

Hearthstone Investment Management Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2022



Company number: 9651253

Hearthstone Investment Management Limited

Report and financial statements 2022

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Hearthstone Investment Management Limited

Strategic report For the year ended 31 December 2022

The directors present their strategic report on the affairs of the company for the year ended 31 December 2022.

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.

In December 2021, the “Hearthstone Residential Fund 2 (HRF2)” had a successful final close bringing total assets raised to £152m. As a result, the focus for 2022 was on deployment. By the end of 2022, transactions had either been exchanged or verbally agreed for all the capital raised for “HRF2”. In line with Hearthstone Investments’ strategy of developing regionally diversified portfolios in areas with an undersupply of good quality rental housing, acquisitions were made across 15 different locations for “HRF2”.

Positive Environmental and Social Impact

All portfolios managed by the Company have significantly above average energy efficiency. At the end of the prior year, over 98% of units were EPC rated A, B or C, versus a UK average of D and by the end of the current year to 31 December 2022, 100% of units had become A, B or C EPC rated on account of pro-active asset management strategies. Access to green space has become even more desirable during the pandemic and Hearthstone’s portfolios are well positioned to benefit from this trend.

Hearthstone work with a small number of carefully selected third parties to manage properties and service tenants to ensure a professional service and well-maintained properties. Properties are typically let to tenants earning average UK salaries and include over 20% key workers.

Financial Performance

The company recorded profit for the year after taxation of £949,605 (2021: £479,332). The higher profit arose from additional income derived from the final closes on HRF2 and subsequent deployment of assets during the year.

Financial Position

The company has been trading for a number of years now and the balance sheet position remains robust showing the company is in good financial health.

Principal risks and uncertainties

The key risk facing the company arises from short term economic instability ultimately impacting on the tenant demand for private rented property within HRF1, HRF2 and the country as a whole. Management look to address the risk arising from tenant demand through its letting strategy, which is set according to prevailing market conditions, and through a robust asset selection process that all potential transactions undergo including ensuring tenant demand is supported in the local area. Further oversight on potential acquisitions and the tenant demand associated with these is provided by an independent Investment Committee.

The company is also exposed to interest rate risk, whereby rises in interest rates could depress the housing market which will indirectly affect returns from the company’s residential funds, reducing demand. This is mitigated by the fact that fundraising is complete for HRF1 and HRF2. In addition, the conditions have increased rental demand, which helps to support values. Furthermore, political, regulatory and macro-economic uncertainty, both in the UK and abroad, could affect general investor sentiment or the attractiveness of the sector specifically.

Hearthstone Investments Limited (“HIL”) wholly owns the company and “HIL” might require further funding to enable it to carry out its plans to grow the business. Should such funding not be available then the business’ growth plans could

Hearthstone Investment Management Limited

Strategic report

For the year ended 31 December 2022

be at risk. To mitigate this risk, the Directors and Senior Management review forecast cash flows carefully, review options to raise funding and maintain relationships with existing and prospective investors in the business. Furthermore, the robust financial performance and position of the company will mitigate any future liabilities due within the parent company.

The company is also exposed to key man risk on account of the number of employees in the business and in particular the management team. To mitigate this risk, management regularly and pro-actively review succession planning and ensure sufficient cover is in place across the core teams within the wider Hearthstone Group.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk. These are managed continuously by the board in conjunction with the Company accountants and a financial review is performed at least once per month. The Company does not currently use derivative financial instruments for hedging for any purpose.

Credit risk

The Company's principal financial assets are bank balances and other receivables.

The Company's credit risk is primarily attributable to its other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows.

Macro-economic risks

Whilst macro-economic risks are a continuously managed risk, these are more pronounced since 2022. The war in Ukraine, combined with existing disruptions following the global pandemic and Brexit, led to a significant increase in inflation, which in turn led to an acceleration in increases in interest rates. As a result, the UK housing market started cooling off whilst cost pressures on current and prospective homeowners as well as residents are significant ("cost of living crisis").

The Directors believe that sufficient flexibility exists to mitigate these risks.

