Company Registration No. 13075482

CHIANTI HOLDINGS LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022

CHIANTI HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

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CHIANTI HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P R Chappelow (resigned 31 October 2022)
M P Elliott (resigned 30 April 2023)
D W Linley
R C Powell (resigned 29 June 2023)
J S Bell
J A Cooke
G R Marshall
S M Pender
L C Jones (appointed 5 July 2023)
E A B Phillips (appointed 4 July 2023)
I R Sutherland (appointed 5 July 2023)

REGISTERED OFFICE

70 St Mary's Axe
London
EC3A 8BE

INDEPENDENT AUDITOR

BDO LLP
City Point
65 Haymarket Terrace
Edinburgh
EH12 5HD

CHIANTI HOLDINGS LIMITED

STRATEGIC REPORT

For the period ended 31 December 2022

The directors of Chianti Holdings Limited ("the Company") present the annual report and the audited financial statements of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2022.

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006. This strategic report has been prepared for the Group headed by the Company and therefore only gives emphasis to those matters which are significant to that Group.

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The Company's principal activity is that of a holding company. The Group's principal activity is that of residential letting and management, residential sales and land & new homes sales.

Business review

During the period ended 31 December 2022 the Group's turnover was £71,236k (2021: £50,336k) with an operating loss of £4,143k (2021: £3,791k). Operating profit before depreciation and amortisation was £12,209k (2021: £7,990k).

2022 saw a continuation of the acquisition activity seen in 2021 with a further 16 acquisitions across the regions, this takes the number of acquisitions since the formation of the Group in 2020 to over 40. It has been a remarkable 2 years with the business adding significant growth as it positions itself as one of the leading Lettings and Residential sales businesses in the UK. The 12 months to December 2022 saw the addition of £20,900k of income and £4,219k of EBITDA, average headcount also increased from 732 to 1,056. The business remains committed to further growth in 2023 as it looks to expand in both the current regions and, where opportunity presents itself, open new regional hubs.

In the latter half of 2022 Lomond looked to further strengthen its Executive Board with the hire of a new CEO (July 2022) and CFO (October 2022). Additionally the group is investing heavily in new IT systems to bring consistency to its regional operations which, in turn, will improve customer service and retention. That investment has also benefitted both HR and Finance with the two functions changing their operating systems to more superior platforms adding a greater degree of rigour and sophistication to how they operate. 2023 will see further improvements in IT, operations and the administrative areas with investment in new hires, training and benefits. The management team will continue to add to the work which commenced in 2022 by growing the Central fucntions taking Lomond from a collection of regional businesses in early 2022 to a centrally managed businesses that is underpinned by excellence at a regional level.

The board are delighted with the progress of the business and welcome to the following acquisitions to the group during 2022:

- Smart Homes Solihull Ltd (Birmingham, Jan 22)
- Homes 4 U Group Ltd (Manchester, Feb 22)
- Padshare Ltd (Manchester, Feb 22)
- Julian Wadden & Co Ltd (Manchester, Mar 22)
- Hardisty Brothers Ltd (Yorkshire, Mar 22)
- Larards Property Management Ltd (Yorkshire, May 22)
- Arden Estates Bromsgrove Ltd (Birmingham, May 22)
- Grant Fairburn (Aberdeen, Jun 22)
- SGRL 2022 Ltd (Glasgow, Jun 22)
- PBA Lettings Ltd (Yorkshire, Jul 22)
- Property Hub Lets Ltd (Manchester, Aug 22)
- Harvey Scott (Manchester, Aug 22)
- Secure Lets At Jeremy & Co Ltd (Birmingham, Aug 22)
- Matthews of Chester Ltd (Manchester, Oct 22)
- ERE Lettings Ltd (Yorkshire, Oct 22)
- Geraghty-Gibb Property Management Ltd (Aberdeen, Oct 22)

CHIANTI HOLDINGS LIMITED

STRATEGIC REPORT

For the period ended 31 December 2022

Key performance indicators

The key performance indicators relating to the companies within the Group are:

the managed residential portfolio has increased from 28,247 to 41,187 during the year, with the increase primarily driven by acquisition activity

- lettings volumes increased from 12,709 to 13,238 move-ins

- 3,220 new business listings were achieved across the lettings business

- net sale units 4,241, with 4,300 sales completions

- 1,115 (2021: 920) employees at the year end

Future developments

The Group continues to seek opportunities to grow via the acquisition of high quality lettings books and complimentary market leading sales brands, across the UK. The regional businesses have organic growth strategies in place, including a focus on the growing Buy to Let market, to ensure natural attrition does not erode the recurring revenue model. Additionally, the group is entering the 'build to rent' market through its new LIM ("Lomond Investment Management") operation.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not use derivative financial instruments for speculative purposes. No derivatives are currently in place.

Regulatory risk

Breaches of laws or regulations could lead to financial penalties and loss of reputation. The board mitigate this risk by employing experienced staff and maintaining internal procedures to ensure relevant laws and regulations are complied with at all times. The Group have begun the process of ensuring all our front-line employees are professionally qualified, in line with ROPA (Regulation of Property Agents) framework.

Liquidity risk

The directors monitor the liquidity and cash flow risk of the Group on a regular basis. The Group is cash positive and has access to a revolving credit facility. Finance facilities are in place to support further growth through acquisitions.

Credit risk

The credit risk of the Group is primarily relating to trade receivables from the Estate Agency element of the Group. These are reviewed regularly, with procedures in place to realise the debt, and escalate accordingly. Provisions are in place to allow for bad or doubtful debts.

Operational risk

The Group's operations are dependent on sophisticated IT systems that have been developed over a number of years. These systems are at risk of being deliberately targeted by cyber-attacks, which may lead to the theft or corruption of personal data, or at the least a disruption to the service provided. Loss of earnings, reputational damage and fines could all be consequences of such a data breach. The Group has undertaken detailed penetrative testing by respected, third party providers, in order to mitigate the risk. Regular updates are communicated to employees relating to data protection procedures, to ensure the security of the customer data held.

Climate change risk

Climate change represents a risk to almost all companies within the UK, however the directors class the climate change risk as minimal to the sector in which the Group is involved with. That being said, the directors are conscious of reducing the Group's carbon footprint wherever possible and have strategies in place to mitigate this risk. These strategies include; the introduction of PHEV and fully electric vehicles into the fleet in order to reduce carbon emissions; tracking energy consumption and promoting energy saving measures with the branch network; and tracking waste volumes in order to ensure we are recycling as much as possible.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Going concern

The letting market continues to be extremely strong with rental prices at an all-time high. However, there is a risk that future political decisions and new legislation will dissuade new landlords from entering the market, adding further strain to locating new business opportunities. The directors maintain that the property market is a strong, viable investment solution.

Sales transactions and house prices remain strong but are not at an all-time high. The sales market is showing no signs of slowing down in the first half of 2023 and although mortgage affordability and cost inflation present an ongoing risk, the directors' expect to see growth, albeit modest in the back half of 2023. The Group has developed relationships with mortgage brokers in order to help customers find the right product and enable the move. The directors have a keen focus on the cost base, particularly relating to the sales division, and are able to move or remove costs quickly, should the sales market experience an unprecedented downturn.

In preparing the financial statements the directors have also considered the likelihood of any post year end impairment to asset values that may have arisen over the last 12 months. The directors have concluded that no such impairment has arisen and, accordingly, there has been no material diminution in asset values following the year end.

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and in compliance with all conditions attaching to the terms of their bank facilities. The Group is funded by debt and share capital and the cash flow generated from its trading activities. The Group's forecasts and projections, taking account of reasonably worst case downside scenarios in trading performance, show that the Group will be able to operate within the level and terms of its current banking facilities and cash generated from trading operations. In support of this the group fully expects to add new funding to its debt during 2023 in order to continue its strategic acquisition goals. New regions where the Group does not have a presence currently, present a new opportunity to acquire a leading agent and bolt-on future acquisitions. The directors, therefore, believe the Group is operating as a going concern and should continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company has net current assets of £53.5m, of which £54.0m (net) is due from Group undertakings. Chianti Holdings Limited has confirmed that it will continue to provide financial support to subsidiary companies for a period of not less than 12 months from the date of approval of these financial statements.

Section 172 statement

Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, promotes the success of the Group for the benefit of its shareholders. Section 172 requires directors to have regard to a non-exhaustive list of factors, including the interests of employees and how the actions and behaviours of the Group affect customers, suppliers, the community and the environment, as well as the Group's reputation.

