

LTC COMMERCIAL
Kensington Court
SERVICED APARTMENTS
s r i
SECURE RESIDENTIAL INVESTMENTS
LTC RESIDENTIAL

LTC

Dunlops
HAWKSWORTH
Mandells
hml
Andertons
Residential Property
& Estate Management
tecton
Alexander Bonhill
Insurance Services

LTC Holdings plc

YEAR ENDED 31 MARCH 2006

Registered No. 2570517

DIRECTORS

Richard Smith	Executive Chairman
Geoffrey Griggs	Part time Executive
Adrian Collins	Non-executive

SECRETARY

Rupert Wilkes

AUDITORS

Baker Tilly
2 Bloomsbury Street
London
WC1B 3ST

BANKERS

Bank of Scotland
New Ueberior House
11 Earl Grey Street
Edinburgh EH3 9BN

REGISTERED OFFICE

28 Old Church Street
London SW3 5BY

CHAIRMAN'S STATEMENT

This has been an eventful year for LTC. The group returned to profit and by 30 June 2006, we achieved our strategic aim of demerging our property services subsidiary HML, and obtaining a listing for the subgroup on the AIM market of the London Stock Exchange.

During the year HML completed the purchase of the remaining 49% of Dunlop Management Services which it did not already own. Its turnover rose by 31% to £4.2m (2005 - £3.2m) and the economies of scale which we have always believed to apply in its business were reflected in the company's return to profitability. HML's operating profit for the year was £218,000 (2005 - £269,000 loss). This was achieved even with the additional increased overhead entailed by the strengthening of HML's executive team. Rob Plumb joined as chief executive in late 2005 and James Howgego was appointed finance director in February 2006.

Since the year end and prior to flotation HML acquired Shaw and Co, based in Richmond, which increases gross annual revenues to approximately £5.2m. Progress continues with HML's restructuring: further organic growth and acquisitions are anticipated in due course, in line with the strategy set out in the Circular sent out to shareholders in respect of the Extraordinary General Meeting held on 2 June 2006. In future information regarding HML will be provided separately by that company. General information regarding HML can now be obtained online at www.hmlholdings.com.

LTC currently retains a stake of approximately 35% of the ordinary shares in HML's new holding company, together with £2.8m of convertible loan stock. It is intended that the loan stock will be converted to ordinary shares as allowed under the terms of the loan stock agreement.

I now turn to the property activities of the group. We have continued to expand our commercial and development activities and added a further office property investment located in Canterbury to our portfolio. This comprises a 6 storey block situated close to the town centre and is fully let to a strong local tenant. We have subsequently obtained planning consent for a mixed use redevelopment scheme which has added value to the property and provides a potential development scheme for the future. We sold off two commercial investment properties where we had added value with planning consent and active management. These sales crystallised £260,000 of profits against previous valuation, and £1.0m (30%) profits on historic cost.

We also took advantage of renewed confidence in the residential property market by disposing of some £4.3m of our trading portfolio which generated further profits of £933,000. In September of this year we commenced the development of one of our south London residential properties with the refurbishment and new construction of 23 apartments. We plan to complete this development early in the New Year and at the time of writing have already secured 'off-plan' reservations for several apartments.

Overall gross property assets reduced to £17.2m (2005 £22.5m) at the year end due to disposals. The carrying value of our portfolio was weighted 39.4% (2005 – 38.8%) commercial (including serviced apartments); 60.6% (2005 – 61.2%) residential (including ground rents). After interest, which was broadly the same as last year, the group as a whole generated a profit of £190,000 before tax. The ratio of net debt to property values stood at 61% at the end of the year.

CHAIRMAN'S STATEMENT

The property market continues to be strong in the sectors in which the group operates. Many market observers are taking the view that the commercial market has 'topped out' and that yields are now more likely to increase. Our view is that commercial yields are unlikely to compress further and this may lead to divestment by certain players which could increase opportunities for acquisition by the company. The residential market is generally good in London and the south east, with prime central London performing well and the first time buyer sector in many locations is very strong for sensibly priced units. The company is exposed to both these sectors and we expect to benefit in the current year and beyond.

The process of restructuring the group, demerging HML and achieving its flotation on AIM has taken a significant amount of additional effort over and above our acquisition activity and the general management of the group. Therefore I would like to thank all my colleagues and staff who helped to make this possible.

Richard Smith
Chairman

31 October 2006

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activities of the group during the year under review were the acquisition, provision and maintenance of commercial and residential property.

RESULTS AND DIVIDENDS

The results for the year are set out on page 9. The directors report a profit on ordinary activities after taxation attributable to shareholders of £170,000 (2005 - £1,466,000 loss). The directors do not recommend a dividend and the result has been transferred to reserves.

REVIEW OF THE BUSINESS

During the year under review the LTC group consisted of two primary businesses: property investment and development under the LTC banner, and property management under the HML brand.

