 26, the Company has adopted the recommendations of the QCA Corporate Governance Code (the "QCA Code") for small and mid-sized companies from September 2018.

This statement explains the Directors approach to addressing the key principles of the QCA Code during the year ended 31 March 2020.

1. Establish strategy and business model which promotes long-term value for shareholders
HML is a residential property management business. The Group's strategy is to build a network of offices delivering a tailored, local and personal service to our clients and their tenants and leaseholders. The business model drives efficiency and quality of service through facilitating and centralising our customer facing administration while enabling our offices to engage locally and personally with our clients.

2. Seek to understand and meet shareholder needs and expectations
The Group communicates with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Directors are available at the Annual General Meeting where shareholders can ask questions or present their views. Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. In accordance with the AIM rules, specifically Rule 26, the Company has disclosed fully all relevant information so as to ensure that it is fully compliant.

The Company maintains a website (www.hmlgroup.com) where the Annual Report and financial statements can be accessed. The following information is also located on the website:

- copies of regulatory announcements;
- announcements made to relevant industry media;
- Directors' biographies;
- information relating to the Group's services; and
- details of the Group's office network.

All queries raised by shareholders are dealt with by an appropriate senior member of the management team, depending on the nature of the enquiry.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Group recognises that good relations with a range of different stakeholder groups is important for long-term success. These stakeholder groups include employees and customers and external stakeholders such as government regulators and shareholders. The Group dedicates time to understanding and acting on the needs and requirements of each of these groups via engagement and satisfaction surveys as well as meetings dedicated to obtaining feedback.

The Group has a formal Health, Safety and Environmental Policy which requires all operations within the Group to pursue economic development whilst protecting the environment. Our team of experts in this area also provide specific advice to our clients when considered necessary.

It is the policy of the Group to consider the health and welfare of employees by maintaining a safe place and system of work as required by legislation.

The Group's Equal Opportunities Policy is applicable to all employees, workers and contractors. The Group is committed to a policy of equal opportunity and non-discrimination and will not tolerate action or behaviour that is contrary to this policy.

A robust complaints procedure is in place to allow any employee, worker or contractor to raise concerns about discrimination or harassment, in order that any such complaint may be addressed quickly and appropriately.

The objective of the Group's policies is to:

- Select, recruit, develop and promote the very best people, basing judgement solely on suitability for the job;
- Ensure all applicants and employees receive fair and equal treatment irrespective of sex, marital status, nationality, colour, race, age, national origin, religion, belief, sexual orientation or disability;
- Ensure all employees receive fair and equal treatment irrespective of whether they work part-time or are engaged on a fixed term contract;
- Maintain a working environment free from harassment and intimidation;
- Ensure that existing and new legislative Acts based on statutory rights to equal treatment are adhered to;
- Deal speedily and effectively with any complaints of alleged discrimination and/or harassment, ensuring all complaints are fully investigated and that remedial action is taken where necessary.

4. Risk management, considering both opportunities and threats, throughout the organisation

The Group's risks and risk mitigation strategy are explained in detail within the Strategic Report section of the Annual Report each financial year, available on our website.

The Board considers risks relating to the business at every Board Meeting.

The Board are responsible for reviewing and evaluating risk and the Executive Directors meet monthly to review ongoing trading performance, discuss budgets and forecasts and to consider risks relating to the business. Internal controls are internally reviewed on a quarterly basis by the finance team and changes made where appropriate. Any failures in relation to internal controls are immediately reported to the CEO and CFO.

5. Maintain the Board as a well-functioning, balanced team led by the chair

The Board, which is set up to control the activities of the Group, formally meet at least four times a year.

As at the year end the Board was composed of two Executive and four Non-Executive Directors. The Board considers its composition appropriate given the size of the Company, its revenues and profitability. Anand Verma and Elizabeth Holden are considered by the Board to be independent, notwithstanding the fact that Elizabeth has share options in the Company.

Each Board member receives the latest financial and management information, which consists of:

- management accounts setting out actual costs and revenues against budgeted costs and revenues;
- cash collection and forecast;
- a statement of profit or loss compared with budget; and
- a statement of financial position including net assets per share.

The Board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Executive Directors who are responsible for the day to day management of the business.

All appointments to the Board are discussed at a full board meeting or the Nominations Committee and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

All Directors are subject to re-appointment every three years in accordance with the Company's Articles of Association. Any Director appointed by the Board during the year must stand for re-appointment at the next Annual General Meeting.

The Board has three committees; the Audit Committee, the Remuneration Committee and the Nominations Committee.

The Executive Directors work full time for the company. The two Independent Non-Executive Directors are required to attend all Board Meetings and meetings of committees of which they are members of. The Chairman oversees the business of the Board and chairs Board Meetings in addition to regular meetings with the CEO.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Biographical details of all the current Directors can be found on our website. These demonstrate a range of experience and sufficient calibre to bring independent judgement on the issues of strategy, performance, resources and standards of conduct, which are vital to the continuing success of the Group.

All our Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary will ensure that the Directors receive appropriate training and maintain their CPD as necessary.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

In an effort to strive for continual improvement in the effectiveness of the Board, its committees and the individual Board members, the Company operates a continual evaluation process and an annual strategy day when the performance of the board is thoroughly considered.

The Directors feel the board has performed satisfactorily and improved the information technology knowledge and the independence of the board with the recent recruitment of Anand Verma.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board believes that a corporate culture based on the Group's core values and behaviours is helpful to maximise shareholder value. The Company maintains and reviews guidance on what is expected of every employee of the Company.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Non-Executive Directors

The primary responsibility of the Non-Executive Directors is to ensure that the strategies proposed by the Executive Directors are fully considered. The Non-Executive Directors are also responsible for making sure that the Board agenda concentrates on the key issues, both operational and financial, with regular reviews of the Company's strategy and its overall implementation.

Audit Committee

The Audit Committee meets at least twice a year and consists of Elizabeth Holden and Geoffrey Griggs. In the year ended 31 March 2020, the Audit Committee met on two occasions, with all members present. The duties of the Audit Committee are:

- review of the scope and the results of the audit;
- assessment of the cost effectiveness of the audit;
- monitoring the independence and objectivity of the Auditors;
- review and assessment of current updates of changes in the accounting standards and their likely impact on the Group's financial statements;
- review and assessment of the internal controls of the Company; and
- assessment and competencies of the financial human resources available to the Company.

The Audit committee advises the Board on the appointment, re-appointment or removal of the external Auditors and on their remuneration. The Audit Committee discusses the nature and scope of the audit with the external Auditors and provides a forum for reporting by the Group's external Auditors on any matters it considers appropriate.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)

Remuneration Committee

The Remuneration Committee consists of Elizabeth Holden and Geoffrey Griggs.

The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. In doing so the Committee's aims are:

- to ensure that remuneration packages are sufficient to attract and retain Executive Directors of the requisite caliber;
- to ensure that the targets of the Group and its Executive Directors are aligned;
- to ensure that the remuneration policies adopted by the Group give consideration to the guidance of the QCA;
- to consider, and if thought fit, grant options to Executive Directors and staff under the Group's Option Schemes; and
- where applicable, to assess targets that should be used in the fixing of performance related pay for Executive Directors. Such bonuses are paid at the discretion of the Remuneration Committee.

The Remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association.

Nominations Committee

The role of the Nomination Committee (the "Committee") is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and re-appointments to the board of the Company (the "Board") and in appropriate circumstances on senior sub-board appointments.

The Nominations Committee consists of Richard Smith, Alec Guthrie, Geoffrey Griggs and Elizabeth Holden.

In addition, it is responsible for recommending appointments to the Boards of material subsidiaries in the Group and reviewing the succession plans for the executive directors and the non-executive directors.

The Committee's responsibilities also extend to the review and making recommendations in regard to the Company's Corporate Governance Policy.

10. Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders

The Company communicated with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Directors are available at the Annual General Meeting where shareholders can ask questions or present their views. The outcome of resolutions put to the Annual General Meeting are published and available on the Company's website.