Future Developments

Management are focusing on making HRF2 fully income-producing as deliveries of new stock continue, and on pro-active asset management strategies.

Approved by the Board of Directors on 15 August 2023 and signed on its behalf by

A Tarbit

A Tarbit
Director

Suite 2:06 Bridge House
181 Queen Victoria Street
London
EC4V 4EG

Hearthstone Investment Management Limited

Directors' report For the year ended 31 December 2022

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 2022.

Principal activities

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

Going concern

Having reviewed the cash profile of the business and its future prospects, 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. Any potential impacts upon the company in respect of macro-economic risks are outlined in the Strategic Report.

Dividends

The dividend for the year was £900,000 (2021: £500,000).

Directors

The directors who served during the year and to the date of signing these accounts were as follows:

R Otten (retired 30th June 2023)
A Smith
M Drysdale
A Collett (retired on 2nd March 2022)
A Tarbit
C Bucher
R Twigg
H Simons

Auditor

During the year, PKF Francis Clark were re-appointed auditors for the company.

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 ought to have taken as a director in order to make himself 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 15 August 2023 and signed on its behalf by

A Tarbit

A Tarbit
Director

Suite 2:06 Bridge House
181 Queen Victoria Street
London
EC4V 4EG

Hearthstone Investment Management 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 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 102 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.

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

Independent auditor's report to the members of Hearthstone Investment Management Limited

Opinion

We have audited the financial statements of Hearthstone Investment Management Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of Income and Retained Earnings, Statement of Financial Position 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 (United Kingdom Generally Accepted Accounting Practice) incorporating the requirements of Section 1A.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were 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.

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

We have nothing to report in this regard.

Opinion on other 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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.

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, 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 Statement of Directors' Responsibilities [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, 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 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 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.

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:

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the entity's ability to continue operating and the risk of material misstatement to the accounts. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Reviewed legal and professional costs to identify legal costs in respect of non compliance;
- Enquiries with management whether there have been any known instances, allegations or suspicions of fraud or non compliance with laws and regulations;
- Review of tax compliance;

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 fraudulent financial reporting. Our procedures involved the following;

- Review of nominal journal entries for reasonableness;
- Review of significant accounting estimates for bias;
- Review of sales cut off;

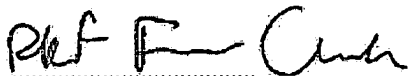
Independent auditor's report to the members of Hearthstone Investment Management Limited (continued)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. 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, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the 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.



James Barrett (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Melville Building East
Unit 18, 23 Royal William Yard
Plymouth
Devon
PL1 3GW

Date: 15/08/2023

Hearthstone Investment Management Limited

Statement of income and retained earnings For the year ended 31 December 2022

| | Note | Year ended 2022 £ | Year ended 2021 £ |
|--|------|-------------------------|-------------------------|
| Turnover | 2 | 2,001,624 | 1,733,326 |
| Operating expenses | | (1,051,942) | (1,221,789) |
| Operating profit | | 949,682 | 511,537 |
| Interest receivable & similar income | | 33 | 32 |
| Interest payable and similar charges | | (196) | (183) |
| Profit before taxation | 3 | 949,519 | 511,386 |
| Taxation on profit | 5 | 86 | (32,054) |
| Profit for the financial year | | 949,605 | 479,332 |
| Retained earnings brought forward | | 569,523 | 590,191 |
| Dividends paid | | (900,000) | (500,000) |
| Retained earnings carried forward | | 619,128 | 569,523 |