Property investment and development

The principal risks and uncertainties attaching to this business are those of market fluctuations in property prices; the organisation's ability to generate profits through development and allied activities; and the availability and affordability of debt finance. Where appropriate, the group's policy is to use financial instruments to mitigate financial risk.

The group generated £260,000 of profit on disposal of fixed assets, relating primarily to two office blocks where planning consents had been gained. A further £933,000 was generated on sales of property stocks with a book value of £3.4m. We benefited from low and stable interest rates during the year, and accordingly did not consider it necessary to hedge the group's borrowings. At the year end, the ratio of loan to property values stood at 63% and has eased further since then.

Property management

Market competitiveness and the increasing regulation remain the principle challenges facing the residential management market. The property management business has sought to meet these changes by driving service standards and efficiencies throughout the organisation.

The HML sub group made a profit after taxation and minority interests of £200,000 in the year ended 31 March 2006 (2005 - £292,000 loss). Management and related revenues grew 32% as our businesses succeeded in securing new management contracts and higher transactional fees. Expenses increased by 15% as the group began to benefit from cost efficiencies in a number of areas. We also saw an increase in the number of our property developer client relationships that underline our commitment to excellence in serving the new build market.

As part of the strategy to consolidate the business's position within the residential management market a number of senior management appointments were made towards the end of the year.

LTC Holdings plc

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

In April and May 2006, the group purchased Shaw & Company (Property Management) Limited, a property management and surveying company based in Richmond, for £1,050,000.

On 15 May 2006 LTC Holdings plc agreed to transfer the property management and related businesses to a new holding company, HML Holdings plc. The demerger completed on 2 June 2006 when HML Holdings plc acquired the whole of the issued share capital of Hawksworth Management Limited by the issue and allotment of 2,577,143 ordinary shares to LTC. It was agreed that HML Holdings would also assume the debt owed to LTC Holdings plc and its subsidiaries by Hawksworth Management Limited and its subsidiaries, in part by issuing a further 4,285,714 ordinary shares to LTC and in part by the issue of convertible loan notes.

To enable LTC's shareholders to benefit directly from the demerger, 3,016,936 HML Holdings shares were distributed by LTC to its members on 3 June 2006 and HML Holdings was admitted to AIM on 30 June 2006.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:

	31 March 2006		31 March 2005	
	ord shares	warrants	ord shares	warrants
A J R Collins	16	-	16	-
G J Griggs	1,000	-	1,000	-
R G Smith	500,000 *	696,940	500,000 *	696,940
R T J Wilkes (resigned 1 June 2005)	49,000	-	49,000	-

*- of which 226,537 controlled directly and 273,463 held in discretionary trust of which R G Smith is trustee.

PAYMENT POLICY

The group's policy is to comply with the terms of payment negotiated with a supplier. Where terms are not negotiated, the company endeavours to adhere to the supplier's standard terms. Trade creditors represented 44 days at 31 March 2006 (2005 – 36 days).

AUDITORS

A resolution to reappoint Baker Tilly as auditors will be put to the members at the Annual General Meeting.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

- So far as each of the directors currently in office is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that ought to have been taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

R T J Wilkes
Secretary
22 August 2006

CORPORATE GOVERNANCE

The board of directors is committed to integrity and accountability in the stewardship of the group's affairs. Since an unlisted plc is not required to provide a corporate governance statement, this is not a full report, but instead represents the main elements the directors have considered.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

Having made appropriate enquiries and examined the major areas which could affect the group's financial position, the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Although the group's facilities are technically repayable on demand, the directors consider that the amounts owed will be repayable in the timescales shown in the accounts. Accordingly they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

INTERNAL FINANCIAL CONTROLS

The directors have overall responsibility for the group's system of internal financial controls. Any such system can provide reasonable, but not absolute, assurance against material misstatement or loss. The purposes of the internal financial controls are:

- to safeguard the group's assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business and for publication.

The directors have reviewed the effectiveness of the existing controls, which they consider to be appropriate for the group and the business within which it operates.

The group has established both a remuneration committee and an audit committee.

AUDITOR INDEPENDENCE

The audit committee undertakes a formal assessment of the external auditors' independence each year which includes:

- a review of non-audit services provided to the group and related fees;
- a review of the auditors' own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services, where relevant, during the year is set out in the notes to the financial statements.