James Howgego
Company Secretary
25 August 2020

Opinion

We have audited the financial statements of HML Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Shareholders Equity, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of matter – Covid-19

We draw attention to the Going Concern Note on page 31 of the financial statements which describes the impact of Covid-19 on the Group and Parent Company. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

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

Key audit matter	Description of risk	How the matter was addressed in the audit and key observations arising with respect to that risk
<p>Impact of Covid-19 on Going Concern Assessment of the Group.</p> <p>We draw attention to the Going Concern note on page 31 of the financial statements which describes the impact of COVID-19 on the Group and Parent Company.</p>	<p>The Covid-19 pandemic has had a rapid and significant impact on the UK and global economy. The market instability generated by the pandemic is expected to continue for the foreseeable future followed by a longer-term period of economic decline. This could have an impact on the future operations of the Group and this may affect our going concern assessment.</p>	<p>We reviewed management's forecasts for the Group considering post balance sheet management accounts as well as the group's cash and funding positions.</p> <p>As part of our procedures we:</p> <ul style="list-style-type: none">assessed and corroborated management's assumptions included in the forecasts;reviewed management's calculations demonstrating that provided the forecasts are met, that the Group is able to comply with all loan facility covenants in the 12 months from signing of the Group's audit report;assessed management's sensitivities in the context of the headroom available and management action that has been taken to conserve cash;considered whether there are any events or conditions that could constitute a material uncertainty; andreviewed the going concern disclosure within the financial statements, ensuring it adequately discusses and evaluates the potential impact of Covid-19. These are included in the Notes to the Consolidated Financial Statements on page 30.
<p>Carrying value and impairment of: goodwill and other intangible assets (Group); investments in subsidiaries and amounts owed by group undertakings (Company), taking into account the potential impact of Covid-19.</p>	<p>The Group has significant goodwill and other intangible asset balances and the Company has significant investments in subsidiaries and amounts owed by group undertakings.</p> <p>The assessment of the carrying value requires judgement in assessing forecast future cash flows, growth rates and discount rates. The assessment of the carrying value of these balances and consequently any required impairment is sensitive to these estimates.</p>	<p>We challenged the assumptions used in the impairment model for goodwill, other intangible assets, investments in subsidiaries and amounts owed by group undertakings, as described in Note 10.</p> <p>As part of our procedures we:</p> <ul style="list-style-type: none">assessed the appropriateness of the impairment review methodology, assumptions concerning growth rates and inputs to the discount rate against available market data with the assistance of experts;compared previously forecast revenue growth rates and gross profit margins with those achieved in previous years;compared current forecast revenue growth rates and gross profit margins with those achieved in previous years; andreviewed management's sensitivity analysis to understand the minimum growth rates needed to avoid an asset impairment and compared them to those achieved in previous years.

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

Key audit matter	Description of risk	How the matter was addressed in the audit and key observations arising with respect to that risk
Corporate acquisitions (Group)	<p>The Group completed its acquisitions of Francis Butson & Associates on 6 April 2019, Prima Property Services on 30 April 2019, Thornes Chartered Surveyors on 9 September 2019 and Leasehold Management Limited on 7 January 2020, resulting in the recognition of acquired intangibles and goodwill.</p> <p>Judgement is required in identifying and valuing these acquired intangibles and goodwill, determining the valuation of the other assets and liabilities acquired and consideration paid. In addition, the disclosure requirements in respect of acquisitions are extensive.</p>	<p>We obtained and read the Sale and Purchase Agreements ("SPAs") for Francis Butson & Associates, Prima Property Services, Thornes Chartered Surveyors and Leasehold Management Limited to gain an understanding of the key terms of the acquisition, as described in Note 9.</p> <p>In testing these acquisitions, we considered whether the identified intangible assets are appropriate and complete by reference to the SPAs and other supporting documentation.</p> <p>We obtained the calculation of the fair value of consideration paid and intangible assets acquired, and assessed the methodology employed, involving experts and corroborated the inputs and assumptions to supporting evidence.</p> <p>We also checked that material fair value adjustments to the net assets were consistent with the accounting standard requirements.</p> <p>We read the disclosures in the financial statements to satisfy ourselves that they are in line with the requirements of the relevant accounting standards.</p>
Revenue recognition (Group)	<p>Revenue growth is a key performance indicator of the Group. Revenue based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.</p>	<p>The Group's revenue streams are stated in Note 1. In testing revenue recognition we:</p> <ul style="list-style-type: none"> • documented controls over revenue recognition which have been designed by the Group to prevent and detect fraud and errors in revenue recognition; • performed substantive testing of a sample of revenue transactions, including agreement to most recent contract or fee correspondence and bank to ensure that revenue had been recognised in accordance with the Group's accounting policies; and • performed specific cut-off testing to ensure that revenue is recognised in the correct period.

Materiality

The materiality for the Group financial statements as a whole was set at £468,000. This has been determined with reference to the benchmark of the Group's revenue, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the Group. Materiality represents 1.5% of the Group's revenue as presented on the face of the Consolidated Statement of Comprehensive Income.

The materiality for the Parent Company financial statements as a whole was set at £384,800. This has been determined with reference to the benchmark of the Parent Company's total assets as the Parent Company exists only as a holding Company for the Group and carries on no trade in its own right. Materiality represents 3% of total assets as presented on the face of the Company Statement of Financial Position.

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

An overview of the scope of our audit

Of the Group's 15 reporting components, we subjected 8 to audits for Group reporting purposes and 1 to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality to the Group. The latter was not individually significant enough to require an audit for Group reporting purposes but was still material to the Group.

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

The remaining 6 components are exempt from the requirements of the Companies Act 2006 relating to audit of the individual accounts. We performed analysis at a Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team visited one location for interim work in the UK covering the 8 components that we subjected to audit.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Jacques
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

25 August 2020

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
CONTINUING OPERATIONS			
REVENUE	1	31,215	28,110
Direct operating expenses		(27,453)	(24,332)
Central operating overheads		(1,411)	(1,365)
Share based payment charge		(46)	(37)
Amortisation of intangibles		(690)	(640)
Total central operating overheads		(2,147)	(2,042)
Operating expenses		(29,600)	(26,374)
PROFIT FROM OPERATIONS	5	1,615	1,736
Finance costs	4	(198)	(50)
PROFIT BEFORE TAXATION		1,417	1,686
Income tax charge	7	(324)	(305)
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,093	1,381
EARNINGS PER SHARE			
Basic	8	2.4p	3.0p
Diluted	8	2.4p	3.0p
ADJUSTED EARNINGS PER SHARE			
Basic	8	4.4p	4.6p
Diluted	8	4.4p	4.6p

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2020
COMPANY NUMBER: 5728008

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 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
IFRS16 adjustment	-	-	-	-	101	101
Adj balance at 1 April 2019	687	2,498	(87)	(15)	12,409	15,492
Profit for the year	-	-	-	-	1,093	1,093
Other comprehensive income	-	-	-	-	-	-
Transactions with owners						
Share based payment charge	-	-	-	-	46	46
Share capital issued	2	19	-	-	-	21
Shares sold by EBT	-	-	3	-	-	3
Dividend	-	-	-	-	(216)	(216)
Balance at 31 March 2020	689	2,517	(84)	(15)	13,332	16,439

HML HOLDINGS PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the year ended 31 March 2020
COMPANY NUMBER: 5728008

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2018	682	2,450	(88)	804	3,848
Profit for the year	-	-	-	62	62
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)	711	3,809
Profit for the year	-	-	-	18	18
Other comprehensive income	-	-	-	-	-
Transactions with owners					
Share based payment charge	-	-	-	46	46
Share capital issued	2	19	-	-	21
Shares purchased by EBT	-	-	3	-	3
Dividend	-	-	-	(216)	(216)
Balance at 31 March 2020	689	2,517	(84)	559	3,681

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2020
COMPANY NUMBER: 5728008

ASSETS	Notes	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Goodwill	10	12,320	11,384
Other intangible assets	11	8,809	8,373
Property, plant and equipment	12	5,937	1,030
		27,066	20,787
CURRENT ASSETS			
Trade and other receivables	14	4,329	3,804
Cash at bank	15	-	235
		4,329	4,039
TOTAL ASSETS		31,395	24,826
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		6,739	6,602
Borrowings		975	529
Current tax liabilities		378	357
Lease Liabilities	17	1,217	-
	16	9,309	7,488
NON-CURRENT LIABILITIES			
Borrowings		732	679
Lease liabilities	17	3,602	-
Deferred tax liability	21	1,313	1,268
	19	5,647	1,947
TOTAL LIABILITIES		14,956	9,435
NET ASSETS		16,439	15,391
EQUITY			
Called up share capital	22	689	687
Share premium	24	2,517	2,498
Other reserve	25	(84)	(87)
Merger reserve	26	(15)	(15)
Retained earnings	27	13,332	12,308
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		16,439	15,391

The financial statements were approved by the Board of Directors and authorised for issue on 25 August 2020 and are signed on its behalf by:

Alec Guthrie
Director

James Howgego
Director

HML HOLDINGS PLC
COMPANY STATEMENT OF FINANCIAL POSITION
31 March 2020
COMPANY NUMBER: 5728008

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Other intangible assets	11	834	760
Property, plant and equipment	12	41	91
Investment in subsidiary companies	13	8,942	8,942
		<hr/>	<hr/>
		9,817	9,793
CURRENT ASSETS			
Trade and other receivables	14	3,011	1,940
		<hr/>	<hr/>
		3,011	1,940
		<hr/>	<hr/>
TOTAL ASSETS		12,828	11,733
LIABILITIES			
CURRENT LIABILITIES			
Borrowings		832	529
Trade and other payables		7,583	6,716
		<hr/>	<hr/>
	16	8,415	7,245
NON-CURRENT LIABILITIES			
Borrowings	19	732	679
		<hr/>	<hr/>
		732	679
		<hr/>	<hr/>
TOTAL LIABILITIES		9,147	7,924
		<hr/>	<hr/>
NET ASSETS		3,681	3,809
EQUITY			
Share capital	22	689	687
Share premium	24	2,517	2,498
Other reserve	25	(84)	(87)
Retained earnings	27	559	711
		<hr/>	<hr/>
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		3,681	3,809
		<hr/>	<hr/>

As permitted by s.408 Companies Act 2006, the Company has not presented its own income statement. The Company made a profit after tax of £18,000 (2019: £62,000).