This is supported by legislation requiring companies to report on how directors have had regard for the broader matters set out in section 172 when performing their duty, including considering the interests of employees, suppliers, customers and other stakeholders, as well as impacts on the community and the environment.

The directors believe that the success of the Group is dependent on maintaining strong relationships with our key stakeholders:

Customers

Maintaining high levels of customer service across the full customer base (including landlords, tenants, vendors and buyers) is extremely important to the success of the Group. Indeed, our customers' needs are at the forefront of all our strategic decision making processes, therefore we provide robust and ongoing training to all employees and promote the undertaking of professional qualifications throughout the Group. The main source of new customers is via acquisition, therefore communication to his newly acquired customer base is extremely important, in order to retain the business. The Group has processes around acquired customer retention as follows:

Section 172 statement (continued)

Customers (continued)

- Due diligence on the customer base to identify previous customers that may be more at risk of leaving post acquisition
- Identification of large, portfolio landlords whose departure would be materially detrimental to the acquired business performance, and subsequent close communication
- Not altering customers' terms and conditions immediately after completion, in order to increase the probability of customer retention
- Communication by the outgoing seller announcing the transaction and outlining the reasons for selling
- Communication by the incoming brand and branch team, introducing our services and reassuring the customer that we have their interests at heart

Suppliers

Contractors and suppliers also support the Group in maintaining the highest levels of customer service. The board reviews service levels, at all levels of the business, on a regular basis, as well as monitoring the integrity of the way we do business with our customers and suppliers. The Group has a dedicated Procurement Department who review all supply contracts and tender contracts when necessary. The development of the Procurement team has led to discussions with suppliers regarding consolidating the supplier base throughout the network, where appropriate. Key concerns from the suppliers are the loss of business, should we consolidate a local supplier into a national provider in order to realise economies of scale. The Group have been careful to communicate any changes thoroughly, enter any suppliers into a fair tender process for review by the senior leadership team; and abide by specific terms and condition set out in the supplier contracts.

Employees

The board engages with its people to better understand the views of its people and the Group's culture. This is achieved via an annual employee engagement survey, regular employee meetings, staff events and training sessions. The ability to understand our employees' thoughts, ambitions and ideas, and act accordingly, is critical to the success of the Group. Key employee issues identified during the period related primarily to the merger of Linley & Simpson and Lomond Capital and subsequent acquisitions made by he Group. Feedback from management indicated a lack of communication and understanding post-merger, particularly surrounding the future direction of the Group and the impact on existing employees. The Company issued further communication to all employees, showcasing a high level view of the strategic direction of the Group. In addition to this, the Group held face to face sessions with groups of senior leaders, in order to answer any further questions.

Community and Environment

The Group has numerous affiliations with local charities and community organisations, with a key strategy being to provide sponsorship and support locally. The board reviews these relationships on a regular basis, with each brand within the Group responsible for providing support and raising funds for their official charity.

The Group is conscious of the environmental impact of its activities and committed to promoting best practice across all regions, in order to lessen any negative effects on the environment. Key focus areas include; reducing carbon emissions by investing in PHEV and fully electric fleet vehicles; reducing waste by moving to a paperless accounting system; monitoring energy consumption across the branch networks; and eliminating unnecessary travel by utilising virtual meeting tools.

Key Decisions

The key decisions taken by the directors during the period are as follows:

- Recruitment of a new CEO and CFO to strengthen the Group's Executive Board. Shareholders were consulted on the plan to recruit, and reasons why, and were involved in the interview process for key recruits.
- Recruitment of other new roles at an executive and senior level, in order to facilitate both acquisitional and organic growth strategies. The expansion of the senior team has also allowed for the roll out of new ancillary product lines, and the implementation of system and process improvements throughout the Group. Shareholders were consulted on the plan to recruit, and reasons why, and were involved in the interview process for key recruits.

CHIANTI HOLDINGS LIMITED

STRATEGIC REPORT

For the period ended 31 December 2022

Post balance sheet events

Subsequent to the year end, £7m of term loan bank borrowings was converted to a PIK facility loan note. This is a seven year facility which accrues interest such that the amount repayable on the termination date is £10.5m. The conditions for this conversion were not met until after 1 January 2023 therefore the directors consider this to be non-adjusting as it does not indicate a condition that existed at year end.

Up to the date of signing of these financial accounts, the directors do not believe there to be any material adjusting post balance sheet events.

Streamlined Energy and Carbon Reporting

The Group does not need to disclose information in respect to Streamlined Energy & Carbon Reporting (SECR) given that the subsidiaries making up the Group, and the Group itself, does not meet the threshold to make such disclosures under SECR legislation for the period ended 31 December 2022.

Approved by the Board and signed on its behalf by:

I R Sutherland
Director
21 July 2023

CHIANTI HOLDINGS LIMITED

DIRECTORS' REPORT

For the period ended 31 December 2022

The strategic report includes the activities and business review, financial performance, principal risks and uncertainties, going concern, post balance sheet events and future developments report.

DIRECTORS

The names of the members of the board of directors who served through the year and up to the date of this report are as follows:

P R Chappelow (resigned 31 October 2022)
M P Elliott (resigned 30 April 2023)
D W Linley
R C Powell (resigned 29 June 2023)
J S Bell
J A Cooke
G R Marshall
S M Pender
L C Jones (appointed 5 July 2023)
E A B Phillips (appointed 4 July 2023)
I R Sutherland (appointed 5 July 2023)

DIRECTORS' INDEMNITIES

In terms of section 236 of the Companies Act 2006, all directors have been granted qualifying third-party indemnity provisions by the Group.

EMPLOYMENT OF DISABLED PERSONS

The Group's policy is that disabled persons are considered for employment and subsequent training, career development and promotion based on merit. If members of staff become disabled, it is the Group's policy, wherever possible, to retain them in their existing jobs or to re-deploy them in suitable alternative duties.

EMPLOYEE CONSULTATION

The Group values the input of its employees and actively seeks opportunities to engage with staff at all levels, inviting them to contribute to on-going dialogue and activities to improve the Group for the benefit of its staff and the business as a whole.

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of the individuals who are directors of the Company at the date when this report is approved:

- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's and Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

INDEPENDENT AUDITOR

BDO LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

I R Sutherland
Director
21 July 2023

CHIANTI HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2022

The directors are responsible for preparing the annual 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 Group and Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Group and Company 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, have been followed, subject to any material departures disclosed in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company 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.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CHIANTI HOLDINGS LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Chianti Holdings Limited ("the Parent Company") for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity and the consolidated statement of cash flows and 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CHIANTI HOLDINGS LIMITED (CONTINUED)

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Company and its 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 directors' responsibilities statement, 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, UK accounting standards, the UK Companies Act 2006; those that relate to the payment of employees; and industry related matters such as regulations impacting estate agency operations including the Propertymark rules. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CHIANTI HOLDINGS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year end cut-off. Our audit procedures included, but were not limited to:

- At the planning stage, performing detailed analytical review procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements due to fraud. Areas of identified risk were then tested substantively;
- Assessing the design and implementation of the control environment including controls over IT systems relevant to financial reporting in order to identify areas of material weakness to focus the design of our testing;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice);
- Addressing the risk of fraud in relation to revenue recognition over various streams through selection of a sample of contracts and verifying revenue and profit to corroborating documentation. We sought to identify any areas of management bias by reference to supporting documentation in relation to a sample of revenue items, challenging management on significant judgements and estimates such as accrued and deferred income recognition and completeness, and assessing subsequent performance information in relation to estimates;
- Addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias. In particular we focussed on the key judgements in relation to the completeness of provisions as well as the recognition of accrued and deferred income; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- Identifying whether there are instances of potential bias in areas with significant degrees of judgement such as carrying value of assets subject to impairment reviews and useful lives of assets subject to depreciation or amortisation;
- Reading minutes of meetings of those charged with governance; reviewing correspondence with regulatory bodies and from legal advisors to identify indications of non-compliance with laws and regulations;
- Vouching balances and reconciling items in key control account reconciliations to corroborating documentation as at 31 December 2022; and
- Carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CHIANTI HOLDINGS LIMITED (CONTINUED)

Use of our report

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

DocuSigned by:
A Rae
34BAA3058C6741A
24 July 2023

Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CHIANTI HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ending 31 December 2022

	Note	2022 £'000	As restated 2021 £'000
TURNOVER	3	71,236	50,336
Cost of sales		(38,320)	(26,810)
GROSS PROFIT		32,916	23,526
Administrative expenses		(37,059)	(27,643)
Other operating income	4	-	326
OPERATING LOSS	6	(4,143)	(3,791)
Gain on financial assets at fair value through profit or loss	20	-	2
Interest receivable and similar income	7	16	30
Interest payable and similar charges	8	(15,180)	(10,800)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(19,307)	(14,559)
Tax on loss on ordinary activities	9	(540)	(454)
LOSS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE LOSS		(19,847)	(15,013)

The accompanying notes on pages 18 to 53 form an integral part of these financial statements.