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

Hearthstone Investment Management Limited

Statement of financial position As at 31 December 2022

| | Note | 2022 £ | 2021 £ |
|---|------|-----------|-----------|
| Fixed assets | | | |
| Intangible fixed assets | 6 | 30,000 | 40,000 |
| Investments | 7 | 144,871 | 101,591 |
| | | <hr/> | <hr/> |
| | | 174,871 | 141,591 |
| Current assets | | | |
| Debtors | 8 | 437,160 | 460,938 |
| Cash at bank & in hand | | 315,314 | 308,731 |
| | | <hr/> | <hr/> |
| | | 752,474 | 769,669 |
| Creditors: amounts falling due within one year | 9 | (269,418) | (306,730) |
| | | <hr/> | <hr/> |
| Net current assets | | 483,056 | 462,939 |
| Total assets less current liabilities | | 657,927 | 604,530 |
| | | <hr/> | <hr/> |
| Net assets | | 657,927 | 604,530 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 10 | 9,574 | 9,574 |
| Capital contribution reserve | | 3,792 | - |
| Share premium account | | 25,433 | 25,433 |
| Profit and loss account | | 619,128 | 569,523 |
| | | <hr/> | <hr/> |
| Shareholders' funds | | 657,927 | 604,530 |
| | | <hr/> | <hr/> |

The financial statements of Hearthstone Investment Management Limited (registered number 9651253) were approved and authorised by the Board of Directors on 15 August 2023.

Signed on behalf of the Board of Directors

A Tarbit

A Tarbit
Director

Hearthstone Investment Management Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies

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

Statement of compliance

These financial statements were prepared in accordance with FRS 102 as issued by the Financial Reporting Council.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

The financial statements have been prepared in accordance with FRS 102 Section 1A – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

Summary of disclosure exemptions

As permitted by FRS 102, 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 Limited. The group accounts of Hearthstone Investments Limited are available to the public and can be obtained as set out in note 13.

Turnover

Turnover represents the net amounts receivable from the Hearthstone Residential Fund 1 and 2 for investment management services. Turnover is recognised on an accruals basis for both management and transaction fees.

Goodwill & amortisation

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 10 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation is calculated so as to write off the cost of purchased goodwill, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - 10% straight line.

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 Business Review which forms part of the strategic report. The strategic report on page 2 describes the financial position of the company and its business risks. The accounts have been prepared on the going concern basis.

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.

Hearthstone Investment Management Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

Taxation (continued)

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.

Investments held at cost

The company co-invests into both HRF1 and HRF2. These investments are held at cost on account of HRF1 and HRF2 being long term closed ended 10 year funds that are neither traded on a publicly available exchange nor have a secondary market.

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors; and
- cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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.

Key sources of estimation uncertainty

The directors do not consider there to be any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share options

A share based payment charge in respect of share options granted by the parent company over its equity shares to employees is recognised over the vesting period at the fair value of the share options at the date of grant. A corresponding credit is made to the capital contribution reserve.

2. Segment information

The Company's sole activity is that of a fund manager and all turnover has arisen within the United Kingdom.

Hearthstone Investment Management Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

3. Profit before tax

Profit before taxation is stated after charging:

| | Year ended 2022 | Year ended 2021 |
|--------------|--------------------|--------------------|
| | £ | £ |
| Amortisation | 10,000 | 10,000 |

The relevant portion of the group audit fee relating to the company was borne by the ultimate holding company, Hearthstone Investments Limited. The audit fee payable by Hearthstone Investments Limited was £13,600 (2021 - £11,000).

4. Staff costs

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

| | Year ended 2022 | Year ended 2021 |
|----------------|--------------------|--------------------|
| | No | No |
| Administration | 9 | 8 |

| | Year ended 2022 | Year ended 2021 |
|---|--------------------|--------------------|
| | £ | £ |
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 729,443 | 889,147 |
| Social security costs | 93,769 | 106,537 |
| Pensions | 12,161 | 12,400 |
| | 835,373 | 1,008,084 |

Directors' remuneration and transactions

| | 2022 | 2021 |
|------------------------------------|---------|---------|
| | £ | £ |
| Directors' remuneration comprised: | | |
| Salary | 463,711 | 490,906 |
| Pensions | 5,321 | 5,318 |
| | 469,032 | 496,224 |

The highest paid director received £158,285 (2021: £134,378) during the year. The number of directors who were accruing retirement benefits was 2 (2021: 2).