INDEPENDENT AUDITORS' REPORT to the members of LTC Holdings plc

We have audited the financial statements on pages 9 to 29.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

LTC Holdings plc

INDEPENDENT AUDITORS' REPORT to the members of LTC Holdings plc

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2006 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
22 August 2006

LTC Holdings plc

GROUP PROFIT AND LOSS ACCOUNT GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2006

		2006	2005
<i>Profit and loss account</i>	<i>Notes</i>	<i>£000</i>	<i>£000</i>
TURNOVER	2	9,895	6,117
Cost of sales		(3,810)	(1,588)
GROSS PROFIT		6,085	4,529
Administrative expenses:			
routine	3	(4,996)	(4,592)
exceptional	3	-	(305)
total	3	(4,996)	(4,897)
GROUP OPERATING PROFIT/(LOSS)		1,089	(368)
Profit on disposal of fixed assets		260	14
Interest receivable		8	13
Interest payable and similar charges	5	(1,167)	(1,098)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		190	(1,439)
Taxation	6	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		190	(1,439)
Minority interests		(20)	(27)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		170	(1,466)
<i>Note of historical cost profits and losses</i>			
Profit/(loss) on ordinary activities before taxation		190	(1,439)
Realisation of property revaluation gains of previous years		2,003	515
HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,193	(924)
HISTORICAL COST PROFIT/(LOSS) FOR THE YEAR RETAINED AFTER TAXATION AND MINORITY INTERESTS		1,763	(951)
<i>Statement of total recognised gains and losses</i>			
Loss for the year attributable to members of the parent company		170	(1,466)
Surplus on revaluation of investment properties		388	322
Taxation on previous revaluation surpluses	6	(410)	-
TOTAL RECOGNISED GAINS AND LOSSES		148	(1,144)

Turnover and operating profit in 2006 all arose from continuing operations. 2005's turnover and operating loss included £456,000 and £694,000 respectively arising on discontinued operations.

LTC Holdings plc

GROUP BALANCE SHEET at 31 March 2006

		2006 £000	2005 £000
FIXED ASSETS	Notes		
Intangible assets:			
Positive goodwill	7	3,034	3,041
Negative goodwill	7	(127)	(137)
Other	7	405	370
	7	3,312	3,274
Tangible assets	8	15,433	17,409
Other investments	9	5	5
		18,750	20,688
CURRENT ASSETS			
Stock		2,019	5,276
Debtors	10	773	1,144
Cash at bank and in hand		912	561
		3,704	6,981
CREDITORS: amounts falling due within one year	11	1,777	1,482
NET CURRENT ASSETS		1,927	5,499
TOTAL ASSETS LESS CURRENT LIABILITIES		20,677	26,187
CREDITORS: amounts falling due after more than one year	12	11,467	17,108
		9,210	9,079
Minority interests		-	(17)
		9,210	9,062
CAPITAL AND RESERVES			
Called up share capital	14	3,017	3,017
Share premium account	15	2,759	2,759
Revaluation reserve	15	3,561	5,176
EST capital reserve	15	(327)	(327)
EST current reserve	15	30	30
Profit and loss account	15	170	(1,593)
EQUITY SHAREHOLDERS' FUNDS	15	9,210	9,062
Net assets per share - basic	16	159p	156p
- fully diluted	16	154p	151p

The financial statements were approved by the board of directors and authorised for issue on 22 August 2006.
They were signed on its behalf by:

R G Smith
G J Griggs

Directors

LTC Holdings plc

COMPANY BALANCE SHEET at 31 March 2006

	<i>Notes</i>	<i>2006 £000</i>	<i>2005 £000</i>
FIXED ASSETS			
Intangible assets	7	405	370
Tangible assets	8	3,302	5,248
Investments	9	19,492	19,492
		<u>23,199</u>	<u>25,110</u>
CURRENT ASSETS			
Debtors	10	6,573	4,461
Cash at bank and in hand		47	49
		<u>6,620</u>	<u>4,510</u>
CREDITORS: amounts falling due within one year	11	10,723	12,191
		<u>(4,103)</u>	<u>(7,681)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		19,096	17,429
CREDITORS: amounts falling due after more than one year	12	11,167	14,697
		<u>7,929</u>	<u>2,732</u>
CAPITAL AND RESERVES			
Called up share capital	14	3,017	3,017
Share premium account	15	2,759	2,759
Revaluation reserve	15	125	699
EST capital reserve	15	(327)	(327)
EST current reserve	15	30	30
Profit and loss account	15	2,325	(3,446)
EQUITY SHAREHOLDERS' FUNDS	15	<u>7,929</u>	<u>2,732</u>

The financial statements were approved by the board of directors and authorised for issue on 22 August 2006.
They were signed on its behalf by:

R G Smith
G J Griggs

Directors

LTC Holdings plc

GROUP STATEMENT OF CASH FLOWS for the year ended 31 March 2006

	<i>Notes</i>	<i>2006 £000</i>	<i>2005 £000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	18	4,872	(194)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		8	13
Interest paid		(1,057)	(1,224)
Payments to minority interests		(20)	(24)
		(1,069)	(1,235)
TAXATION			
Corporation tax paid		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire intangible fixed assets		(35)	-
Payments to acquire tangible fixed assets		(2,488)	(2,120)
Receipts from disposals of tangible fixed assets		5,000	1,250
Payments to acquire other investments		-	(1)
		2,477	(871)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings		(223)	(1,367)
Net cash acquired with subsidiary undertakings		-	-
		(223)	(1,367)
NET CASH FLOW BEFORE FINANCING		6,057	(3,667)
FINANCING			
New loans secured		3,130	3,724
Repayments of loans		(8,645)	(75)
Purchase of own shares		-	(410)
Sale of own shares		-	192
Exercise of warrants		-	37
		(5,515)	3,468
INCREASE/(DECREASE) IN CASH	20	542	(199)

NOTES TO THE ACCOUNTS at 31 March 2006

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of LTC Holdings plc and all its subsidiary undertakings drawn up to 31 March. No profit and loss account is presented for LTC Holdings plc, as permitted by section 230 of the Companies Act 1985.

Goodwill

Goodwill (both positive and negative) arising on acquisitions is capitalised and classified as an asset on the balance sheet. Where it arises on the acquisition of asset-based companies, positive goodwill is amortised on a straight line basis over its useful economic life up to a maximum of 20 years and is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Negative goodwill is written back in the periods in which the underlying non-monetary assets are recovered. Where goodwill arises on the acquisition of service-providing companies, it is reviewed for impairment annually. In the absence of any impairment, it is amortised over 50 years.

Software

The externally-incurred cost of software generated by the group for the purposes of licencing to third parties is capitalised and classified as an intangible asset on the balance sheet. It is amortised over its useful economic life up to a maximum of 10 years from the point at which it becomes income-generating to the group. Its carrying value is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment properties

Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually. The surplus or deficit is transferred to a revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account; and
- (ii) no depreciation is provided in respect of freehold and long leasehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

NOTES TO THE ACCOUNTS at 31 March 2006

1 ACCOUNTING POLICIES (continued)

Stock

Properties are classified in the group accounts as stock:

- (i) when they are acquired by the group (either individually or as part of a portfolio) with a view to resale, and
- (ii) when they are held primarily with a view to material development.

They are accounted for at the lower of cost to the group (determined where necessary by reference to the fair value attributed to them in the course of corporate acquisitions) and net realisable value, except where they have previously been held as investment properties, in which case they are transferred to stock at current valuation. The policy on transfer from investment properties, which departs from the requirements of the Companies Act, is necessary for the accounts to give a true and fair view, as otherwise the transfer would trigger a reduction in the net assets of the group which have not, in practice, been altered by the transfer. The effect of this departure on the group balance sheet is to increase stocks and net assets by £630,000 (2005 - £1,662,000).

Depreciation

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

Furniture, fixtures and fittings – 4 years

Other plant and machinery – 4 years

Fixed assets

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

Deferred taxation

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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

NOTES TO THE ACCOUNTS at 31 March 2006

1 ACCOUNTING POLICIES (continued)

Capitalisation of interest

Interest charges are capitalised under the following circumstances:

- (i) where a property needs to be closed for refurbishment before it can reasonably be let. In this case, interest is capitalised during the period from closure to the date of practical completion;
- (ii) where the group obtains bridging finance to acquire a company and the bridging finance is repaid from the cash resources of that company. This bridging finance normally lasts less than three months and the difference between interest paid by the acquiror and the interest earned by the acquiree is capitalised.

Amounts capitalised are stated gross of any tax relief and are calculated by reference to specific borrowings used to finance the transactions.

Leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The capital elements of future obligations are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account so as to represent a constant proportion of the capital outstanding. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits; otherwise they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Employee Share Trust

LTC's Employee Share Trust was established to enable shares to be bought for distribution to employees. Shares held by the London's Third City Employee Share Trust are recognised as a deduction from shareholders' funds, with their historical cost being recorded in the EST capital reserve. Incidental profits realised by the Trust are credited directly to the EST current reserve. Costs relating to the Trust are written off in the relevant period.

Client monies

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

NOTES TO THE ACCOUNTS
at 31 March 2006

2 TURNOVER

Turnover consists of rents receivable from the letting of property, the sale of trading property stock, home networking installations and fees for management and administrative services and all arises in the UK. The split of turnover and group operating profit is as follows:

	<u>continuing operations</u>			discontinued:	
	<i>property disposals</i>	<i>rents and property management</i>	<i>total</i>	<i>home networking</i>	<i>total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>2006</i>					
Turnover	4,313	5,582	9,895	-	9,895
Cost of sales	(3,380)	(430)	(3,810)	-	(3,810)
	—	—	—	—	—
Gross profit	933	5,152	6,085	-	6,085
Administrative expenses	-	(4,996)	(4,996)	-	(4,996)
	—	—	—	—	—
Group operating profit	933	156	1,089	-	1,089
	—	—	—	—	—
<i>2005</i>					
Turnover	1,174	4,487	5,661	456	6,117
Cost of sales	(762)	(410)	(1,172)	(416)	(1,588)
	—	—	—	—	—
Gross profit	412	4,077	4,489	40	4,529
Administrative expenses: routine	-	(4,163)	(4,163)	(429)	(4,592)
exceptional	-	-	-	(305)	(305)
	—	—	—	—	—
Group operating profit/(loss)	412	(86)	326	(694)	(368)
	—	—	—	—	—