The financial statements were approved by the Board of Directors and authorised for issue on 25 August 2020 and are signed on its behalf by:

Alec Guthrie
Director

James Howgego
Director

HML HOLDINGS PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
OPERATING ACTIVITIES			
Cash generated from operations	29a	3,749	3,606
Income taxes paid		(303)	(297)
Interest paid		(32)	(50)
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		3,414	3,259
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(378)	(629)
Sales/acquisition of own shares		3	1
Purchase of software		(258)	(245)
Purchases of businesses		(1,424)	(994)
Payments of deferred/contingent consideration		(752)	(759)
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(2,809)	(2,626)
FINANCING ACTIVITIES			
New bank loan		910	-
Repayment of existing bank loans		(554)	(528)
Principal element of Lease payments		(1,144)	-
Share issue		21	53
Dividend payment		(216)	(192)
		<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES		(983)	(667)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(378)	(34)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		235	269
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	29b	(143)	235
		<hr/>	<hr/>

HML HOLDINGS PLC
COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
OPERATING ACTIVITIES			
Cash received from operations	29d	235	948
Interest paid		(30)	(46)
NET CASH RECEIVED FROM OPERATING ACTIVITIES		205	902
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(5)	(29)
Purchase of software		(258)	(245)
Sale/acquisition of own shares		3	1
Payment of deferred/contingent consideration		(266)	(331)
NET CASH USED IN INVESTING ACTIVITIES		(526)	(604)
FINANCING ACTIVITIES			
Loan drawdown		910	-
Repayment of loans		(554)	(528)
Share issue		21	53
Dividends		(216)	(192)
NET CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES		161	(667)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(160)	(369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(954)	(585)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29e	(1,114)	(954)

HML HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

HML Holdings plc and its subsidiaries specifically focus on residential property management. The Group operates in the UK.

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

The Group consolidated financial statements were authorised for issue by the Board of Directors on 25 August 2020.

GOING CONCERN

The Group made profits of £1,093,000 (2019: £1,381,000) during the financial year and had net current liabilities of £4,980,000 (2019: £3,449,000) at the year end. The net current liabilities include accounting adjustments for lease liabilities and deferred income, which do not require an outflow of resources, totaling £1,934,000 (2019: £661,000). The Group has an overdraft facility that is renewed annually and can be accessed throughout the year for working capital purposes and has been able to take advantage of the government deferred payment schemes in relation to taxes, thus managing cashflow in the coming 12 months.

The Group's forecasts and projections for the 12 months following the signing of these accounts, taking account of possible changes in trading performance from the COVID-19 pandemic and the cash required to fund the net current liabilities, show that the Group will be able to meet all liabilities as they fall due.

The Group has undertaken scenario planning for significant reductions (in the range of 33% to 53%) in revenue streams that are dependent on housing transactions and have forecasted the impact lasting until March 2021. The impact of the reduction of revenues would have a significant negative impact on Group profitability, as will a potential recession which many commentators are predicting, but the financial modelling undertaken indicates the Group will remain profitable over the next 12 months and a full recovery would be anticipated in the following years.

Under a severe downside scenario, the Group is forecast to have significant financial headroom on its existing overdraft facilities and remains within banking covenants.

Consequently, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Companies Act 2006 as applicable to companies reporting under IFRS. The information is presented in pounds sterling, prepared on a historical cost basis and, unless otherwise stated is rounded to the nearest thousand.

The principal accounting policies adopted are set out below. The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period.

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

BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible. The excess of costs of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in profit or loss.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Contingent consideration is reviewed at each reporting date and changes are made if payments have been made or consideration arises on a new acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date with any change to fair values after the acquisition date recognized within the Statement of Comprehensive Income.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Group

The Group has adopted the following new standards, amendments or interpretations in these financial statements:

- IFRS 16: Leases
- IFRIC 23: Uncertainty over Income Tax Treatments
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9: Prepayments Feature with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle

The Group and the Company have adopted IFRS 16 "Lease accounting" for the first time this period. These new standards require additional disclosures which have been provided where applicable within notes 12, 16, 17, 19, 31 and 34.

None of the other standards/amendments have had a material impact on the financial statements.

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

Amendments have been made to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to the definition of material. The new definition will apply for the first time in the next financial year. The amendments clarify the definition of what is material to the financial statements and how to apply the definition.

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The amendments will have an impact on the presentation and disclosure in the financial statements. After applying the new definition, the financial statement may have less disclosures as it may be easier to justify that certain disclosures are immaterial to users of financial statements. Furthermore, more meaningful disclosures may be presented in a more prominent manner due to the additional guidance on the effects of obscuring information.

REVENUE RECOGNITION

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

Revenue is measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the customer is one year or less then no adjustment for a financing component has been made.

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

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

Revenue relating to insurance brokerage is recognised at the start of the policy to which the brokerage relates as this is when the work relating to research and broking of the policy is done.

SHARE BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share based payments. IFRS 2 requires the recognition of a charge for share based payment transactions which include for example share options or restricted shares granted to employees that require a certain length of service before vesting. These are reassessed on an annual basis. The fair value of the options granted is measured on the date at which they are granted by using the Black Scholes option pricing model and is expensed to the statement of comprehensive income over the appropriate vesting period.

PURCHASED GOODWILL

Goodwill arising on acquisition and consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a business at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses on goodwill cannot be reversed in future periods.

OTHER INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortised over their useful life and assessed for impairment whenever there is an indication of impairment. The amortisation period and the amortisation method for intangible assets are reviewed at least at each financial year end. The amortisation expense on intangible assets is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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

Client relationships	20 years
Software	8 years

Details of calculations are set out in note 11.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost. Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years and a reversal of an impairment loss is recognised as income immediately.

CLIENT MONIES

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

INVESTMENTS

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

FINANCIAL INSTRUMENTS

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

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

TRADE AND OTHER RECEIVABLES

Trade receivables and accrued income is held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognized based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at an initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognized in profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with maturities of less than three months. Where overall cash balances, after being offset against all overdrafts where a legal right of set off exists, are positive, the balance is presented on the face of the statement of financial position under cash and cash equivalents. Where the net cash balances are negative, the balance is presented as part of bank loans and overdrafts in the statement of financial position and not considered part of cash and cash equivalents.

BORROWINGS

Loans are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the instrument using an effective rate of interest.

TRADE PAYABLES

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

LEASES

For the financial year ending 31 March 2019, rentals payable under operating leases were charged to the statement of comprehensive income on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis over the lease term.

The Group has adopted IFRS 16 Leases from 1 April 2019, replacing IAS 17, using the modified retrospective approach, including appropriate practical expedients. The cumulative effect of initial application is recognised in retained earnings at 1 April 2019 and accordingly comparative information presented for 2019 has not been restated.

IFRS 16 has introduced a single on-statement of financial position balance sheet accounting model for lessees. As a result the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments. The Group is not a lessor. The Group presents lease liabilities on the face of the Group statement of financial position.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate which reflects the characteristics of the underlying lease, at 1 April 2019. The weighted average rate applied is 2.75%. Right-of-use assets are measured at either their carrying amount as if IFRS 16 has been applied since the commencement date or an amount equal to the lease liability.

For more detail of the effect of the new policy, see note 17 and note 35.

TAXATION

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with generally accepted accounting practice required management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reported period.