Hearthstone Investment Management Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

5. Tax on profit

The tax charge comprises:

| | 2022 | 2021 |
|--|-----------|----------|
| | £ | £ |
| Current tax | | |
| UK corporation tax | - | 32,012 |
| Adjustments in respect of prior period | (86) | 42 |
| | <hr/> | <hr/> |
| Total current tax charge | (86) | 32,054 |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| | <hr/> | <hr/> |
| Total deferred tax charge | - | - |
| | <hr/> | <hr/> |
| Tax charge for the year | (86) | 32,054 |
| | <hr/> | <hr/> |
| Reconciliation of tax charge | | |
| | 2022 | 2021 |
| | £ | £ |
| Profit before tax | 949,519 | 511,386 |
| | <hr/> | <hr/> |
| Tax charge at standard UK corporation tax rate of 19.00%. (2021: 19.00%) | 180,409 | 97,163 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 219 | 2,239 |
| Management expenses deductible | (230) | - |
| Income not taxable for tax purposes | (86) | (402) |
| Other permanent differences | 85 | (172) |
| Accelerated capital allowances | (110) | - |
| Adjustment to total tax charge in respect of prior periods | - | 42 |
| Fixed asset timing differences (amortisation) | 1,900 | 1,900 |
| Group relief | (182,273) | (68,716) |
| | <hr/> | <hr/> |
| Tax charge for the year | (86) | 32,054 |
| | <hr/> | <hr/> |

Hearthstone Investment Management Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

6. Intangible Assets

| | Goodwill |
|----------------------------|-----------------|
| | £ |
| Cost | |
| At 31 December 2021 & 2022 | 100,000 |
| | <hr/> |
| Amortisation | |
| At 1 January 2022 | 60,000 |
| Charge for the year | 10,000 |
| | <hr/> |
| At 31 December 2022 | 70,000 |
| | <hr/> |
| Net book value | |
| At 31 December 2022 | 30,000 |
| | <hr/> <hr/> |
| Net book value | |
| At 31 December 2021 | 40,000 |
| | <hr/> <hr/> |

7. Fixed asset investments

| | 2022 | 2021 |
|-------------------------|-------------|-------------|
| | £ | £ |
| Subsidiary undertakings | 6 | 6 |
| Other investments | 144,865 | 101,585 |
| | <hr/> | <hr/> |
| | 144,871 | 101,591 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 13. The company has a 100% holding in the following entities:

Hearthstone Investments (FP) Limited – Dormant company

Hearthstone Investments (GP) Limited – Dormant company

Hearthstone Investments (GP2) Limited – Dormant company

Hearthstone Investment Management Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

8. Debtors: amounts falling due within one year

| | 2022 | 2021 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 418,582 | 456,710 |
| Prepayments & accrued income | 18,578 | 4,228 |
| | <u>437,160</u> | <u>460,938</u> |

9. Creditors: amounts falling due within one year

| | 2022 | 2021 |
|-----------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 72,963 | 36,309 |
| Other tax & social security | 171,239 | 131,919 |
| Current taxation | - | 32,154 |
| Accruals | 25,216 | 106,348 |
| | <u>269,418</u> | <u>306,730</u> |

10. Share capital

| | 2022 | | 2021 | |
|------------------------------|--------------|--------------|--------------|--------------|
| | No | £ | No | £ |
| Issued and fully paid | | | | |
| Ordinary shares of £1 each | 9,574 | 9,574 | 9,574 | 9,574 |
| | <u>9,574</u> | <u>9,574</u> | <u>9,574</u> | <u>9,574</u> |

11. Contingent liabilities

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

Hearthstone Investment Management Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

12. Related party transactions

During 2020 the company committed to co-invest in HRF1 – a closed ended 10-year residential Limited partnership. At 31 December 2022, the total net amount invested was £83,433 (2021 - £82,564) out of a total investment commitment of £83,433. Hearthstone Investment Management Limited acts as Asset Manager to the fund.

During 2020 the company committed to co-invest in HRF2 – a closed ended 10-year residential Limited partnership. At 31 December 2022, the total net amount invested was £53,386 (2021 - £10,938) out of a total investment commitment of £102,067. Hearthstone Investment Management Limited acts as Asset Manager to the fund.

13. Controlling party

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

Hearthstone Investments Limited 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, Suite 2:06 Bridge House, 181 Queen Victoria Street, London EC4V 4EG.