LTC Holdings plc

NOTES TO THE ACCOUNTS at 31 March 2006

3 ADMINISTRATIVE EXPENSES

	2006	2005
	£000	£000
Directors' emoluments and staff costs	3,022	2,860
Auditors' remuneration: audit services	45	34
Depreciation: owned assets	108	67
Amortisation of goodwill	63	57
Operating lease rentals - land and buildings	178	165
Other management and office costs	1,580	1,409
	—	—
Administrative expenses before exceptional items	4,996	4,592
Info-linc closure costs	-	305
	—	—
	4,996	4,897
	—	—

4 STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2006	2005
	£000	£000
Salaries	2,614	2,454
Social security costs	248	244
Other pension costs	3	3
	—	—
	2,865	2,701
	—	—
Directors' emoluments:		
Aggregate emoluments paid to individuals or provided as benefits in kind	29	103
Compensation for loss of office	30	-
Paid to third parties for making directors' services available	162	141
	—	—
	221	244
	—	—
Highest paid director (including allowances in respect of car and pension)	146	137
	—	—

The group makes contributions into certain staff members' defined contribution pension schemes. Contributions payable for the year are charged in the profit and loss account. Employees of the group are eligible to participate in the LTC 1999 Deferred Bonus Scheme, which is linked to exceptional long term growth in share value. The average monthly number of employees was as follows:

	2006	2005
	No.	No.
Property management	94	83
Other operations	12	29
	—	—
	106	112
	—	—

LTC Holdings plc

NOTES TO THE ACCOUNTS at 31 March 2006

5	INTEREST PAYABLE AND SIMILAR CHARGES	2006 £000	2005 £000
	Interest on bank and building society loans	1,054	1,054
	Interest on other loans	5	-
	Amortisation of finance costs	41	44
	Exceptional refinancing costs	67	-
		<u>1,167</u>	<u>1,098</u>
6	TAXATION	2006 £000	2005 £000
	Profit/(loss) on ordinary activities before tax	190	(1,439)
	@ 30% UK corporation tax rate	57	(432)
	Effects of:		
	expenses not deductible for tax purposes	13	10
	wear and tear allowances	(26)	(20)
	difference between capital allowances and depreciation	(13)	(23)
	profit recognition on properties carried at valuation	435	135
	movement in tax losses carried forward	(60)	320
	write-off of consolidation goodwill not relieved at company level	4	17
	minority interests in partnerships	(5)	(8)
	other items	5	1
	UK corporation tax on profits of the period	410	-
	Recognised in the statement of total recognised gains and losses	<u>(410)</u>	<u>-</u>
	Recognised in the profit and loss account	-	-

Future tax charges may be affected by the following factors.

No provision has made for deferred taxation on revaluation surpluses. Such tax would only become payable on the disposal of the group's stock and investment properties. No binding commitments for disposal were extant at 31 March 2006.

No deferred tax asset is recognised in respect of losses carried forward owing to the uncertainty of their recovery. These losses would be recovered against future profits.

Unprovided amounts are:

	2006 £000	2005 £000
Deferred taxation liability on revaluation surpluses on stock	77	89
Deferred taxation liability on revaluation surpluses on investment properties	703	998
Deferred taxation asset on losses carried forward	<u>1,165</u>	<u>1,225</u>

NOTES TO THE ACCOUNTS
at 31 March 2006

7 INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Positive goodwill £000</i>	<i>Negative goodwill £000</i>	<i>Software £000</i>	<i>Total £000</i>
Cost:				
At 1 April 2005	4,012	(200)	370	4,182
Additions: Dunlops	66	-	-	66
Other	-	-	35	35
At 31 March 2006	4,078	(200)	405	4,283
Amortisation:				
At 1 April 2005	971	(63)	-	908
Provided during the year	73	(10)	-	63
At 31 March 2006	1,044	(73)	-	971
Net book amount at 31 March 2006	3,034	(127)	405	3,312
Net book amount at 1 April 2005	3,041	(137)	370	3,274

In the opinion of the directors, the goodwill arising on the acquisitions of Hawksworth Management Limited and its property management subsidiaries has an economic life of 50 years. They operate in an exceptionally stable marketplace in which their services are not subject to normal product life cycles. The directors consider that they have established a permanent and sustainable efficiency lead over their competitors.