JUDGEMENTS

In the course of preparing the Group and Company financial statements, the only judgements that may have significant effect are those involving estimations which are explained below.

ESTIMATES

Impairment of investments, goodwill and other intangible assets

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

The key estimates made in calculating value in use are shown in note 10. The carrying amount of investments, goodwill and other intangible assets and any related impairment provisions are shown in notes 10, 11 and 13.

Valuation and useful lives of intangible assets

In order to determine the value of the separately identifiable intangible assets on the acquisition of a business combination, management are required to make estimates of incremental profits when applying the Group's valuation methodologies. Estimate and judgement is also required in determining the appropriate amortisation period.

Details of the carrying value of goodwill and other intangible assets are set out in notes 10 and 11.

Contingent and deferred consideration

Contingent and deferred consideration relating to acquisitions has been included based on management's estimate of the fair value of the consideration due. Details of this are set out in notes 9 and 17.

Leases

The Group leases all of its offices. Some of the property leases contain extension options or break clauses exercisable by the Group and not by the lessors. The Group continually assesses whether it is reasonably certain to exercise these options when considering determining the lease term.

The Group calculates the incremental borrowing rate with reference to the margin the Group's bankers would have charged at the start of the period plus the Bank of England's base rate at the start of the period. Consequently, the incremental borrowing rate used in the lease calculation was 2.75%.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE STREAMS

The principal revenue streams of the Group are set out below:

	2020 £'000	2019 £'000
Property management	25,906	23,238
Surveying services	1,746	1,822
Insurance services	3,563	3,050
Total	31,215	28,110

2. OPERATING SEGMENTS

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

Principal activities are as follows:

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

All of the Group's operations are carried out within the United Kingdom.

Analysis of the segment information about these businesses is presented in the next page. Segment assets include intangibles, plant and equipment, receivables and operating cash. Segment liabilities comprise of operating liabilities and deferred consideration for acquisitions.

There is no trading between reportable segments.

The Group has no major customers.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (CONTINUED)

	2020	2020	2020	2020	2020	2019	2019	2019	2019	2019
	Property Management	Surveying Services	Insurance Services	Unallocated/ Corporate	Consolidated	Property Management	Surveying Services	Insurance Services	Unallocated/ Corporate	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue										
External revenues	25,906	1,746	3,563	-	31,215	23,238	1,822	3,050	-	28,110
Result										
Profit / (loss) from operations	376	226	2,654	(1,641)	1,615	741	240	2,333	(1,578)	1,736
Net finance costs					(198)					(50)
Profit before tax					1,417					1,686
Income tax					(324)					(305)
Profit for the year					1,093					1,381
Other information										
Property, plant, equipment – capital expenditure	361	1	-	5	367	599	1	-	29	629
Depreciation	(1,501)	(1)	-	(55)	(1,557)	(330)	(1)	-	(54)	(385)
Intangible assets - additions	1,804	-	-	258	2,062	1,705	-	-	245	1,950
Amortisation	(506)	-	-	(184)	(690)	(464)	-	-	(176)	(640)
Share based payment charge	-	-	-	(46)	(46)	-	-	-	(37)	(37)
Assets										
Segment assets	20,583	1,271	5,655	3,886	31,395	16,093	1,260	4,682	2,791	24,826
Liabilities										
Segment liabilities	(4,344)	(278)	(1,187)	(9,147)	(14,956)	(222)	(293)	(996)	(7,924)	(9,435)

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PROFIT RECONCILIATION

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

	2020 £'000	2019 £'000
Revenue	31,215	28,110
Direct operating expenses	(27,453)	(24,332)
Profit contribution from businesses	3,762	3,778
Central operating overheads	(1,411)	(1,365)
Profit before interest, tax, amortisation and share based payments	2,351	2,413
Finance costs	(198)	(50)
Profit before share based payment charges, amortisation and taxation	2,153	2,363
Amortisation of other intangible assets	(690)	(640)
Share based payment charge	(46)	(37)
Profit before taxation	1,417	1,686

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

4. FINANCE COSTS

	2020 £'000	2019 £'000
Interest payable on bank loans and overdrafts	32	50
Interest payable on lease liabilities	166	-
	198	50

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT FROM OPERATIONS	2020	2019
	£'000	£'000
Profit from operations is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
- charge on owned assets	431	385
- charge of right of use assets	1,127	-
Amortisation of intangible assets	690	640
Operating lease rentals:		
- land and buildings	-	970

Set out below is an analysis of other operating expenses:

	2020	2019
	£'000	£'000
Direct costs	22,258	19,807
Management costs	543	377
Travel costs	291	287
Advertising costs	63	95
Premises costs	1,051	2,046
Office costs	679	745
Insurance brokerage	882	761
Professional fees	650	440
IT costs	852	730
Depreciation	431	385
Depreciation on right of use assets	1,127	-
Amortisation	690	640
Share based payment charges	46	37
Other expenses	37	24
Total operating expenses	29,600	26,374

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

	2020	2019
	£'000	£'000
Fees payable for the statutory audit of the Company's annual accounts	29	23
Fees payable to auditor for other services:		
Statutory audit of the Company's subsidiaries	71	49
Total fees payable to the auditor	100	72

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. EMPLOYEES AND STAFF COSTS

	Group 2020 No.	Group 2019 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Management	8	11
Property Management	453	384
Administration	36	52
Finance	116	102
	613	549
	Group 2020 £'000	Group 2019 £'000
Staff costs for the above persons:		
Wages and salaries	18,307	16,520
Social security costs	1,956	1,743
Pension costs	477	300
Share based payment charge	46	37
	20,786	18,600
	Company 2020 No.	Company 2019 No.
The average monthly number of persons (including Directors) employed by the Company during the year was:		
Management	3	3
Administration	14	14
Finance	7	7
	24	24
	Company 2020 £'000	Company 2019 £'000
Staff costs for the above persons:		
Wages and salaries	762	828
Social security costs	140	135
Pension costs	39	28
Share based payment charge	24	20
	965	1,011

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. EMPLOYEES AND STAFF COSTS (CONTINUED)

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

	2020 £'000	2019 £'000
Salaries, fees, bonuses and benefits in kind	527	546
Money purchase pension contributions	31	26
	<hr/>	<hr/>
Total Directors' remuneration	558	572
Notional gains on exercise of share options	-	26
	<hr/>	<hr/>
Total	558	598

Five (2019: three) Directors are members of the company money purchase scheme.

During the year, no Directors (2019: two) exercised share options. Further details are included in the Directors Report.

Directors' emoluments disclosed above include the following payments:

	2020 £'000	2019 £'000
Emoluments of highest paid Director	160	193

DIRECTORS' TRANSACTIONS

Dividends totalling £32,000 (2019: £29,000) were paid in the year in respect of ordinary shares held by the Company's Directors.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX	2020 £'000	2019 £'000
UK Corporation tax:		
Current tax on profits of the year	324	326
Over provision of tax in previous year	-	(21)
	<hr/>	<hr/>
Tax attributable to the company and its subsidiaries	324	305
	<hr/>	<hr/>

Factors affecting tax charge for the year

The tax assessed for the period is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	1,417	1,686
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%).	268	320
Effects of:		
Amortisation and non-deductible expenses adjustment	56	6
Over provision in previous year	-	(21)
	<hr/>	<hr/>
Tax charge for the year	324	305
	<hr/>	<hr/>

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 (2019: £1,243,000). Consequently, the unprovided deferred tax asset in respect of these losses is £236,000 (2019: £236,000).

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

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

	2020 £'000	2019 £'000
Earnings		
Profit after tax (used to calculate the basic and diluted earnings per share)	1,093	1,381
Add back:		
Share based payment charge	46	37
Amortisation of intangible assets	690	640
Interest costs	198	50
	<hr/>	<hr/>
Adjusted profit after tax	2,027	2,108
	<hr/>	<hr/>

Profit after tax is used to calculate the basic and diluted earnings per share.

The adjusted profit after tax has been used to calculate the adjusted basic and diluted earnings per share. The adjusted profit after tax earnings per share metric is disclosed to assist users of the accounts understand the profitability of the business before non-cash adjustments such as share based payments and amortisation and the costs of financial structure such as debt servicing.

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	45,868	45,630
Effect of dilutive potential ordinary shares:		
- share options	437	494
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	46,305	46,124
	<hr/>	<hr/>

Earnings per share

Basic	2.4p	3.0p
Diluted	2.4p	3.0p

Adjusted earnings per share

Basic	4.4p	4.6p
Diluted	4.4p	4.6p

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.