The Group had no other comprehensive income for the year ending 31 December 2022 (2021: £nil).

All activities are from continuing operations.

CHIANTI HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 £'000	As restated 2021 £'000
FIXED ASSETS			
Intangible assets	11	134,189	127,852
Tangible assets	12	2,917	2,288
		137,106	130,140
CURRENT ASSETS			
Debtors	14	5,465	3,903
Investments	15	156	156
Cash at bank and in hand		3,706	13,057
		9,327	17,116
CREDITORS: amounts falling due within one year	16	(16,543)	(17,123)
NET CURRENT LIABILITIES		(7,216)	(7)
TOTAL ASSETS LESS CURRENT LIABILITIES		**129,890**	**130,133**
CREDITORS: amounts falling due after more than one year	17	(164,190)	(144,691)
Provisions for liabilities	18	(106)	(1)
NET LIABILITIES		**(34,406)**	**(14,559)**
CAPITAL AND RESERVES			
Called up share capital	19	15	15
Share premium account		439	439
Profit and loss account		(34,860)	(15,013)
SHAREHOLDERS' DEFICIT		**(34,406)**	**(14,559)**

The accompanying notes on pages 18 to 53 form an integral part of these financial statements.

The financial statements of Chianti Holdings Limited, company registration number 13075482 were approved and authorised for issue by the board of directors on 21 July 2023 and signed on its behalf by:

I R Sutherland
Director

CHIANTI HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Investments	13	6,537	6,504
		6,537	6,504
CURRENT ASSETS			
Debtors	14	55,665	55,645
		55,665	55,645
CREDITORS: amounts falling due within one year	16	(2,133)	(2,291)
NET CURRENT ASSETS		53,532	53,354
TOTAL ASSETS LESS CURRENT LIABILITIES		**60,069**	**59,858**
CREDITORS: amounts falling due after more than one year	17	(73,191)	(66,011)
NET LIABILITIES		**(13,122)**	**(6,153)**
CAPITAL AND RESERVES			
Called up share capital	19	15	15
Share premium account		439	439
Profit and loss account		(13,576)	(6,607)
SHAREHOLDERS' DEFICIT		**(13,122)**	**(6,153)**

The accompanying notes on pages 18 to 53 form an integral part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company statement of comprehensive income. The loss for the Company for the year was £6,969k (2021: £6,607k).

The financial statements of Chianti Holdings Limited, company registration number 13075482 were approved and authorised for issue by the board of directors on 21 July 2023 and signed on its behalf by:

I R Sutherland
Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2022

Group	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
At the beginning of the period	-	-	-	-
Total loss and total comprehensive loss for the period	-	-	(14,627)	(14,627)
Issue of shares	15	439	-	454
At 31 December 2021 as previously stated	**15**	**439**	**(14,627)**	**(14,173)**
Prior year adjustment (note 10)	-	-	(386)	(386)
At 31 December 2021 as restated	**15**	**439**	**(15,013)**	**(14,559)**
Total loss and total comprehensive loss for the year	-	-	(19,847)	(19,847)
At 31 December 2022	**15**	**439**	**(34,860)**	**(34,406)**

Company	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
At the beginning of the period	-	-	-	-
Total loss and total comprehensive loss for the period	-	-	(6,607)	(6,607)
Issue of shares	15	439	-	454
At 31 December 2021	**15**	**439**	**(6,607)**	**(6,153)**
Total loss and total comprehensive loss for the year	-	-	(6,969)	(6,969)
At 31 December 2022	**15**	**439**	**(13,576)**	**(13,122)**

The accompanying notes on pages 18 to 53 form an integral part of these financial statements.

CHIANTI HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ending 31 December 2022

	2022 £'000	As restated 2021 £'000
Loss on ordinary activities after tax	**(19,847)**	**(15,013)**
Adjustments for:		
Depreciation of tangible assets	990	532
Amortisation of intangible assets	15,343	11,231
Loss on disposal of tangible assets	19	18
Gain on financial assets at fair value through profit or loss	-	(2)
Tax on loss	540	454
Other interest receivable and similar income	(16)	(30)
Interest payable and similar expenses	15,180	10,800
Changes in:		
- Decrease in trade and other debtors	2,036	22,445
- Decrease in trade and other creditors	(1,781)	(25,818)
Cash flows generated from operating activities	**12,464**	**4,617**
Tax paid	(2,275)	(856)
Interest paid	(7,994)	(3,977)
Net cash flows from/(used in) operating activities	**2,195**	**(216)**
Cash flows from investing activities		
Purchase of tangible assets	(1,432)	(760)
Proceeds from disposal of tangible assets	61	8
Interest received	16	30
Purchase of subsidiary undertakings, net of cash received	(21,109)	(60,813)
Purchase of intangible assets	(624)	(2,095)
Net cash used in investing activities	**(23,088)**	**(63,630)**
Cash flow from financing activities		
New bank loans	7,000	79,935
Arrangement fees paid	-	(1,668)
Repayments of borrowings of acquired subsidiaries	(105)	(42,505)
Debenture loans issued	-	42,028
Debenture loans repaid	(333)	(1,333)
Revolving credit facility proceeds	5,000	4,730
Revolving credit facility repaid	-	(4,730)
Issue of share capital	-	454
Capital element of lease repaid	(20)	(8)
Net cash generated from financing activities	**11,542**	**76,903**
Net (decrease)/ increase in cash and cash equivalents	**(9,351)**	**13,057**
Cash and cash equivalents at the beginning of the year	13,057	-
Cash and cash equivalents at 31 December	**3,706**	**13,057**

The accompanying notes on pages 18 to 52 form an integral part of these financial statements.

CHIANTI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ending 31 December 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the current financial year and previous period, unless otherwise stated.

a) General information and basis of accounting

The Company is a private company limited by shares and is incorporated in England and Wales. The address of the registered office of the Group and Company and the Company's registration number is given on page 1. The nature of the Group and Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial instruments measured at fair value, and in accordance with FRS 102, issued by the Financial Reporting Council, and the Companies Act 2006.

The Group's financial statements are presented in Sterling which is the functional currency of the Group. The level of rounding is to the nearest £1,000 Sterling.

b) Basis of consolidation

The Group consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2022. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. The results of subsidiaries sold or acquired are consolidated for the periods from or to the date on which control passed. When control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income.

Business combinations are accounted for under the acquisition method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed in exchange for control of the acquiree plus costs directly attributable to the business combination. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Any minority interests are recognised on acquisition as a percentage of share capital not purchased by the Group. At each year end the minority interests receive a share of the profit or loss based on their percentage shareholding.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has provided a parent company guarantee and therefore the following subsidiaries have taken advantage of the exemption from the requirement to be audited relating to subsidiary companies contained in section 479A of the Companies Act 2006:

- Chianti Bidco Limited (12972859)
- City Living (Leeds) Limited (03420956)
- Dale Eddison Limited (06339901)
- Linley and Simpson Sales Limited (08751913)
- Linley & Simpson Group Limited (08761192)
- Ridings Property Management Services Limited (02820650)
- Simon Blyth Lettings Limited (04665154)
- Hafaza Limited (08529787)
- Hepplewhite Property Services Limited (06632631)
- Mountview Investments Limited (SC151792)
- Bondsave Limited (SC138755)
- Lomond Maintenance Limited (SC428376)
- Thornley Groves Limited (02674298)
- John Shepherd Lettings Limited (06841027)
- John Shepherd Estate Agents Limited (09704507)
- Thornley Groves Estate Agents Limited, (07072190)
- Cambridge Brand Vaughan Limited (09467584)
- Lomond Property Lettings Limited (SC373580)
- Michael Jones & Co Limited (03627931)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b) Basis of consolidation (continued)