Company

	<i>Software £000</i>
Cost:	
At 1 April 2005	370
Additions	35
At 31 March 2006	405

NOTES TO THE ACCOUNTS
at 31 March 2006

8 TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Investment properties £000</i>	<i>Development properties £000</i>	<i>Furniture, fixtures and fittings £000</i>	<i>Other plant and machinery £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 April 2005	17,040	154	380	492	18,066
Additions	2,274	19	2	193	2,488
Disposals	(4,719)	-	(117)	-	(4,836)
Revaluation surplus	384	-	-	-	384
At 31 March 2006	14,979	173	265	685	16,102
Depreciation:					
At 1 April 2005	-	-	325	332	657
Provided during the year	-	-	15	93	108
Disposals	-	-	(96)	-	(96)
At 31 March 2006	-	-	244	425	669
Net book amount at 31 March 2006	14,979	173	21	260	15,433
Net book amount at 1 April 2005	17,040	154	55	160	17,409
<i>Company</i>					
Cost or valuation:					
At 1 April 2005	5,170	68	-	20	5,258
Additions	2,003	19	-	6	2,028
Disposals	(4,165)	-	-	-	(4,165)
Revaluation surplus	197	-	-	-	197
At 31 March 2006	3,205	87	-	26	3,318
Depreciation:					
At 1 April 2005	-	-	-	10	10
Provided during the year	-	-	-	6	6
At 31 March 2006	-	-	-	16	16
Net book amount at 31 March 2006	3,205	87	-	10	3,302
Net book amount at 1 April 2005	5,170	68	-	10	5,248

NOTES TO THE ACCOUNTS
at 31 March 2006

8 TANGIBLE FIXED ASSETS (continued)

The investment properties were valued on the basis of market value as follows:

<i>Property type</i>	<i>Valuer</i>	<i>Valuation date</i>	<i>Valuation basis</i>	<i>Group £000</i>	<i>Company £000</i>
Commercial	DTZ	31 March 2006	existing tenancies	3,205	3,205
Serviced apartments	DTZ	1 March 2006	existing use	3,500	-
Other	DTZ	31 March 2006	existing tenancies	6,945	-
residential	The directors	31 March 2006	existing tenancies	1,329	-
				<u>14,979</u>	<u>3,205</u>

The properties marked DTZ above were valued as at the dates shown above by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of external valuers. All such valuers are Chartered Surveyors, being Members of the Royal Institution of Chartered Surveyors. The properties were valued on the basis of Market Value. DTZ Debenham Tie Leung's opinion of the Market Value of the properties was primarily derived using comparable recent market transactions on arm's length terms. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. DTZ Debenham Tie Leung's valuation Reports are dated 29 March 2006 (serviced apartments) and 26 May 2006 (other properties). N C Jacks FRICS has been the signatory of valuation reports provided to the group for the same purpose as the valuation Reports for the period 2002 to 2004. DTZ Debenham Tie Leung has been carrying out valuations for the group for the same purpose as the valuation Report since 2000 but did not undertake a valuation in 2005. There is no fee earning relationship between DTZ and the group other than this valuation instruction. DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holding plc (DTZ Group). In DTZ Group's financial year to 30 April 2005 the proportion of total fees payable by LTC Holdings plc and its subsidiaries to the total fee income of DTZ Group was less than 5%.

The directors' valuations are on the basis of market value subject to existing tenancies and take into account advice received from external valuers.

The total investment property value is made up of:

	<i>2006</i>		<i>2005</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Freehold	11,418	3,205	13,598	5,170
Long leasehold	3,151	-	3,032	-
Short leasehold	410	-	410	-
	<u>14,979</u>	<u>3,205</u>	<u>17,040</u>	<u>5,170</u>
Historical cost	11,487	3,062	13,638	4,472
Capitalised interest included in historical cost	57	-	57	-

LTC Holdings plc

NOTES TO THE ACCOUNTS at 31 March 2006

9 FIXED ASSET INVESTMENTS

Group

*Other
investments
£000*

Carrying amount:

At 1 April 2005 and 31 March 2006

5

Company

<i>Subsidiary undertakings £000</i>	<i>Other investments £000</i>	<i>Total £000</i>
---	---------------------------------------	-----------------------

Carrying amount:

At 1 April 2005 and 31 March 2006

19,491

1

19,492

The principal subsidiary undertakings are:

Proportion owned

Activity

LTC Residential Limited	100%	Property investment
Secure Residential Investments Limited	100%	Property investment
51 Kensington Court Limited	100%	Serviced apartments
info-linc Limited	88%	Home networking
Hawksworth Management Limited	100%	Property management
Subsidiary undertakings of Hawksworth Management Limited:		
Andertons Limited	100%	Property management
Mandells Limited	100%	Property management
Dunlop Management Services Limited	100%	Property management
Tecton Services Limited	100%	Building surveying
Alexander Bonhill Limited	100%	Insurance broking