9. BUSINESS COMBINATIONS (ACQUISITIONS)

On 6 April 2019, HML PM Limited purchased the trade and assets of Francis Butson and Associates, a property management business based in St Neots. The acquisition gave HML PM Ltd a presence in Cambridgeshire.

The fair value of net assets acquired is set out below:

	£'000
Consideration	694
Other costs	2
	<hr/>
Total consideration	696
Less:	
Client relationships	(319)
	<hr/>
Goodwill	377
	<hr/>

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

	£'000
Satisfied by:	
Cash on completion	569
Contingent consideration	125
	<hr/>
	694
	<hr/>

Net cash flow arising on the acquisition was £571,000 which represents the consideration paid and transaction costs.

The contingent consideration of £125,000 is due within two years. The contingent consideration is made up of two payments that are adjustable depending on the retention of clients. The range of potential payments of contingent consideration could vary from £0 to £125,000, however the more likely outcome would be to pay £125,000.

The business contributed £487,000 to the Group's revenue and reduced the Group's profit by £4,000 from the date of the acquisition to the year-end date.

9. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED

On 30 April 2019, HML LAM Limited purchased 100% of the share capital of Prima Property Services Limited, a business based in Birmingham. The acquisition will give HML LAM Ltd a presence in Birmingham.

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

	£'000
Consideration	149
Other costs	2
	<hr/>
Total cost of investment	151
Less:	
Tangible fixed assets	(16)
Debtors	(9)
Cash	(7)
Creditors	5
Client relationships	(60)
	<hr/>
Goodwill	64
	<hr/>

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

	£'000
Satisfied by:	
Cash on completion	120
Contingent consideration	29
	<hr/>
	149
	<hr/>

Net cash flow arising on the acquisition was £113,000 which represents the consideration and stamp duty paid less cash at bank acquired.

The contingent consideration of £29,000 is due within one year. The contingent consideration is a payment that is adjustable subject to the retention of acquired clients. The range of potential payments of contingent consideration could vary from £0 to £29,000, however the more likely outcome would be to pay £29,000.

The business contributed £95,000 to the Group's revenue and decreased the Group's profit by £45,000 from the date of the acquisition to the year-end date.

On 1 October 2019, HML LAM Limited transferred in the trade and assets of Prima Property Services Ltd.

9. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED

On 30 September 2019, HML LAM Limited purchased the trade and assets of a residential letting business in Luton called Thornes Chartered Surveyors. The acquisition gave HML LAM Limited an office in Bedfordshire.

The fair value of net assets acquired is set out below:

	£'000
Consideration	472
Other costs	8
	<hr/>
Total cost	480
Less:	
Client relationships	(239)
	<hr/>
Goodwill	241
	<hr/>

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

	£'000
Satisfied by:	
Cash on completion	378
Contingent consideration	94
	<hr/>
	472
	<hr/>

Net cash flow arising on the acquisition was £386,000 which represents the consideration and costs paid on completion.

The contingent consideration of £94,000 is due within two years. The contingent consideration is made up of a payment that is adjustable subject to the retention of acquired clients. The range of potential payments of contingent consideration could vary from £0 to £94,000, however the more likely outcome would be to pay £94,000.

It is estimated that the business contributed £52,000 to the Group's revenue and reduced the Group's profit by £15,000, from the date of the acquisition to the year-end date.

9. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED

On 07 January 2020, HML PM Limited purchased 100% of the share capital of Leasehold Management Limited, a business based in Worthing. The acquisition will not only strengthen the HML PM Limited's position in South East England but also gives HML PM Limited critical mass that will assist in growing ancillary revenues.

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

	£'000
Consideration	856
Stamp Duty	4
	<hr/>
Total cost of investment	860
Less:	
Trade and other receivables	(114)
Cash at bank	(415)
Tangible fixed assets	(6)
Trade and other payables	111
Client relationships	(238)
	<hr/>
Goodwill	198
	<hr/>

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

	£'000
Satisfied by:	
Cash on completion	773
Contingent consideration	87
	<hr/>
	860
	<hr/>

Net cash flow arising on the acquisition was £357,000 which represents the consideration and stamp duty paid, less cash at bank acquired.

The contingent consideration of £87,000 is due within two years. The contingent consideration is made up of a payment that is adjustable depending on the retention of clients and the arrival of contracted new clients. The range of potential payments of contingent consideration could vary from £0 to £87,000, however the more likely outcome would be to pay £87,000.

The business contributed £77,000 to the Group's revenue and increased the Group's profit by £16,000, from the date of the acquisition to the year-end date.

The revenue and financial performance of the Group, assuming the acquisitions above had occurred at the start of the year, has not been presented as the acquisitions only represent 2% of Group revenue and consequently do not warrant this extra disclosure.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. GOODWILL

	Purchased goodwill £'000
GROUP	
Cost:	
1 April 2018	11,805
Additions	874
	<hr/>
31 March 2019	12,679
	<hr/>
Cost:	
1 April 2019	12,679
Additions	936
	<hr/>
31 March 2020	13,615
	<hr/>
Accumulated impairment:	
1 April 2018	1,295
Charged in the year	-
	<hr/>
31 March 2019	1,295
	<hr/>
Accumulated impairment:	
1 April 2019	1,295
Charged in the year	-
	<hr/>
31 March 2020	1,295
	<hr/>
Net book value:	
31 March 2020	12,320
	<hr/>
31 March 2019	11,384
	<hr/>
31 March 2018	10,510
	<hr/>

10. GOODWILL (CONTINUED)

The carrying amount of goodwill was allocated to the cash-generating units (CGU) as follows:

	Goodwill 2020 £'000	Goodwill 2019 £'000
HML PM Limited	10,129	9,509
HML LAM Limited	316	-
Faraday Property Mgt Limited	1,754	1,754
Shaw & Co (Surveyors) Limited	121	121
	<hr/> 12,320	<hr/> 11,384

ANNUAL TEST FOR IMPAIRMENT

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

The cash flow projections for all cash generating units are set out over five years using a growth rate of 5% for revenue and 5% for expenses except for the lettings business where a growth rate of 8% is used for revenue and 5% for expenses. These projections are based on the experience of the management team, recent management forecasts and include the expected impact of COVID-19 on relevant revenue streams. Beyond 5 years, a long-term growth rate of 2.5% is applied.

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

It was concluded that no intangible was impaired.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER INTANGIBLE ASSETS

	Client Relationships £'000	Software £'000	Total £'000
GROUP			
Cost:			
1 April 2018	9,224	1,925	11,149
Additions	-	245	245
Arising from acquisition	831	-	831
31 March 2019	10,055	2,170	12,225
Cost:			
1 April 2019	10,055	2,170	12,225
Additions	-	258	258
Arising from acquisitions	868	-	868
31 March 2020	10,923	2,428	13,351
Accumulated amortisation:			
1 April 2018	1,978	1,234	3,212
Amortisation charged in the year	464	176	640
31 March 2019	2,442	1,410	3,852
Accumulated amortisation:			
1 April 2019	2,442	1,410	3,852
Amortisation charged in the year	506	184	690
31 March 2020	2,948	1,594	4,542
Net book value:			
31 March 2020	7,975	834	8,809
31 March 2019	7,613	760	8,373
31 March 2018	7,246	691	7,937

During the year £258,000 (2019: £245,000) was spent on the purchase and development of the property management software used within the property management business.

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

The client relationships capitalised have a remaining amortisation period of between 5 and 20 years.

11. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software
COMPANY	£'000
Cost:	
1 April 2018	1,925
Additions	245
	<hr/>
31 March 2019	2,170
	<hr/>
1 April 2019	2,170
Additions	258
	<hr/>
31 March 2020	2,428
	<hr/>
Accumulated amortisation:	
1 April 2018	1,234
Amortisation charged in the year	176
	<hr/>
31 March 2019	1,410
	<hr/>
1 April 2019	1,410
Amortisation charged in the year	184
	<hr/>
31 March 2020	1,594
	<hr/>
Net book value:	
31 March 2020	834
	<hr/>
31 March 2019	760
	<hr/>
31 March 2018	691
	<hr/>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY PLANT AND EQUIPMENT

	Group Plant & equipment £'000	Group Right of use assets £'000	Group Total £'000	Company Total £'000
Cost:				
1 April 2018	2,472	-	2,472	260
Additions	620	-	620	29
On acquisition	9	-	9	9
31 March 2019	3,101	-	3,101	289
Adjustment on adoption of IFRS 16	-	6,087	6,087	-
1 April 2019 (restated)	3,101	6,087	9,188	289
Additions	367	-	367	5
On acquisition	121	-	121	-
Disposals	(35)	-	(35)	-
31 March 2020	3,554	6,087	9,641	294
Accumulated depreciation:				
1 April 2018	1,686	-	1,686	144
Charged in the year	385	-	385	54
31 March 2019	2,071	-	2,071	198
1 April 2019	2,071	-	2,071	198
Charged in the year	431	1,127	1,558	55
On acquisition	99	-	99	-
Disposals	(24)	-	(24)	-
31 March 2020	2,577	1,127	3,704	253
Net book value:				
31 March 2020	977	4,960	5,937	41
31 March 2019	1,030	-	1,030	91
31 March 2018	786	-	786	116

For more detail on the IFRS 16 adjustment, see notes 17 and 31.