- Easylet Letting Agents Limited (06411933)
- Symonds Reading Estate Agents Limited (07370326)
- Holroyd & Co Estate Agents Limited (09198330)
- Carr and Hume Estate Agents Limited (05849137)
- Cactus Property Management Limited (06740704)
- Complete Letting (Scotland) Limited (SC580814)
- Palms Agency Limited (05528759)
- Chase Independent Estates Limited (06786697)
- Barlow White Limited (06475883)
- Barlow White Estates Limited (09229910)
- Barlow White Property Maintenance Limited (09943541)
- McDonnell Haydock Residential Lettings Limited (06696154)
- Clothier & Day Holdings Limited (07136904)
- Clothier & Day Exclusive Lettings Limited (03569276)
- Clothier & Day Residential Limited (05923753)
- Moores Estate Agents Limited (12273154)
- Homes4Harrogate Limited (10820619)
- Around Town Flats Limited (06989213)
- Home Leasing Brighton Limited (0725242)
- Fitton Business Agency Limited (03439868)
- Craigflower Lettings Limited (SC304370)
- DJ Alexander Holdings Limited (SC714703)
- Linley & Simpson Holdings Limited (11360062)
- Lomond Capital No2. Limited (SC455640)
- Lomond Capital No3. Limited (SC669215)
- Sussex Letting Limited (05547548)
- Fineholm Letting Services (Glasgow) Limited (SC062649)
- Fineholm Letting Services (Edinburgh) Limited (SC280949)
- Sinclair Property Developments Limited (04886645)
- DJ Alexander Lettings Limited (SC429588)
- Benaird Limited (SC255840).
- Geraghty-Gibb Property Management Limited (SC461182)
- Homes4U Group Limited (04051078)
- Julian Wadden & Co Limited (05584761)
- Property Hub PM Limited (13997272)
- Property Hub Lets Limited (08797043)
- Matthews of Chester Limited (07526961)
- Smart Homes Solihull Limited (9218520)
- Arden Estates Lettings Bromsgrove Holdings Limited (14095111)
- Arden Estates Lettings Bromsgrove Limited (08013845)
- Securelets at Jeremy and Co Limited (03759146)
- SGRL 2022 Limited (SC103600)
- Larards Property Management Limited (04698996)
- PBA 2 Limited (14088083)
- PBA Lettings Limited (14119713)
- ERE Lettings Limited (10046405)
- Hardisty Brothers Limited (06485891)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Going concern

The letting market continues to be extremely strong with rental prices at an all-time high. However, there is a risk that future political decisions and new legislation will dissuade new landlords from entering the market, adding further strain to locating new business opportunities. The directors maintain that the property market is a strong, viable investment solution.

Sales transactions and house prices remain strong but are not at an all-time high. The sales market is showing no signs of slowing down in the first half of 2023 and although mortgage affordability and cost inflation present an ongoing risk, the directors' expect to see growth, albeit modest in the back half of 2023. The Group has developed relationships with mortgage brokers in order to help customers find the right product and enable the move. The directors have a keen focus on the cost base, particularly relating to the sales division, and are able to move or remove costs quickly, should the sales market experience an unprecedented downturn.

In preparing the financial statements the directors have also considered the likelihood of any post year end impairment to asset values that may have arisen over the last 12 months. The directors have concluded that no such impairment has arisen and, accordingly, there has been no material diminution in asset values following the year end.

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and in compliance with all conditions attaching to the terms of their bank facilities. The Group is funded by debt and share capital and the cash flow generated from its trading activities. The Group's forecasts and projections, taking account of reasonably worst case downside scenarios in trading performance, show that the Group will be able to operate within the level and terms of its current banking facilities and cash generated from trading operations. In support of this the group fully expects to add new funding to its debt during 2023 in order to continue its strategic acquisition goals. New regions where the Group does not have a presence currently, present a new opportunity to acquire a leading agent and bolt-on future acquisitions. The directors, therefore, believe the Group is operating as a going concern and should continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company has net current assets of £53.5m, of which £54.0m (net) is due from Group undertakings. Chianti Holdings Limited has confirmed that it will continue to provide financial support to subsidiary companies for a period of not less than 12 months from the date of approval of these financial statements.

d) Turnover

Turnover, which arises in the United Kingdom, is attributable to the Group's principal activities and is stated net of VAT and trade discounts.

Turnover from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, turnover is recognised only to the extent that it is probable the expenses will be recovered. Revenue is deferred when the service transaction at the end of the reporting period has not been performed but cash has been received or the customer has been invoiced.

Estate agency sales fees are recognised at the time of exchange of contracts for the sale of the property when there is a legally binding contract.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

d) Employee benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined contribution pension schemes

The Group makes contributions to defined contribution pension schemes for eligible employees. Contributions payable are charged to profit or loss in the period they are payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

e) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and that are expected to apply to the reversal of the timing difference.

f) Intangible assets

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is assessed on a case-by-case basis. Provision is made for any impairment.

g) Investments

Investments in Group undertakings are held at cost less provision for impairment.

i) Tangible assets

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold property improvements	20%-25% per annum (straight line basis)
Fixtures & fittings	20%-33% per annum (straight line basis)
Equipment	20%-33% per annum (straight line basis)
Motor vehicles	25% per annum (reducing balance basis)

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Impairment of intangible and tangible fixed assets

At each statement of financial position date fixed assets not carried at fair value are reviewed to determine whether there is any indication that the asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset is assessed and compared with its carrying amount. If the recoverable amount is lower, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognised immediately in profit or loss. Recoverable amounts for cash generating units are based on the higher of value in use and fair value less cost to sell. Value in use is calculated from cash flow projections using data from the Group's latest internal forecasts, the results of which are reviewed by the Board.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Goodwill does not generate independent cash inflows and it must therefore be tested for impairment as part of a cash generating unit (CGU). Goodwill is allocated to specific cash generating units ("CGU's") as it arises. The Group has a number of CGU's in the residential letting and management, residential sales and land & new homes sales sectors. If impairment is identified in the period, the impairment loss is first allocated to the goodwill of the respective CGU; then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the CGU. In doing so, the carrying amount of any asset in a CGU is not reduced below the highest of fair value less costs to sell (if determinable), value in use (if determinable); and zero. Any excess amount of the impairment loss which cannot be allocated to an asset because of the mentioned restriction is allocated to the other assets of the unit pro rata on the basis of the carrying amount of those other assets.

Goodwill has been allocated to CGU's as follows:

	£'000
Birmingham	11,279
Rest of Scotland	27,161
South Coast	21,267
Manchester	22,223
Aberdeen	3,706
Yorkshire	48,553

The allocation of goodwill to CGU's is a matter of judgement made by the directors taking into consideration the location of the acquired business and the source of cash inflows.

The Group discounts cash flows using a weighted average cost of capital of 10% which reflects the risks relating to CGU's. The forecasts are extrapolated based on estimated long-term average growth rates of 3% for all CGU's.

The Directors have considered the sensitivity to key assumptions noting that all CGU's show headroom when sensitising key assumptions and cash flows, including reasonably worst-case downside scenarios. Consequently, no impairment has been recognised. Headroom by CGU is shown as follows:

	£'000
Birmingham	639
Rest of Scotland	92
South Coast	3,671
Manchester	9,323
Aberdeen	2,596
Yorkshire	3,066

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

j) Impairment of intangible and tangible fixed assets (continued)

Any impairment losses recognised in respect of goodwill cannot be subsequently reversed, even if the circumstances giving rise to the original impairment loss cease to apply.

k) Financial instruments

Basic financial instruments, including trade and other debtors, investments in loan deposits, cash and bank balances, trade and other payables, bank loans and loan notes are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently measured at amortised cost using the effective interest method less any impairment.

Derivatives, including interest rate swaps, are not basic financial instruments. The Company uses derivative financial instruments to reduce its exposure to interest rate movements and does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date.

Changes in the value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate.

l) Impairment of financial assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

m) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and reward of ownership of the asset are transferred to another party or control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

n) Leases

Assets obtained under hire purchase contracts are capitalised as tangible fixed assets and depreciated over their estimated useful lives. The capital elements of future hire purchase obligations are recorded as liabilities, while interest elements are charged to profit or loss over the period of the contracts to produce a periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged to profit or loss on a straight line basis over the lease term.

Incentives received to enter into an operating lease are credited to profit or loss, to reduce the lease expense, on a straight line basis over the period of the lease.

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

p) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Government grants

Grants are accounted for under the accruals model as permitted by FRS102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The Group has not directly benefited from any other forms of government assistance.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Restricted client funds

The nature of operations undertaken by the Group necessitates the need for client money (also referred to as restricted client funds) to be paid directly into and out of segregated client bank accounts. Such monies are held in separate client bank accounts and are restricted from the Group's business cash. FRS 102 states that an entity shall recognise an asset in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. In relation to a liability, FRS 102 states that an entity shall recognise a liability in the statement of financial position when the entity has an obligation at the end of the reporting period as a result of a past event, it is probable that the entity will be required to transfer resources embodying economic benefits in settlement and the settlement amount can be measured reliably.

