

**Company Registration No. 09651253**

**Hearthstone Investment Management  
Limited**

**Annual Report and Financial Statements**

**For the Year Ended 31 December 2016**

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# **Hearthstone Investment Management Limited**

## **Report and financial statements 2016**

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# **Hearthstone Investment Management Limited**

## **Strategic report**

### **For the year ended 31 December 2016**

The directors present their strategic report on the affairs of the company for the year ended 31 December 2016.

#### **Review of the business**

Hearthstone Investment Management Limited (HIML) is established to offer investment management services to institutional clients looking to invest in private rented residential property funds.

Activities have focused on the structuring and marketing of a new product, **Hearthstone Residential Fund 1** ("HRF1"), a 10-year English Limited Partnership with a strategy to invest in mainstream private residential assets across the UK, consisting principally of clusters of houses and unbroken blocks of flats.

The company continues to develop its offering and seek investors for the fund.

The company is reliant on continued funding from Hearthstone Investments PLC until revenues cover costs, which the Directors believe will continue to be provided.

#### **Business review**

The loss for the year after taxation is £467,031. (2015: dormant)

Activities thus far have been limited to the pre-launch development of HRF1. Accordingly at this stage the company is not income-producing.

More detailed information on the activities of the company is contained within the strategic report and financial statements of the Hearthstone Investments PLC group.

#### **Financial Position**

The company's first year of trading saw net liabilities arise of £458,031 as set out in the statement of financial position and notes thereto.

#### **Principal risks and uncertainties**

The key risk facing the company is that HRF1 fails to launch or fails to grow beyond First Close due to adverse market conditions or competitive pressures. In either event, cost-cutting measures would need to be implemented.

#### **Future Developments**

Management are continuing to work with potential investors to launch the fund.

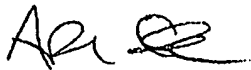
# **Hearthstone Investment Management Limited**

## **Strategic report (continued) For the year ended 31 December 2016**

### **Events after the balance sheet date**

In January 2017 Jeff Pulsford resigned from the Board. Alan Collett was appointed as a Director in March 2017.

Approved by the Board on ~~23~~ June 2017 and signed on its behalf by:



A Smith  
Director

60 Gresham Street  
London  
EC2V 7BB

# **Hearthstone Investment Management Limited**

## **Directors' report**

### **For the year ended 31 December 2016**

The directors present their annual report on the affairs of the company, together with the strategic report, the financial statements and auditor's report, for the year ended 31 December 2016.

#### **Principal activities**

The principal activity of the company is the provision of fund management and property advisory services.

#### **Going concern**

Having reviewed the operational profile of the business the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further detail is provided in note 1 to the financial statements.

#### **Dividends**

The directors do not recommend a dividend (2015: £nil)

#### **Directors**

The directors who served throughout the year were as follows:

C Down (appointed 14 January 2016, resigned 1 December 2016)

R Otten

J Pulsford (appointed 14 January 2016, resigned 20 January 2017)

C Rocco

A Smith

A Collett (Appointed 16 March 2017)

# Hearthstone Investment Management Limited

## Directors' report (continued)

For the year ended 31 December 2016

### Auditor

During the year, PKF Francis Clark were appointed auditors for the company and group.

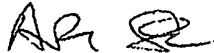
### Information for the Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Approved by the Board of Directors on 23 June 2017 and signed on its behalf by



A Smith  
Director

60 Gresham Street  
London  
EC2V 7BB

# Hearthstone Investment Management Limited

## Directors' responsibilities statement For the year ended 31 December 2016

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 estimates that are reasonable and prudent; and
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the 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 to 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 the members of Hearthstone Investment Management Limited**

We have audited the financial statements of Hearthstone Investment Management Limited for the year ended 31 December 2016, set out on pages 8-16. The financial reporting framework that has been applied in the preparation of the financial statement is applicable law and UK Accounting Standards (UK Generally Accepted Practice), including FRS 101 Reduced Disclosure Framework.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibility statement (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 the company's affairs as at 31 December 2016 and of the group's profit 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the has been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Directors' Report.