For more detail on the treatment of leases, see the Leases accounting policy on page 36.

13. INVESTMENTS IN SUBSIDIARY COMPANIES

COMPANY	Shares in subsidiaries £'000
Cost:	
1 April 2018	11,114
31 March 2019 and 31 March 2020	<u>11,114</u>
Provision for impairment:	
31 April 2018	2,172
31 March 2019 and 31 March 2020	<u>2,172</u>
Net book value:	
31 March 2020	<u>8,942</u>
31 March 2019	<u>8,942</u>
31 March 2018	<u>8,942</u>

13. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

The company directly holds the equity of the following undertakings:

Subsidiary undertakings:	Class of holding	Percentage ownership interest	Percentage voting power held	Principal activity
HML Hawksworth Limited	Ordinary	100%	100%	Dormant
HML PM Limited	Ordinary	100%	100%	Property Management
HML Hathaways Limited	Ordinary	100%	100%	Dormant
HML LAM Limited	Ordinary	100%	100%	Lettings Management
Shaw and Company (Surveyors) Limited	Ordinary	100%	100%	Chartered Surveyors
Alexander Bonhill Limited	Ordinary	100%	100%	Insurance Brokers
HML Concierge Services Limited	Ordinary	100%	100%	Concierge Services
HML Company Secretarial Limited	Ordinary	100%	100%	Dormant
HML Ashton Chater Limited*	Ordinary	100%	100%	Dormant
Faraday Property Management Limited	Ordinary	100%	100%	Property Management
HML Services Limited	Ordinary	100%	100%	Dormant
Dauntons Soar Management Services Limited **	Ordinary	100%	100%	Property Management
Residential Block Management Services Limited **/****	Ordinary	100%	100%	Dormant
Prima Property Services Limited***	Ordinary	100%	100%	Dormant
Leasehold Management Limited**	Ordinary	100%	100%	Property Management

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

* HML Ashton Chater Limited is indirectly held through HML Hawksworth Limited

** Dauntons Soar Management Limited, Residential Block Management Services Limited and Leasehold Management Limited are indirectly held through HML PM Limited.

***Prima Property Services Limited is indirectly held through HML LAM Limited.

****Companies are exempt from the requirements of the Companies Act 2006 relating to the audit of the individual accounts by virtue of the s.479A.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	1,310	868	-	-
Amount owed by subsidiary undertakings	-	-	2,846	1,817
Other receivables	223	236	19	3
Prepayments	1,428	1,438	146	120
Accrued income	1,368	1,262	-	-
	4,329	3,804	3,011	1,940

Trade receivables are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

A provision for impairment of trade receivables is established using an expected loss model. An expected loss is recognised when a client is no longer using the Group services and still owes money. Full details are included within Trade and Other Receivables accounting policy in the notes to these accounts.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank overdraft	-	-	-	-

The Group has a £1,500,000 overdraft facility with its bankers. The one-year facility was renewed on 31 January 2020 and is secured via cross guarantees and debentures with Group companies which give the Group the ability to set off debit and credit balances in Group bank accounts.

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

The Directors consider that the carrying amount of these assets is a reasonable approximation of their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CURRENT LIABILITIES

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans and overdrafts	975	529	1,946	1,483
Trade payables	1,382	1,261	73	149
Amounts owed to subsidiary undertakings	-	-	5,463	4,529
Corporation tax	378	357	-	-
Lease liabilities (note 17)	1,217	-	-	-
Other taxation and social security costs	1,408	1,394	36	-
Other payables	992	558	229	143
Accruals	1,242	1,313	276	283
Deferred income	717	661	-	-
Deferred and contingent consideration (note 18)	998	1,415	392	658
	<u>9,309</u>	<u>7,488</u>	<u>8,415</u>	<u>7,245</u>

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

17. LEASES

At the year end 31 March 2020, the Group has the following in regard to property leases in the Group balance sheet:

Right of use assets:

	£'000
At 1 April 2019	6,087
Depreciation	<u>(1,127)</u>
31 March 2020	<u>4,960</u>

Lease liabilities:

	£'000
At 1 April 2019	5,797
Interest Expense	166
Repayment of lease liabilities	<u>(1,144)</u>
	<u>4,819</u>

The maturity of these liabilities is analysed as follows:

	£'000
Current lease liabilities	1,217
Non-current lease liabilities	<u>3,602</u>
	<u>4,819</u>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CONTINGENT CONSIDERATION

	Group £'000	Company £'000
At 1 April 2019	1,415	658
Arising on acquisition	326	-
Amounts paid	(743)	(266)
	<hr/>	<hr/>
At 31 March 2020	998	392
	<hr/>	<hr/>

19. NON-CURRENT LIABILITIES

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans	732	679	732	679
Deferred tax liability (note 21)	1,313	1,268	-	-
Lease liabilities (note 17)	3,602	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,647	1,947	732	679
	<hr/>	<hr/>	<hr/>	<hr/>

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

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities and its capital structure expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and currently COVID-19 risk.

Risk management is carried out centrally under policies approved by the Board of Directors. The Board provides written principles for overall risk management.

MARKET RISK

Market risk comprises of the following two risks:

(a) Foreign exchange risk

The Group operates in the UK and is currently not exposed to foreign exchange risk.

(b) Interest rate risk

Interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the use of its overdraft and the bank loan.

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

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has three bank loans:

- The first bank loan for £1,500,000 was taken out in February 2016 and is repayable over 5 years. The loan attracts an interest rate of 2.4% above LIBOR.
- The second bank loan was for £800,000 and was taken out in March 2017. This loan is repayable over four years and attracts an interest rate of 2.0% above LIBOR.
- The third bank loan was for £910,000 and was taken out in December 2019. The loan is repayable over three years and attracts an interest rate of 2.0% above LIBOR.

The Group invests surplus cash in bank deposits which bear interest based on short term money market rates and in doing so exposes itself to fluctuations in money market interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant the Group's profit for the year ended 31 March 2020 and its equity at 31 March 2020 would have decreased or increased by £15,000 in each case. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonable change in interest rates.

CREDIT RISK

Credit risk is the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group. Trade receivables comprise of a large number of individual clients none of which represents in excess of 5% of trade receivables. Receivables in respect of residential property management fees are considered by management to be low risk as the non-payment of service charges can result in forfeiture of the respective leases. Receivables balances are also monitored on an ongoing, regular basis with the result that the Group's exposure to bad debts is not significant.

COVID-19 is not expected to materially increase the credit risk of the Group.

All of the Group's cash and bank balances are held with recognised UK clearing banks. The maximum exposure to credit risk is £2,901,000 (2019: £2,366,000).

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. The Group monitors its risk to a shortage of funds using cash flow forecasting. This is performed on a weekly, quarterly and annual basis. The cash flow forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from the operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

COVID-19 is expected to affect Group cash flows, but not in a material way. This is because clients are contractually obliged to pay service charges which in turn pay for the Group's invoiced services. Therefore the Group has incorporated this point into its cash flow projections.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

PANDEMIC/COVID-19 RISK

Pandemic risk is the risk that the Group operations and future performance will be materially affected by the current COVID-19 pandemic. To mitigate the impact of the virus on the business and all stakeholders, the Group currently does/has done the following:

- Follows international coverage and government announcements to understand the possible impact and review our existing policies and alter in accordance with the government and public health England announcements.
- Set up a senior management committee covering all areas of the business with a remit of meeting weekly to review announcements, recommendations and wider international news coverage, this helps us to see how future measures may impact in the UK.
- Follow the recommendations and set up working parties to undertake and monitor the rollout of these recommendations.
- Produce additional internal communications to ensure all employees understand the meaning, impact and rationale behind the rollout of recommendations.
- Set up new and implement additional divisional weekly management reporting to ensure all trends on service delivery are being picked up to assist the senior management team managing the pandemic from a people and business perspective.
- Increase central and local communications to Clients.
- Share weekly reporting in a condensed format for the Board.
- Be prepared to continually review and rewrite policies as more knowledge around the pandemic emerges.
- Invest in necessary technology and equipment to embrace new working practices.
- Ensure employees are agile and have adopted new working practices.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities analysed by the categories defined in IFRS 9 were as follows:

	2020 £'000	2019 £'000
Financial assets		
Trade and other receivables (financial assets at amortised cost)	2,901	2,366
Cash and cash equivalents	-	235
	<hr/>	<hr/>
Total financial assets	2,901	2,601
Financial liabilities		
Trade and other payables (financial liabilities at amortised cost)	(6,547)	(4,805)
Bank overdraft/loan (financial liabilities at amortised cost)	(1,707)	(1,208)
Lease liabilities	(4,819)	-
Contingent/deferred consideration (fair value through P&L)	(998)	(1,415)
	<hr/>	<hr/>
Total financial liabilities	(12,854)	(7,428)
	<hr/>	<hr/>
	(9,953)	(4,827)
	<hr/>	<hr/>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade and other receivables are shown net of the bad debt provision of £99,000 (2019: £126,000).