The directors have made an assessment at the statement of financial position date over the risks, benefit and control of client monies, concluding that the Group does not hold the future economic benefits of the client monies and hence has no obligation to transfer them. This represents a significant judgement by the directors at the statement of financial position date and based on this analysis, a restricted fund asset and associated liability has not been recognised. The total of restricted client funds held by the Group at the statement of financial position date amounts to £40,035k (2021: £35,444k). If the Group were to present this in the statement of financial position, the effect would be to recognise a separate current asset and associated current liability to the same amount. There would be no effect on the net assets or loss in the Group.

Impairment

At each statement of financial position date fixed assets, being tangible and intangible fixed assets, are reviewed to determine whether there is any indication that the asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset is assessed and compared with its carrying amount. If the recoverable amount is lower, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Cost of business combinations

In determining the value of costs related to acquiring a business, the key judgment relates to the nature of costs that are directly attributable to the acquisition, as well as ensuring the fair valuation of assets and liabilities acquired. As shown in note 22, assets and liabilities acquired have been fairly valued at the date of acquisition. Acquisition costs of £1,066k (2021: £4,090k) were capitalised in the year.

Depreciation of tangible fixed assets and amortisation of intangible assets

The directors review the useful economic lives of tangible and intangible fixed assets annually to determine if the rate used is appropriate by considering key factors such as changes in the Group's operating market and environment, Group strategy and future market demand, with any necessary amendments made as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of financial assets

At the end of each reporting period financial assets measured at amortised cost, such as trade debtors, are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

3. TURNOVER

	2022 £'000	As restated 2021 £'000
Lettings fees	54,247	36,435
Estate agency fees	15,422	11,848
Maintenance	1,360	1,860
Other fees	207	193
	71,236	50,336

All turnover arose from activities within the UK.

4. OTHER INCOME

	2022 £'000	2021 £'000
Government grants – furlough	-	326
	-	326

5. EMPLOYEES AND DIRECTORS

The average monthly number of employees (including directors) employed by the Group during the year was:

	2022 No	2021 No
Lettings	505	357
Estate Agency	235	149
Maintenance	81	56
Administration	235	170
	1,056	732

5. EMPLOYEES AND DIRECTORS (CONTINUED)

Their aggregate remuneration comprised:	2022 £'000	2021 £'000
Wages and salaries	30,610	22,032
Social security costs	3,167	2,018
Pension costs	806	600
	34,583	24,650

The Group makes contributions to defined contribution pension schemes for eligible employees. The pension charge represents contributions payable by the Group to these schemes. Contributions of £224k were outstanding at 31 December 2022 (2021: £179k).

The Company does not have any employees other than the directors.

Directors' remuneration

	2022 £'000	2021 £'000
Directors' emoluments	732	921
Company contributions to defined contribution pension schemes	19	18
Amounts paid to third parties in respect of director services	-	20
	751	959

The directors received no remuneration in respect of services to the Company during the year. The directors are employed by another Group company and it is not practicable to allocate a proportion of their costs to the Company.

Emoluments of the highest paid director were £243k (2021: £300k). Company pension contributions of £nil were made to a pension scheme on his behalf (2021: £nil).

There are no other key management personnel other than the directors as the directors believe that only they have the authority and responsibility for planning, directing and controlling the activities of the entity.

6. OPERATING LOSS

Operating loss is arrived at after charging/(crediting):	2022 £'000	2021 £'000
Depreciation of tangible assets	990	532
Loss on disposal of tangible assets	19	18
Amortisation of intangible assets	15,343	11,231
Government grants – furlough	-	(326)
Operating lease expense	3,966	2,769
Impairment of trade debtors	197	257

Auditors' remuneration

Fees payable to the Company's auditor for the audit of the parent company and the Group's annual financial statements	155	153
Total audit fees	155	153
Fees payable to the Company's auditor and its associates for other services:		
- Tax compliance services	127	108
- Other compliance services	16	-
Total non-audit fees	143	108

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £'000	2021 £'000
Interest on cash and cash equivalents	16	30
	16	30

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £'000	2021 £'000
Interest on bank loans and overdrafts	8,239	4,241
Finance leases and hire purchase contracts	2	1
Other interest and similar charges	3	3
Shareholder loan note interest	6,936	6,555
	15,180	10,800

9. TAXATION

The tax charge on the loss on ordinary activities for the year was as follows:

	2022 £'000	2021 £'000
Current tax		
UK corporation tax at 19% (2021: 19%)	644	610
Adjustments in respect of prior years	(199)	(47)
Total current tax	445	563
Deferred tax		
Origination and reversal of timing differences	(21)	(126)
Adjustment in respect of prior years	91	(3)
Effect of changes in tax rates	25	20
Total deferred tax	95	(109)
Total tax charge on loss for the year	540	454

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2022 £'000	2021 £'000
Loss on ordinary activities before tax	(19,307)	(14,559)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%)	(3,668)	(2,766)
Effects of:		
Fixed asset timing differences	897	493
Expenses not deductible for tax purposes	3,013	3,593
Income not taxable	(55)	(637)
Adjustments in respect of the prior year – current tax	(199)	(47)
Adjustments in respect of the prior year – deferred tax	91	(3)
Other tax adjustments, relief and transfers	3	2
Movement in unrecognised deferred tax	390	(58)
Remeasurement of deferred tax for changes in tax rates	39	(197)
Group relief surrendered	-	1
Capital gains	5	-
Short term timing difference	-	73
Losses eliminated as a result of trade cessation	24	-
Tax (credit)/charge for the year	540	454

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

10. PRIOR YEAR ADJUSTMENTS

Throughout the year ending 31 December 2022 the Group has gone through a period of consolidation of systems and processes for central functions. A new, uniformed, accounting system was implemented during the year which has highlighted an inconsistency in wages and salaries categorisation. As such, cost of sales and administrative expenses have been restated for consistency and presentation.

The effects of the restatement are summarised below:

	2021 £'000
Statement of comprehensive income	
Increase in cost of sales	14,212
Decrease in administrative expenses	(14,212)
Change in profit and loss reserve brought forward	-

In addition to the above, procedures and calculations were reviewed, in particular in relation to revenue recognition. The calculation performed in the prior year was found to be incorrect as it omitted readily available information at the year end and so is a prior period error. This has been recalculated and the effects of the restatement are summarised below.

	2021 £'000
Statement of comprehensive income	
Decrease in turnover	(386)
Statement of financial position	
Increase in accruals and deferred income	(386)
Decrease in profit and loss reserve brought forward	(386)
Statement of cash flows	
Decrease in loss on ordinary activities after tax	(386)
Increase in trade and other creditors changes	386
Effect on cash flow	-

It is impracticable to present a third balance sheet in accordance with FRS 102 requirements for the prior period adjustments noted given this is only the second year of trade for the Group and last year was the first year of annual accounts produced since inception. Therefore, no third balance sheet has been presented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

11. INTANGIBLE ASSETS

Group	**Goodwill Total £'000**
Cost	
At 1 January 2022	139,082
Additions	21,873
Impairment	(193)
At 31 December 2022	160,762
Amortisation	
At 1 January 2022	11,230
Charge for the year	15,343
At 31 December 2022	26,573
Net book value	
At 31 December 2022	134,189
At 31 December 2021	127,852

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life which is assessed on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

12. TANGIBLE ASSETS

Group	Leasehold property improvements £'000	Fixtures and fittings £'000	Equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2022	1,181	811	563	265	2,820
Additions	529	155	745	-	1,429
Acquisition of subsidiaries	131	63	74	-	268
Disposals	(23)	(36)	(1)	(58)	(118)
At 31 December 2022	1,818	993	1,381	207	4,399
Depreciation					
At 1 January 2022	222	175	130	5	532
Charge for the period	353	283	291	63	990
Disposals	-	-	-	(40)	(40)
At 31 December 2022	575	458	421	28	1,482
Net book value					
At 31 December 2022	1,243	535	960	179	2,917
At 31 December 2021	959	636	433	260	2,288

The net book value of assets held under finance leases included in leasehold property improvements and plant, equipment and vehicles is £48k (2021: £98k).

Company

The Company had no tangible assets at 31 December 2022 (2021: £nil).