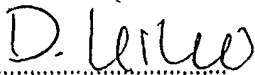


## **Independent auditor's report to the members of Hearthstone Investment Management Limited (continued)**

### **Matters on which we are required to report by exception**


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

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



**Duncan Leslie (Senior Statutory Auditor)**  
PKF Francis Clark  
Statutory Auditor

North Quay House  
Sutton Harbour  
Plymouth  
Devon  
PL4 0RA

Date  June 2017

# Hearthstone Investment Management Limited

## Profit and loss account

For the year ended 31 December 2016

	Note	Year ended 2016 £	Year ended 2015 £
Turnover	2	-	-
Operating expenses		(467,031)	-
Operating loss	3	(467,031)	-
Interest receivable and similar income		-	-
Interest payable and similar charges		-	-
Loss on ordinary activities before taxation		(467,031)	-
Taxation on loss from ordinary activities	5	-	-
Loss on ordinary activities after taxation		(467,031)	-

There are no recognised gains or losses in the current or preceding year other than the loss for that year. Accordingly, no separate statement of comprehensive income is presented. All activities derive from continuing operations.

# Hearthstone Investment Management Limited

## Balance sheet

As at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible fixed assets	6	90,000	-
Investments	7	4	-
<b>Current assets</b>			
Debtors		-	-
Cash at bank & in hand		4,500	4,500
		<u>4,500</u>	<u>4,500</u>
<b>Creditors: amounts falling due within one year</b>	9	(552,535)	-
<b>Net current liabilities</b>		<u>(548,035)</u>	<u>-</u>
<b>Net (liabilities)/assets</b>		<u>(458,031)</u>	<u>4,500</u>
<b>Capital and reserves</b>			
Called up share capital	10	9,000	4,500
Profit and loss account	11	(467,031)	-
<b>Shareholder's deficit</b>		<u>(458,031)</u>	<u>4,500</u>

The financial statements of Hearthstone Investment Management Limited (registered number 09651253) were approved by the Board of Directors on 23 June 2017.

Signed on behalf of the Board of Directors



A Smith  
Director

# Hearthstone Investment Management Limited

## Notes to the financial statements For the year ended 31 December 2016

### Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

### Basis of accounting

The company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100: 'Application of Financial Reporting Requirements issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Hearthstone Investments plc. The group accounts of Hearthstone Investments plc are available to the public and can be obtained as set out in note 14.

### Turnover

Turnover represents the net amounts receivable from the Hearthstone Residential Fund 1 for investment management services.

### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic which also sets out the financial position of the company and its business risks.

The company remains reliant on financing from its immediate parent undertaking, Hearthstone Investments PLC which has confirmed that it will ensure that the company can meet its liabilities as they fall due for a period not less than 12 months from the date of these accounts. Having made enquiries and reviewed the financial position of that company, the board expects the company to be able to operate for the foreseeable future. Accordingly the company continues to adopt the going concern basis in preparing the annual report and accounts.

### Taxation

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# Hearthstone Investment Management Limited

## Notes to the financial statements (continued) For the year ended 31 December 2016

### 2. Segment information

The Company's sole activity is that of a fund manager and all Turnover will arise within the United Kingdom.

### 3. Loss on ordinary activities

Loss on ordinary activities before taxation is stated after charging:

	Year ended 2016 £	Year ended 2015 £
Amortisation	10,000	-

The relevant portion of the group audit fee relating to the company was borne by the ultimate holding company, Hearthstone Investments plc. The audit fee payable by Hearthstone Investments plc was £9,500 (2015 - £8,500).

### 4. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 2016 No	Year ended 2015 No
Administration	3	3

	Year ended 2016 £	Year ended 2015 £
Their aggregate remuneration comprised:		
Wages and salaries	274,679	-
Social security costs	33,643	-
	308,322	-

### Directors' remuneration and transactions

Directors' remuneration comprised:

# Hearthstone Investment Management Limited

## Notes to the financial statements (continued) For the year ended 31 December 2016

	2016	2015
	£	£
Salary	274,679	-
Fees	-	-
	<u>          </u>	<u>          </u>

The highest paid director received £91,560 during the year.