As at 31 March 2020 trade receivables of £171,000 (2019: £240,000) were overdue but not impaired. The ageing analysis of these trade receivables is as follows:

	2020 £'000	2019 £'000
Up to 3 months past due	73	63
3 to 6 months past due	27	64
Over 6 months past due	71	113
	171	240

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

	2020 £'000	2019 £'000
Financial liabilities payable within one year:		
Trade and other payables	(5,330)	(4,805)
Bank overdraft/loans	(975)	(529)
Lease liabilities	(1,217)	-
Deferred and contingent consideration	(998)	(1,415)
	(8,520)	(6,749)
Total financial liabilities payable within one year		
Financial liabilities payable between one and two years:		
Bank loan	(453)	(679)
Lease liabilities	(932)	-
	(1,385)	(679)
Total financial liabilities payable between one and two years		
Financial liabilities payable between two and five years:		
Bank loan	(279)	-
Lease liabilities	(1,863)	-
	(2,142)	-
Total financial liabilities payable between two and five years		
Financial liabilities payable over five years:		
Lease liabilities	(807)	-
	(807)	-
Total financial liabilities over five years		
Total financial liabilities payable	(12,854)	(7,428)

Contractual cash flows are not materially different from carrying value.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. DEFERRED TAX	Group £'000
At 31 March 2018	1,124
Additions in the year	144
At 31 March 2019	1,268
Additions in the year	56
Change in tax rates	(11)
At 31 March 2020	1,313

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

The UK government has announced that the Corporation tax rate will remain at 19% as at 31 March 2020, therefore a rate of 19% has been used for deferred tax calculations.

22. SHARE CAPITAL

	Group and Company	
	2020 £'000	2019 £'000
Authorised:		
163,733,200 ordinary shares of 1.5p each	2,456	2,456
	2,456	2,456
	Group and Company	
	2020 £'000	2019 £'000
Allotted, issued and fully paid ordinary shares of 1.5p:		
At 1 April	687	682
Shares issued during the year – 105,000 (2019: 341,500)	2	5
At 31 March	689	687
No. of shares in issue at year end	45,935,138	45,830,135

Shares issued during the year ended 31 March 2020 relate to the exercising of share options by HML staff in August 2019 and February 2020.

23. SHARE OPTIONS

In May 2006, the Company adopted an Enterprise Management Incentive Share Option Plan and an Unapproved Share Option Plan. The options issued have an exercise period of ten years (or earlier with the approval of the Board).

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

Options were valued using the Black Scholes model. The fair value per option granted and the assumption used on the calculation are as follows:

Grant date	Share price at grant date	Exercise price	No. of employees	Share options granted	Fair Value of options
04/12/2019	32.00p	32.00p	270	1,077,500	5.44p
10/09/2018	33.50p	33.50p	87	1,040,000	4.50p
25/09/2017	36.00p	36.00p	79	943,000	4.09p
16/08/2016	32.00p	32.00p	64	810,000	3.64p
08/10/2015	41.00p	41.00p	62	834,000	4.31p
06/08/2014	33.00p	33.00p	56	819,500	3.74p
25/07/2013	15.25p	15.25p	51	895,000	2.94p
26/07/2012	17.75p	17.75p	66	886,000	3.01p
24/06/2011	11.75p	11.75p	59	781,000	2.84p
24/06/2010	11.5p	11.5p	8	270,000	2.45p
30/06/2009	10p	10p	76	712,250	2.00p
31/03/2008	19p	19p	75	763,000	1.97p
12/02/2008	22p	22p	8	80,000	2.67p

The total fair value of options issued in the year was £59,000 (2019: £47,000). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

Options have a vesting period of 3 years and an option life of 10 years. The fair value of the options has been calculated using an expected volatility of 20% which is based on historical volatility and a risk-free rate of 5% which is derived from the bank rate. The expected life of an option is estimated to be 6 years.

At the year-end, 2,599,750 (2019: 2,214,000) of the issued options were exercisable and the weighted average remaining life of all options outstanding was 6.5 years (2019: 6.8 years)

In accordance with IFRS 2 Share based payments, the fair value of shares issued to management prior to flotation and the fair value at date of grant of the Group's share options issued on flotation are being charged to the statement of comprehensive income over the restricted and vesting periods respectively.

The share-based payment charge for the year is £46,000 (2019: £37,000).

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE OPTIONS (CONTINUED)

A reconciliation of option movements are as follows:

	Number	Weighted av. exercise price
31 March 2018	4,251,250	29.58p
Granted	1,040,000	33.50p
Lapsed/expired	(122,750)	34.58p
Options exercised	(341,500)	15.48p
31 March 2019	4,827,000	31.29p
Granted	1,077,500	32.00p
Lapsed/expired	(451,250)	38.65p
Options exercised	(105,000)	20.24p
31 March 2020	5,348,250	31.31p

24. SHARE PREMIUM

	Group	Company
	£'000	£'000
31 March 2018	2,450	2,450
Arising on shares issued during the year	48	48
31 March 2019	2,498	2,498
Arising on shares issued during the year	19	19
31 March 2020	2,517	2,517

25. OTHER RESERVE

This reserve relates to the cost of shares held in the employee benefit trust. The trust currently owns 437,418 shares in HML Holdings Plc (2019: 437,418 shares).

26. MERGER RESERVE

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

27. RETAINED EARNINGS

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

28. DIVIDENDS

At the time of the announcement, on 1 July 2020, of the preliminary results for the year ended 31 March 2020, the Directors proposed paying a final dividend of 0.52p per share (2019: 0.47p per share). However, it was subsequently announced, on 30 July 2020:

- that the Board of the Company had reached agreement on the terms of a recommended cash offer (the "Offer") to be made by BDB Nominee Company Limited for the entire issued and to be issued share capital of the Company;
- that, following the Offer becoming or being declared wholly unconditional, the BDB Nominee Board intends to procure the cancellation of such final dividend; and
- that, accordingly, the declaration of this dividend will therefore not be included in the business of the Company's forthcoming Annual General Meeting.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CASH FLOWS

	2020	2019
GROUP	£'000	£'000
a. Reconciliation of operating profit to net cash flow from operating activities		
Profit from operations	1,615	1,736
Adjustments for:		
Depreciation	431	385
Depreciation of right of use assets	1,127	-
Amortisation	690	640
Share based payment charge	46	37
	<hr/>	<hr/>
Operating cash flows before movements in working capital	3,909	2,798
(Increase)/decrease in receivables	(815)	126
Increase in payables	655	682
	<hr/>	<hr/>
Net cash flow from operating activities	3,749	3,606
	<hr/>	<hr/>
b. Reconciliation of cash and cash equivalents		
Cash at bank	-	-
Bank overdraft	(143)	(235)
	<hr/>	<hr/>
	(143)	(235)
	<hr/>	<hr/>

c. Reconciliation of liabilities from financing activities

	1 April 2019 £'000	IFRS16 adjustment £'000	Cash flow £'000	Non-cash £'000	31 March 2020 £'000
Borrowings (current)	529	-	(554)	857	832
Borrowings (non-current)	679	-	910	(857)	732
Lease liabilities (current)	-	5,797	(1,144)	(3,436)	1,217
Lease liabilities (non-current)	-	-	-	3,602	3,602
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,208	5,797	(788)	166	6,383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CASH FLOWS (CONTINUED)

	2020 £'000	2019 £'000		
COMPANY				
d. Reconciliation of operating profit to net cash flow from operating activities				
Loss from operations	(1,641)	(1,578)		
Depreciation	55	54		
Amortisation	184	176		
Share based payment charge	46	37		
Operating cash flows before movements in working capital	(1,356)	(1,311)		
(Increase)/decrease in receivables	618	2,410		
Increase/(decrease) in payables	973	(151)		
Net cash outflow from operating activities	235	948		
	2020 £'000	2019 £'000		
e. Reconciliation of cash and cash equivalents				
Cash at bank	-	-		
Bank overdraft	(1,114)	(954)		
	(1,114)	(954)		
f. Reconciliation of liabilities from financing activities				
	1 April 2019 £'000	Cash flow £'000	Non-cash £'000	31 March 2020 £'000
Borrowings (current)	529	(554)	857	832
Borrowings (non-current)	679	910	(857)	732
	1,208	356	-	1,564

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. CAPITAL RISK MANAGEMENT

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

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

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

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

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

	2020 £'000	2019 £'000
Bank loans	1,564	1,208
Add: Bank overdrafts	143	-
Less: Cash and cash equivalents	-	(235)
	<hr/>	<hr/>
Net debt	1,707	973
Total equity	16,439	15,391
	<hr/>	<hr/>
Total capital resources	18,146	16,364
	<hr/>	<hr/>
Net debt to equity ratio	9.4%	5.9%

31. OPERATING LEASES

The Group leases all its offices. Property leases run for between 1 and 10 years.