13. INVESTMENTS

Investment in subsidiaries	Company £'000
At 1 January 2022	6,504
Additions	33
At 31 December 2022	6,537

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

13. INVESTMENTS (CONTINUED)

Subsidiary undertakings

At 31 December 2022 the Company had 100% interests in the subsidiaries listed below:

Subsidiaries	Type of shares held	Country of incorporation	Nature of business
Chianti Bidco Limited	Ordinary	United Kingdom	Holding company
Linley & Simpson Limited*	Ordinary	United Kingdom	Property management services
Linley & Simpson Sales Limited*	Ordinary	United Kingdom	Estate agency
Mountview Investments Limited*^	Ordinary	United Kingdom	Property management services
Dale Eddison Limited*	Ordinary	United Kingdom	Estate agency
City Living (Leeds) Limited*	Ordinary	United Kingdom	Non trading
Ridings Property Management Services Limited*	Ordinary	United Kingdom	Non trading
Hafaza Limited*	Ordinary	United Kingdom	Non trading
Hepplewhite Property Services Limited*	Ordinary	United Kingdom	Non trading
Hardisty Brothers Limited*	Ordinary	United Kingdom	Estate agency
Bondsave Limited*^	Ordinary	United Kingdom	Property management services
Lomond Maintenance Limited*^	Ordinary	United Kingdom	Property maintenance
Thornley Groves Limited *	Ordinary	United Kingdom	Property management services
John Shepherd Lettings Limited*	Ordinary	United Kingdom	Property management services
Thornley Groves Estate Agents Limited*	Ordinary	United Kingdom	Intermediate holding company
Cambridge Brand Vaughan Limited*	Ordinary	United Kingdom	Property management services
John Shepherd Estate Agents Limited*	Ordinary	United Kingdom	Estate agency
Lomond Property Lettings Limited*^	Ordinary	United Kingdom	Group central services
Michael Jones & Co. Limited*	Ordinary	United Kingdom	Estate agency
Easylet Letting Agents Limited*	Ordinary	United Kingdom	Non trading
Symonds Reading Estate Agents Limited*	Ordinary	United Kingdom	Non trading
Holroyd and Co Estate Agents Limited*	Ordinary	United Kingdom	Non trading
Carr and Hume Estate Agents Limited*	Ordinary	United Kingdom	Non trading
Cactus Property Management Limited*	Ordinary	United Kingdom	Non trading
Complete Letting (Scotland) Limited*^	Ordinary	United Kingdom	Non trading
Palms Agency Limited*	Ordinary	United Kingdom	Non trading
Chase Independent Estates Limited*	Ordinary	United Kingdom	Non trading
Barlow White Limited*	Ordinary	United Kingdom	Non trading
Barlow White Estate Agents Limited*	Ordinary	United Kingdom	Non trading

13. INVESTMENTS (CONTINUED)

Subsidiaries	Type of shares held	Country of incorporation	Nature of business
Barlow White Property Management Limited*	Ordinary	United Kingdom	Non trading
McDonnell Haydock Residential Lettings Limited*	Ordinary	United Kingdom	Non trading
Clothier & Day Holdings Limited*	Ordinary	United Kingdom	Holding company
Clothier & Day Executive Lettings Limited*	Ordinary	United Kingdom	Non trading
Clothier & Day Residential Limited*	Ordinary	United Kingdom	Non trading
Moores Estate Agents Limited*	Ordinary	United Kingdom	Non trading
Homes4Harrogate Limited*	Ordinary	United Kingdom	Non trading
Around Town Flats Limited*	Ordinary	United Kingdom	Non trading
Home Leasing Brighton Limited*	Ordinary	United Kingdom	Non trading
Fitton Business Agency Limited*	Ordinary	United Kingdom	Non trading
Craigflower Lettings Limited*^	Ordinary	United Kingdom	Non trading
DJ Alexander Holdings Limited*^	Ordinary	United Kingdom	Holding company
Linley & Simpson Holdings Limited*	Ordinary	United Kingdom	Holding company
Linley & Simpson Group Limited*	Ordinary	United Kingdom	Holding company
Lomond Capital No. 2 Limited*^	Ordinary	United Kingdom	Holding company
Lomond Capital No. 3 Limited*^	Ordinary	United Kingdom	Holding company
Sussex Letting Limited*	Ordinary	United Kingdom	Property management services
Fineholm Letting Services (Glasgow) Limited*^	Ordinary	United Kingdom	Non trading
Fineholm Letting Services (Edinburgh) Limited*^	Ordinary	United Kingdom	Non trading
Sinclair Property Developments Limited*	Ordinary	United Kingdom	Property management services
DJ Alexander Lettings Limited*^	Ordinary	United Kingdom	Property management services
Benaird Limited*^	Ordinary	United Kingdom	Property maintenance
Simon Blyth Lettings Limited*	Ordinary	United Kingdom	Non trading
Geraghty Gibb Property Management Limited*^	Ordinary	United Kingdom	Non trading
Homes4U Group Limited*	Ordinary	United Kingdom	Non trading
Julian Wadden & Co Limited*	Ordinary	United Kingdom	Property management services
Property Hub PM Limited*	Ordinary	United Kingdom	Holding company
Property Hub Lets Limited*	Ordinary	United Kingdom	Non trading
Matthews of Chester Limited*	Ordinary	United Kingdom	Non trading
Smart Homes Solihull Limited*	Ordinary	United Kingdom	Non trading
Arden Estates Lettings Bromsgrove Holdings Limited*	Ordinary	United Kingdom	Holding company
Arden Estates Lettings Bromsgrove Limited*	Ordinary	United Kingdom	Non trading
Securelets at Jeremy & Co Limited*	Ordinary	United Kingdom	Non trading
SGRL 2022 Limited*^	Ordinary	United Kingdom	Non trading

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

13. INVESTMENTS (CONTINUED)

Subsidiaries	Type of shares held	Country of incorporation	Nature of business
Larards Property Management Limited^	Ordinary	United Kingdom	Non trading
PBA 2 Limited*	Ordinary	United Kingdom	Holding company
PBA Lettings Limited*	Ordinary	United Kingdom	Non trading
ERE Lettings Limited*	Ordinary	United Kingdom	Non trading

*Investments in these companies are held indirectly through subsidiary undertakings incorporated in the United Kingdom.

The companies detailed above share the same registered office as the parent company, unless noted below:

^ 1 Weymss Place, Edinburgh, Scotland, EH3 6DH.

14. DEBTORS

Group	2022 £'000	2021 £'000
Trade debtors	2,662	2,174
Prepayments and accrued income	1,447	1,335
Other debtors	544	394
Corporation tax	812	-
	5,465	3,903

Company	2022 £'000	2021 £'000
Amounts due from Group undertakings	55,664	55,627
Prepayments and accrued income	-	17
Other debtors	1	1
	55,665	55,645

Amounts due from Group undertakings are interest free, due on demand and bear no fixed term of repayment.

15. INVESTMENTS

Group	2022 £'000	2021 £'000
Listed investments held at fair value	156	156

Listed investments held at fair value comprise investments in On the Market plc. The Company does not have any such investments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ending 31 December 2022

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2022 £'000	As restated 2021 £'000
Bank loans	-	79
Shareholder loans	-	667
Trade creditors	885	999
Corporation tax	-	558
Other taxes and social security	3,713	3,437
Other creditors	7,331	6,683
Accruals and deferred income	4,596	4,675
Obligations under finance lease and hire purchase contracts	18	25
	16,543	17,123

Company	2022 £'000	2021 £'000
Shareholder loans	-	667
Trade creditors	60	17
Other creditors	-	10
Amounts due to Group undertakings	2,073	1,597
	2,133	2,291

Amounts due to Group undertakings are interest free, due on demand and bear no fixed term of repayment.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group	2022 £'000	2021 £'000
Bank loans	90,951	78,619
Shareholder loans	73,191	66,011
Obligations under finance lease and hire purchase contracts	48	61
	164,190	144,691

Company	2022 £'000	2021 £'000
Shareholder loans	73,191	66,011
	73,191	66,011

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

2022 Group	Bank loans 2022 £'000	Shareholder loans 2022 £'000	Finance leases 2022 £'000	Total 2022 £'000
In one year or less	-	-	18	18
In more than one year but not more than two years	-	-	48	48
In more than two years but not more than five years	66,016	-	-	66,016
More than five years	24,935	73,191	-	98,126
	90,951	73,191	66	164,208

2021 Group	Bank loans 2021 £'000	Shareholder loans 2021 £'000	Finance leases 2021 £'000	Total 2021 £'000
In one year or less	79	667	25	771
In more than one year but not more than two years	-	-	12	12
In more than two years but not more than five years	-	-	49	49
More than five years	78,619	66,011	-	144,630
	78,698	66,678	86	145,462

Company	2022 £'000	2021 £'000
In one year or less	-	667
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
More than five years	73,191	66,011
	73,191	66,678

Bank loans

The Group borrowed funds from its bankers under three term loans of £35m, £27m and £30m respectively, and a revolving credit facility ("RCF") of £5m. The first and second (31 December 2022 and 31 December 2021 carrying amounts £35m and £27m) are repayable in December 2027, the third (31 December 2022 carrying amount £24.9m, 31 December 2021 carrying amount £17.9m) is repayable in November 2028 and the RCF (31 December 2022 carrying amount £5m and 31 December 2021 carrying amount £nil) is repayable in May 2026. The term loans accrue interest at a variable rate equivalent to LIBOR plus 7.5%, the RCF accrues interest at a variable rate equivalent to LIBOR plus 3.25%. Issue costs of £1.7m were incurred, which have been deducted from the initial carrying value and is being charged to the profit or loss as part of the interest charge.