NOTES TO THE ACCOUNTS
at 31 March 2006

10 DEBTORS

	2006		2005	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	309	23	596	60
Amounts receivable from subsidiary undertakings	-	6,485	-	4,191
Other debtors	232	53	233	22
Prepayments and accrued income	232	12	315	188
	<u>773</u>	<u>6,573</u>	<u>1,144</u>	<u>4,461</u>

Other debtors include £8,500 (2005 - £8,500) receivable from Ortund Limited, a company owned by R G Smith, in connection with the provision of a car as part of his remuneration. The maximum amount outstanding during the year was £8,500. Amounts receivable from subsidiary undertakings include £3,398,000 (2005 - £3,065,000) subordinated loans to Hawksworth and its subsidiaries, which are expected only to be recoverable after more than one year. Amounts receivable from subsidiary undertakings exclude £28,000 (2005 - £573,000) advanced during the year to info-linc, which has been written off.

11 CREDITORS: amounts falling due within one year

	2006		2005	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdrafts	213	167	404	317
Building society loan	-	-	76	-
Amounts owed to subsidiary undertakings	-	10,301	-	11,678
Trade creditors	245	64	243	13
Corporation tax	410	-	-	-
Other taxes and social security	239	16	187	4
Other creditors	460	51	157	43
Accruals and deferred income	210	124	415	136
	<u>1,777</u>	<u>10,723</u>	<u>1,482</u>	<u>12,191</u>

Other creditors include £80,000 (2005 - £nil) payable to Eaton Investments Limited, a company owned by R G Smith, on which £4,629 interest was paid.

NOTES TO THE ACCOUNTS
at 31 March 2006

12 CREDITORS: amounts falling due after more than one year

	2006		2005	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank and building society loans	11,167	11,167	16,498	14,697
Deferred purchase consideration	300	-	610	-
	<u>11,467</u>	<u>11,167</u>	<u>17,108</u>	<u>14,697</u>

The group has granted fixed and floating charges over certain of its assets to secure its borrowings.

The deferred purchase consideration relates to the acquisition of Mandells, is partially based on future performance, and falls due within five years.

13 LONG TERM DEBT

	<i>Building society</i>		
	<i>Bank loan</i>	<i>loan</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Group, 2006</i>			
Amounts falling due:			
In more than one year but not more than two years	11,167	-	11,167
	<u> </u>	<u> </u>	<u> </u>
<i>Group, 2005</i>			
Amounts falling due:			
In one year or less	-	76	76
In more than one year but not more than two years	14,697	82	14,779
In more than two years but not more than five years	-	283	283
In more than five years	-	1,436	1,436
	<u>14,697</u>	<u>1,877</u>	<u>16,574</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Company, 2006</i>			
Amounts falling due:			
In more than one year but not more than two years	11,167	-	11,167
	<u> </u>	<u> </u>	<u> </u>
<i>Company, 2005</i>			
Amounts falling due:			
In more than one year but not more than two years	14,697	-	14,697
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
at 31 March 2006

14 SHARE CAPITAL

	<i>Ordinary shares of 50p each</i>	
	<i>No.</i>	<i>£000</i>
Authorised:		
At 1 April 2005 and 31 March 2006	20,000,000	10,000
Allotted, called up and fully paid:		
At 1 April 2005 and 31 March 2006	6,033,852	3,017
Held by the Employee Share Trust:		
At 1 April 2005 and 31 March 2006	233,719	117

Shares are allocated to staff on a discretionary basis and vest unconditionally after two years, provided the employee is still employed by the group. The Trust's stock of shares is as follows:

	<i>Ordinary shares of 50p each</i>	
	<i>2006</i>	<i>2005</i>
	<i>No.</i>	<i>No.</i>
Allocated but unvested	10,950	13,950
Vested but not transferred to staff	17,100	14,100
Available for future allocations	205,669	205,669
	233,719	233,719

In addition the company had 696,940 (2005 – 696,940) outstanding warrants to subscribe for its shares at 111.5 pence per share, which are held as shown in the directors' report. The warrants are exercisable at any date up to 28 February 2007.