The Group was committed to making the following payments under non-cancellable operating leases relating to land and buildings:

	2020 £'000	2019 £'000
Within 1 year	-	1,187
Within 2 and 5 years	-	3,250
After 5 years	-	5,787
	<hr/>	<hr/>
	-	5,787

The Group's leases of land and buildings are subject to rent review periods ranging between 1 and 5 years.

During the current year, The Group adopted IFRS 16 "Leases" consequently there are no operating lease commitments to disclose in the current year.

HML HOLDINGS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS

As at 31 March 2020, LTC Holdings Plc held 20.5% (2019: 20.6%) of the Company's issued share capital. Richard Smith and Geoffrey Griggs are both Directors of HML Holdings plc and Directors of LTC Holdings Plc.

During the year LTC Holdings Plc received a dividend of £44,000 (2019: £40,000) by way of its' shareholding in the Company's share capital. Richard Smith and Geoffrey Griggs received dividends totaling £9,184 (2019: £8,207) and £2,431 (2019: £2,172) respectively.

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

Transactions between the Company and its subsidiaries are disclosed below.

	2020 £'000	2019 £'000
Sale of tax losses	1,689	1,686
Recharge and payment of expenses incurred	1,451	446
Working capital advances from subsidiaries	(2,145)	(2,100)
Advance on acquisition capital from (2019: from) subsidiaries	(900)	(600)
	<hr/>	<hr/>
Decrease/(increase) in net creditor	95	(568)
	<hr/>	<hr/>

The amounts outstanding are unsecured, with no fixed date for repayment and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by subsidiaries.

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

GROUP	2020 £'000	2019 £'000
Salaries	1,081	1,281
Employer's national insurance	130	163
Pension contributions/benefits in kind	70	66
Share based payments	21	26
	<hr/>	<hr/>
	1,302	1,536
	<hr/>	<hr/>
COMPANY	2020 £'000	2019 £'000
Salaries	455	479
Employer's national insurance	58	61
Pension contributions and benefits in kind	46	40
Share based payments	13	20
	<hr/>	<hr/>
	572	600
	<hr/>	<hr/>

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

33. PENSIONS COMMITMENTS

The Group operates a defined contribution pension scheme for all employees. At 31 March 2020, £86,000 is outstanding and included in payables (2019: £54,000).

34. CONTINGENT LIABILITIES

At the request of clients, HML Concierge Services Limited (HMLCS) jointly employ a number of concierge staff with clients. Due to the joint employment arrangement, it is deemed that there is no supply for VAT purposes and therefore VAT is not charged on recharge of the salary to the client.

If VAT was deemed payable on the recharge of the salaries, a VAT creditor of £730,000 and an equal and opposite debtor due from clients would be recognised in the Statement of Financial Position. However, because these outflows are not considered probable, the adjustments are disclosed as a contingent asset and liability.

35. ADOPTION OF IFRS 16

IFRS 16 "Leases" was adopted with effect from 1 April 2019 in line with transitional provisions provided in the new standard.

The Group holds leases on 23 offices and therefore the adoption of IFRS 16 significantly increased assets and liabilities in the Statement of Financial Position.

IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments were brought into the statement of financial position and amortised and depreciated separately. There was no impact on cash flows, although the presentation of the cash flow statement changed.

The effect of adoption of IFRS 16 on reserves as at 1 April 2019 is as follows:

	£'000
Assets	
Right of use asset	6,087
Prepayments	(290)
	<hr/>
Total assets	5,797
	<hr/>
Liabilities	
Lease liabilities	5,797
Trade and other payables	(101)
	<hr/>
Total liabilities	5,696
	<hr/>
Equity	
Reserves	101
	<hr/>
Total equity	101
	<hr/>

35. ADOPTION OF IFRS 16 (CONTINUED)

The table below reconciles the Group's operating lease commitment at 31 March 2019, under IAS 17, to the lease liability initially recognized under IFRS 16.

	£'000
Operating lease commitment at 31 March 2019	5,787
Discount using the incremental borrowing rate	(134)
	<hr/>
Restated operating lease commitment at 1 April 2019	5,653
	<hr/>

In relation to those leases under IFRS 16, the Group now recognizes depreciation and interest costs, instead of an operating lease expense. During the year ending 31 March 2020, this amounted to £1,127,000 of depreciation charges and £166,000 of interest costs from these leases.

Had IAS 17 continued to be applied, the overall impact on the Group statement of comprehensive income would not have been materially different.

36. POST BALANCE SHEET EVENTS

On 30 July 2020, BDB Nominee Company Limited, a company formed at the direction of Harwood Capital LLP announced the intention to make a cash offer of 37.5p per share for the share capital of HML Holdings Plc.

The offer was recommended by the board of HML Holdings Plc and the formal offer document was sent out to shareholders on 21 August 2020.

37. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.



HML HOLDINGS PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of HML Holdings plc will be held at the Richmond offices of HML Holdings plc, 9-11 The Quadrant, Richmond, Surrey, TW9 1BP on 30th September 2020, at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2020.
2. To re-appoint the auditors Nexia Smith & Williamson and authorise the Directors to fix their remuneration.
3. To re-elect Richard Smith who retires by rotation and offers himself for re-election.
4. To re-elect James Howgego who retires by rotation and offers himself for re-election.

BY ORDER OF THE BOARD

J A L Howgego
Secretary

Notes to the Notice of Annual/General Meeting

1. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours (excluding non-working days) before the time of the Meeting shall be entitled to attend and vote at the Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

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

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

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

- completed and signed;
- sent or delivered to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR;
- alternatively, the completed proxy form can be scanned and emailed to voting@shareregistrars.uk.com;
- and received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

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

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

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

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

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

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

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods: By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

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

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

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

10. As at 31 March 2020, the Company's issued share capital comprised 45,935,135 ordinary shares of 1.5p each. Each ordinary share carries the right to one vote at an Annual General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 31 March 2020 is 45,935,135.

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

HML HOLDINGS PLC

I, being a member of the above-named Company, hereby appoint the chairman of the meeting or (see note 3)(BLOCK CAPITALS) as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on 30 September 2020 and at every adjournment thereof. I request such proxy to vote on the following resolutions as indicated below:

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

Name(s) of holder (BLOCK CAPITALS)

Address of holder (BLOCK CAPITALS)

Signature Date

Notes:

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can only appoint a proxy using the procedures set out in these notes.
2. Please indicate with an 'X' in the appropriate boxes how you wish the proxy to vote. The proxy will exercise his discretion as to how he votes or whether he abstains from voting:
 - (a) on any resolution set out above if no instruction is given in respect of that resolution; and
 - (b) on any business or resolution considered at the meeting other than the resolutions set out above.
3. If you wish to appoint someone other than the chairman of the meeting as your proxy please delete the words 'the chairman of the meeting' and insert the name of the person you wish to appoint. A proxy need not be a member of the Company.
4. To be effective this form, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be sent or delivered to the Company's registrars, **Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR** (or by scan and email to voting@shareregistrars.uk.com) not less than 48 hours (excluding non-working days) before the scheduled time of the meeting.
5. Where the member is a corporation this form must be under its common seal or signed by an officer, attorney or other person duly authorised by the corporation.
6. In the case of joint holders only one need sign this form, but the names of the other joint holders should be shown in the space provided. The vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names of the holders appear in the register of members in respect of the joint holding.
7. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars.