Shareholder loans

Shareholder loans are repayable in June 2028. £0.3m has been repaid in the period. The loan notes accrue interest at a rate of 10%.

18. PROVISIONS FOR LIABILITIES

Group	Deferred tax £'000
At 1 January 2022	1
Acquisition of subsidiaries	10
Deferred tax credited to statement of comprehensive income	95
At 31 December 2022	106

Deferred tax

Deferred tax is provided as follows:

Group	2022 £'000	2021 £'000
Accelerated capital allowances	333	152
Other timing differences	(116)	(40)
Tax losses available	(111)	(111)
	106	1

At 31 December 2022 the Group had unrecognised deferred tax assets totalling £1,395k (2021: £777k) and the Company had unrecognised deferred tax assets totalling £1,295k (2021: £634k).

19. CAPITAL AND RESERVES

Called up share capital - Group and Company	2022 £'000	2021 £'000
Called up allotted and fully paid		
495,033 Ordinary A shares of £0.01 each	5	5
299,005 Ordinary B1 shares of £0.02 each	6	6
5,962 Ordinary B2 shares of £0.02 each	-	-
200,000 Ordinary C1 shares of £0.02 each	4	4
	15	15

Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of dividends paid and other adjustments.

Share capital

Called up share capital represents the nominal value of the shares issued.

Share premium

The share premium account represents the premium on issue of equity shares, net of any issue costs.

20. FINANCIAL INSTRUMENTS

The carrying value of the Group's financial assets and liabilities measured at fair value through profit or loss are summarised by category below:

	2022 £'000	2021 £'000
Listed investments held at fair value	156	156
	156	156

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2022 £'000	2021 £'000
Fair value gains		
On financial assets measured at fair value through profit or loss	-	2
	-	2

The Company has no financial instruments held at fair value.

21. FINANCIAL COMMITMENTS

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022 £'000	2021 £'000
Payments due:		
Not later than one year	3,095	2,045
Later than one year and not later than five years	6,738	4,426
Later than five years	1,583	1,732
	11,416	8,203

The Company has no operating leases.

22. BUSINESS COMBINATIONS

Acquisition of Smart Homes Solihull Limited

On 28 January 2022 the Group acquired 100% of Smart Homes Solihull Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Intangible	351	(351)	-
Current assets			
Debtors	-	-	-
Cash	49	-	49
Total assets	400	(351)	49
Creditors			
Due within one year	(55)	(21)	(76)
Net assets/(liabilities)	345	(372)	(27)
Goodwill arising on acquisition			1,142
Consideration			1,115
Satisfied by:			
Cash			950
Transaction fees			72
Deferred consideration			93
			1,115
Cash outflow on acquisition:			
Purchase consideration settled in cash			1,043
Transaction fees			72
Cash and cash equivalents in subsidiaries acquired			(49)
			1,066

Since the acquisition date, Smart Homes Solihull Limited has contributed £14k to Group turnover and £7k loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Homes4U Group Limited

On 11 February 2022 the Group acquired 100% of Homes4U Group Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	66	-	66
Intangible	50	(50)	-
Current assets			
Debtors	148	(105)	43
Cash	287	-	287
Total assets	551	(155)	396
Creditors			
Due within one year	(630)	-	(630)
Deferred tax	(3)	(53)	(56)
Total liabilities	(82)	(208)	(290)
Goodwill arising on acquisition			2,716
Consideration			2,426

Satisfied by:	
Cash	1,986
Transaction fees	162
Deferred consideration	278
	2,426
Cash outflow on acquisition:	
Purchase consideration settled in cash	2,226
Transaction fees	162
Cash and cash equivalents in subsidiaries acquired	(287)
	2,101

Since the acquisition date, Homes4U Group Limited has contributed £400k to Group turnover and a £91k loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Julian Wadden & Co Limited

On 31 March 2022 the Group acquired 100% of Julian Wadden & Co Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	125	-	125
Current assets			
Debtors	1,574	-	1,574
Cash	400	-	400
Total assets	2,099	-	2,099
Creditors			
Due within one year	(573)	(31)	(604)
Deferred tax	(2)	-	(2)
Net assets	1,524	(31)	1,493
Goodwill arising on acquisition			3,290
Consideration			4,783

Satisfied by:	
Cash	3,830
Deferred consideration	764
Transaction fees	189
	4,783
Cash outflow on acquisition:	
Purchase consideration settled in cash	3,996
Transaction fees	189
Cash and cash equivalents in subsidiaries acquired	(400)
	3,785

Since the acquisition date, Julian Wadden & Co Limited has contributed £2,823k to Group turnover and £823k profit to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Hardisty Brothers Limited

On 7 April 2022 the Group acquired 100% of Hardisty Brothers Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	25	-	25
Current assets			
Debtors	608	(45)	563
Cash	98	-	98
Total assets	731	(45)	686
Creditors			
Due within one year	(251)	(21)	(272)
Net assets	480	(66)	414
Goodwill arising on acquisition			2,511
Consideration			2,925

Satisfied by:	
Cash	2,522
Deferred consideration	302
Transaction fees	101
	2,925

Cash outflow on acquisition:	
Purchase consideration settled in cash	2,522
Transaction fees	101
Cash and cash equivalents in subsidiaries acquired	(98)
	2,525

Since the acquisition date, Hardisty Brothers Limited has contributed £1,106k to Group turnover and £400k profit to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Larards Property Management Limited

On 9 May 2022 the Group acquired 100% of Larards Property Management Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	15	-	15
Current assets			
Debtors	186	(3)	183
Cash	802	-	802
Total assets	1,003	(3)	1,000
Creditors			
Due within one year	(163)	(48)	(211)
Deferred tax	(3)	-	(3)
Net assets	837	(51)	786
Goodwill arising on acquisition			1,882
Consideration			2,668

Satisfied by:	
Cash	2,269
Deferred consideration	255
Transaction fees	144
	2,668

Cash outflow on acquisition:	
Purchase consideration settled in cash	2,270
Transaction fees	144
Cash and cash equivalents in subsidiaries acquired	(802)
	1,612

Since the acquisition date, Larards Property Management Limited has contributed £534k to Group turnover and £351k profit to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Arden Estates Bromsgrove Holdings Limited and Arden Estates Bromsgrove Lettings Limited (collectively "Arden Estates")

On 27 May 2022 the Group acquired 100% of Arden Estates. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Investments	3	(3)	-
Current assets			
Debtors	40	-	40
Cash	2	-	2
Total assets	45	(3)	42
Creditors			
Due within one year	(62)	(14)	(76)
Net liabilities	(17)	(17)	(34)
Goodwill arising on acquisition			759
Consideration			725

Satisfied by:	
Cash	620
Deferred consideration	70
Transaction fees	35
	725
Cash outflow on acquisition:	
Purchase consideration settled in cash	725
Cash and cash equivalents in subsidiaries acquired	(2)
	723

Since the acquisition date, Arden Estates has contributed £(3)k to Group turnover and a £2k profit to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of SGRL 2022 Limited

On 13 July 2022 the Group acquired 100% of SGRL 2022 Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Current assets			
Debtors	3	-	3
Cash	98	-	98
Total assets	101	-	101
Creditors			
Due within one year	(39)	(13)	(52)
Net assets	62	(13)	49
Goodwill arising on acquisition			599
Consideration			648