LTC Holdings plc

NOTES TO THE ACCOUNTS at 31 March 2006

15 SHAREHOLDERS' FUNDS

Group

	Share capital £000	Share premium account £000	Revaluation reserve £000	EST capital reserve £000	EST current reserve £000	Profit and loss account £000	Total £000
At 31 March 2004	3,000	2,739	5,369	(101)	22	(642)	10,387
Exercise of warrants	17	20	-	-	-	-	37
Revaluation surplus	-	-	322	-	-	-	322
Surplus realised on disposal	-	-	(515)	-	-	515	-
Loss for the year	-	-	-	-	-	(1,466)	(1,466)
EST transactions	-	-	-	(226)	8	-	(218)
At 31 March 2005	3,017	2,759	5,176	(327)	30	(1,593)	9,062
Revaluation surplus	-	-	388	-	-	-	388
Surplus realised on disposal, after taxation	-	-	(2,003)	-	-	1,593	(410)
Profit for the year	-	-	-	-	-	170	170
At 31 March 2006	3,017	2,759	3,561	(327)	30	170	9,210

Company

	Share capital £000	Share premium account £000	Revaluation reserve £000	EST capital reserve £000	EST current reserve £000	Profit and loss account £000	Total £000
At 31 March 2004	3,000	2,739	573	(101)	22	(1,651)	4,582
Exercise of warrants	17	20	-	-	-	-	37
Revaluation surplus	-	-	126	-	-	-	126
Loss for the year	-	-	-	-	-	(1,795)	(1,795)
EST transactions	-	-	-	(226)	8	-	(218)
At 31 March 2005	3,017	2,759	699	(327)	30	(3,446)	2,732
Revaluation surplus	-	-	197	-	-	-	197
Surplus realised on disposal	-	-	(771)	-	-	771	-
Profit for the year	-	-	-	-	-	5,000	5,000
At 31 March 2006	3,017	2,759	125	(327)	30	2,325	7,929

LTC Holdings plc

NOTES TO THE ACCOUNTS at 31 March 2006

16 NET ASSETS PER SHARE

	<i>Net assets £000</i>	<i>Net shares 000</i>	<i>Net assets per share p</i>
<i>2006</i>			
Basic	9,210	5,800	159
Issue of warrants	777	697	
Fully diluted	9,987	6,497	154
<i>2005</i>			
Basic	9,062	5,800	156
Issue of warrants	777	697	
Fully diluted	9,839	6,497	151

17 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £5,000,000 (2005 - £1,795,000 loss).

18 NET CASH FLOW FROM OPERATING ACTIVITIES

	<i>2006 £000</i>	<i>2005 £000</i>
Group operating profit/(loss)	1,089	(368)
Depreciation	108	100
Amortisation and write-down of goodwill	63	57
Loss on disposal of fixed assets	4	6
Movement in stock	3,257	290
Movement in debtors	371	(330)
Movement in creditors	(20)	51
Net cash inflow/(outflow) from continuing operating activities	4,872	(194)

LTC Holdings plc

NOTES TO THE ACCOUNTS at 31 March 2006

19 NET DEBT

	<i>Cash at bank and in hand £000</i>	<i>Bank overdrafts £000</i>	<i>Loans due within one year £000</i>	<i>Loans due after one year £000</i>	<i>Net debt £000</i>
At 1 April 2005	561	(404)	(76)	(16,498)	(16,417)
Cash movements	351	191	76	5,439	6,057
Other non cash changes	-	-	-	(108)	(108)
At 31 March 2006	912	(213)	-	(11,167)	(10,468)

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>2006 £000</i>	<i>2005 £000</i>
Movement in cash at bank and in hand	351	(154)
Movement in bank overdrafts	191	(45)
	542	(199)
New loans secured	(3,130)	(3,724)
Loans repaid	8,645	75
Other non-cash movements	(108)	(44)
	5,949	(3,892)
Net debt at 1 April	(16,417)	(12,525)
Net debt at 31 March	(10,468)	(16,417)

21 FINANCIAL COMMITMENTS

	<i>Group</i>	<i>2006 Company</i>	<i>Land and buildings £000 per annum 2005 Group</i>	<i>Company</i>
Leases expiring:				
Within one year	8	-	-	-
In two to five years	223	45	113	45
In more than five years	-	-	115	-
			<i>Capital commitments, £000</i>	<i>2005</i>
	<i>Group</i>	<i>2006 Company</i>	<i>Group</i>	<i>Company</i>
Property acquisitions	-	-	1,719	1,600

NOTES TO THE ACCOUNTS at 31 March 2006

22 POST BALANCE SHEET EVENTS

In April and May 2006, the group purchased Shaw & Company (Property Management) Limited, a property management and surveying company based in Richmond, for £1,050,000.

On 15 May 2006 LTC Holdings plc agreed to transfer the property management and related businesses to a new holding company, HML Holdings plc. The demerger completed on 2 June 2006 when HML Holdings plc acquired the whole of the issued share capital of Hawksworth Management Limited by the issue and allotment of 2,577,143 ordinary shares to LTC. It was agreed that HML Holdings would also assume the debt owed to LTC Holdings plc and its subsidiaries by Hawksworth Management Limited and its subsidiaries, in part by issuing a further 4,285,714 ordinary shares to LTC and in part by the issue of convertible loan notes.

To enable LTC's shareholders to benefit directly from the demerger, 3,016,936 HML Holdings shares were distributed by LTC to its members on 3 June 2006 and HML Holdings was admitted to AIM on 30 June 2006.