### 5. Tax on loss on ordinary activities

The tax charge comprises:

	2016	2015
	£	£
Current tax		
UK corporation tax	-	-
Total current tax		
Total tax on loss on ordinary activities	-	-
	<u>          </u>	<u>          </u>

A deferred tax asset of £93,406 (2015: £nil) has not been recognised in respect of the cumulative losses due to uncertainty over the period in which recoverability will be achieved.

	2016	2015
	£	£
Loss on ordinary activities before tax	(467,031)	-
	<u>          </u>	<u>          </u>
Tax credit on profit on ordinary activities at standard UK corporation tax rate of 20%. (2015: 20%)	93,406	-
Effects of:		
Expenses not deductible for tax purposes	-	-
Tax losses b/fwd	-	-
Tax losses c/fwd	(93,406)	-
	<u>          </u>	<u>          </u>
Current tax charge for year	-	-
	<u>          </u>	<u>          </u>

## Hearthstone Investment Management Limited

### Notes to the financial statements (continued) For the year ended 31 December 2016

#### 6. Intangible Assets

During the year the company acquired the investment business of Mill Group for an agreed fee of £100,000. The purpose of this was to enable them to structure and market a new product, Hearthstone Residential Fund 1 ("HRF1"), a 10-year English Limited Partnership with a strategy to invest in mainstream private residential assets across the UK, consisting principally of residential property.

	Goodwill
	£
<b>Cost</b>	
At 1 January 2016	-
Additions	100,000
Disposals	-
	<hr/>
At 31 December 2016	100,000
	<hr/>
<b>Amortisation</b>	
At 1 January 2016	-
Charge for the year	10,000
Eliminated on disposal	-
	<hr/>
At 31 December 2016	10,000
	<hr/>
<b>Net book value</b>	
	<hr/>
At 31 December 2016	90,000
	<hr/>

# Hearthstone Investment Management Limited

## Notes to the financial statements (continued) For the year ended 31 December 2016

### 7. Fixed asset investments

	2016	2015
	£	£
Subsidiary undertakings	4	-

The company has investments in the following subsidiary undertakings. All subsidiaries are incorporated in the United Kingdom and operated from the same registered address as the parent company, given in note 18. The company has a 100% holding in the following entities:

Hearthstone Investments (FP) Limited - Dormant  
Hearthstone Investments (GP) Limited – Dormant

### 8. Debtors: amounts falling due within one year

	2016	2015
	£	£
Trade debtors	-	-

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

	2016	2015
	£	£
Amounts owed to group undertakings	552,535	-
	552,535	-

### 10. Share capital

	2016		2015	
	No	£	No	£
Called up and fully paid				
Ordinary shares of £1 each	9,000	9,000	4,500	4,500

During the year the Company issued a further 4,500 new ordinary shares of £1 each.



# Hearthstone Investment Management Limited

## Notes to the financial statements (continued) For the year ended 31 December 2016

### 11. Reserves

	Profit and loss account £
At 1 January 2016	-
Loss for the financial year	(467,031)
	<hr/>
At 31 December 2016	(467,031)
	<hr/>

### 12. Reconciliation of movements in shareholder's deficit

	2016 £	2015 £
Loss for the financial year	(467,031)	-
New shares issued	4,500	4,500
	<hr/>	<hr/>
Net additions to shareholder's (deficit)/funds	(462,531)	4,500
Opening shareholder's funds	4,500	-
	<hr/>	<hr/>
Shareholder's (deficit)/funds	(458,031)	4,500
	<hr/>	<hr/>

### 16. Financial commitments

There were no financial commitments which require disclosure at the balance sheet date or date of signing of the accounts.

### 17. Contingent liabilities

There were no disclosable contingent liabilities at the balance sheet date or the date of signing of these accounts.

### 18. Controlling party

The directors regard Hearthstone Investments plc, a company incorporated in the United Kingdom, as the ultimate controlling party.

Hearthstone Investments PLC is the parent company of the largest and smallest group of which the company is a member for which group financial statements are drawn up. Copies of the financial statements are available from the company's registered office, 60 Gresham Street, London EC2V 7BB.