	£'000
Satisfied by:	
Cash	611
Transaction fees	37
	648

	£'000
Cash outflow on acquisition:	
Purchase consideration settled in cash	606
Transaction fees	37
Cash and cash equivalents in subsidiaries acquired	(98)
	545

Since the acquisition date, SGRL 2022 Limited has contributed £64k to Group turnover and £14k loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of PBA 2 Limited and PBA Lettings Limited (collectively "Preston Baker")

On 23 July 2022 the Group acquired 100% of Preston Baker. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Fixed assets	5	-	5
Investments	5	(5)	-
Current assets			
Debtors	6	-	6
Total assets	16	(5)	11
Creditors			
Due within one year	(5)	(30)	(35)
Net assets/(liabilities)	11	(35)	(24)
Goodwill arising on acquisition			2,055
Consideration			2,031

Satisfied by:	
Cash	1,762
Deferred consideration	192
Transaction fees	77
	2,031
Cash outflow on acquisition:	
Purchase consideration settled in cash	1,762
Transaction fees	77
	1,839

Since the acquisition date, Preston Baker has contributed £nil to Group turnover and a £nil loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Property Hub Lets PM Limited and Property Hub Lets Limited (collectively "Property Hub Lets")

On 4 August 2022 the Group acquired 100% of Property Hub Lets. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Current assets			
Debtors	13	-	13
Cash	5	-	5
Total assets	18	-	18
Creditors			
Due within one year	(71)	(37)	(108)
Net liabilities	(53)	(37)	(90)
Goodwill arising on acquisition			1,231
Consideration			1,141

Satisfied by:	
Cash	844
Deferred consideration	224
Transaction fees	73
	1,141
Cash outflow on acquisition:	
Purchase consideration settled in cash	838
Transaction fees	72
Cash and cash equivalents in subsidiaries acquired	(5)
	905

Since the acquisition date, Property Hub Lets has contributed £(3)k to Group turnover and £17k loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Securelets at Jeremy & Co Limited

On 19 August 2022 the Group acquired 100% of Securelets at Jeremy & Co Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Intangible	66	(66)	-
Current assets			
Debtors	17	-	17
Cash	6	-	6
Total assets	89	(66)	23
Creditors			
Due within one year	(90)	(12)	(102)
Net liabilities	(1)	(78)	(79)
Goodwill arising on acquisition			541
Consideration			462

Satisfied by:	
Cash	385
Deferred consideration	50
Transaction fees	27
	462
Cash outflow on acquisition:	
Purchase consideration settled in cash	385
Transaction fees	27
Cash and cash equivalents in subsidiaries acquired	(6)
	406

Since the acquisition date, Securelets at Jeremy & Co Limited has contributed £9k to Group turnover and a £4k loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Matthews of Chester Limited

On 5 October 2022 the Group acquired 100% of Matthews of Chester Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	24	-	24
Intangible	153	(153)	-
Current assets			
Debtors	113	-	113
Cash	319	-	319
Total assets	609	(153)	456
Creditors			
Due within one year	(127)	(23)	(150)
Deferred tax	(4)	-	(4)
Total liabilities	(131)	(23)	(154)
Net assets	478	(176)	302
Goodwill arising on acquisition			993
Consideration			1,295

Satisfied by:	
Cash	1,142
Deferred consideration	90
Transaction fees	63
	1,295

Cash outflow on acquisition:	
Purchase consideration settled in cash	1,124
Transaction fees	63
Cash and cash equivalents in subsidiaries acquired	(319)
	868

Since the acquisition date, Matthews of Chester Limited has contributed £121k to Group turnover and £81k profit to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of ERE Lettings Limited

On 7 October 2022 the Group acquired 100% of ERE Lettings Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	6	-	6
Current assets			
Debtors	16	-	16
Cash	(20)	-	(20)
Total assets	2	-	2
Creditors			
Due within one year	(110)	(21)	(131)
Deferred tax	16	-	16
Total liabilities	(94)	(21)	(115)
Net liabilities	(92)	(21)	(113)
Goodwill arising on acquisition			1,209
Consideration			1,096

Satisfied by:	
Cash	813
Deferred consideration	224
Transaction fees	59
	1,096

Cash outflow on acquisition:	
Purchase consideration settled in cash	802
Transaction fees	59
Cash and cash equivalents in subsidiaries acquired	20
	881

Since the acquisition date, ERE Lettings Limited has contributed £27k to Group turnover and a £17k loss to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Geraghty Gibb Property Management Limited

On 19 October 2022 the Group acquired 100% of Geraghty Gibb Property Management Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair value to the Group.

	Book value £'000	Fair value adjustments £'000	Fair value to the Group £'000
Fixed assets			
Tangible	1	-	1
Current assets			
Debtors	229	-	229
Cash	45	-	45
Total assets	275	-	275
Creditors			
Due within one year	(100)	(7)	(107)
Deferred tax	(14)	-	(14)
Total liabilities	(114)	(7)	(121)
Net assets	161	(7)	154
Goodwill arising on acquisition			677
Consideration			831

Satisfied by:	
Cash	740
Deferred consideration	60
Transaction fees	31
	831

Cash outflow on acquisition:	
Purchase consideration settled in cash	740
Transaction fees	31
Cash and cash equivalents in subsidiaries acquired	(45)
	726

Since the acquisition date, Geraghty Gibb Property Management Limited has contributed £13k to Group turnover and £nil to Group profit.

22. BUSINESS COMBINATIONS (CONTINUED)

Summary acquisition of subsidiary undertakings

	£'000
Cash outflow on acquisition:	
Purchase consideration settled in cash	19,039
Transaction fees	1,034
2021 acquisitions deferred consideration	2,808
Other acquisition costs	319
Cash and cash equivalents in subsidiaries acquired	(2,091)
	21,109

Acquisition of trade and assets

During the year, the Group acquired the lettings books of 3 non listed entities for a total consideration of £657k as part of the Group's strategy to acquire high quality lettings books and to increase the Group's branch network.

	£'000
Net assets	-
Fair value adjustments	14
Goodwill arising on acquisition	671
Consideration	657

Satisfied by:	
Cash	564
Deferred consideration	61
Transaction fees	32
	657
Cash outflow on acquisitions:	
Cash	592
Transaction fees	32
	624

23. CONTINGENT LIABILITIES

The Company, together with certain other fellow Group companies has given a guarantee over the borrowings of Chianti Bidco Limited. Total bank borrowings of the Group headed by Chianti Holdings Limited as at 31 December 2022 were £91m (2021: £79m).

24. RELATED PARTY TRANSACTIONS

The Group paid rent of £99k (2021: £98k) for offices in the year to companies partially owned by a director of the Group. £Nil was outstanding as at 31 December 2022 and 31 December 2021 in relation to these transactions.

The Group paid £9k (2021: £6k) to Lomond Investment Management Limited in the year. Lomond Investment Management Limited is an entity of which a director of the Group is a director. At 31 December 2022 a balance of £nil (2021:£1k) was outstanding.

The Group received £108k (2021:£70k) from Lomond Mortgages Limited in the year. Lomond Mortgages Limited is an entity of which a director of the Group is a director. At 31 December 2022 a balance of £16k (2021: £20k) was outstanding.

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £871k (2021: £1,041k).

Other than the transactions disclosed above, the Group and Company's other related party transactions in the period were with other companies wholly owned within the Group, from which the Group and Company are exempt from disclosing.

25. NET DEBT RECONCILIATION

	1 Jan 2022 £'000	Cash flows £'000	Acquisition of subsidiaries £'000	Non cash movements £'000	31 Dec 2022 £'000
Cash at bank and in hand	13,057	(11,442)	2,091	-	3,706
Bank loans	(78,698)	(11,895)	(25)	(333)	(90,951)
Shareholder loans	(66,678)	333	-	(6,846)	(73,191)
Hire purchase	(86)	20	-	-	(66)
	(132,405)	(22,984)	2,066	(7,179)	(160,502)

There are no restrictions over the use of the cash and cash equivalents balances which comprise cash at bank and in hand.

26. POST BALANCE SHEET EVENTS

Subsequent to the year end, £7m of term loan bank borrowings was converted to a PIK facility loan note. This is a seven year facility which accrues interest such that the amount repayable on the termination date is £10.5m. The conditions for this conversion were not met until after 1 January 2023 therefore the directors consider this to be non-adjusting as it does not indicate a condition that existed at year end.

27. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At the reporting date the Company has been included in the Group consolidated financial statements of Chianti Holdings Limited, which is the largest group that prepares financial statements that include the financial statements of the Company.

There is no ultimate controlling party.