Limited Liability Partnership Registration No. SO302064

LOMOND CAPITAL PARTNERSHIP LLP

Annual Report and Financial Statements

For the year ended 31 December 2019

LOMOND CAPITAL PARTNERSHIP LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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LOMOND CAPITAL PARTNERSHIP LLP

OFFICERS AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS

Stuart Pender
Kirsty Pender
Robert Hamilton (Resigned 19 December 2020)
Roger Lane-Smith (Resigned 19 December 2020)

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SOLICITORS

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EH2 4DF

INDEPENDENT AUDITOR

BDO LLP
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LOMOND CAPITAL PARTNERSHIP LLP

MEMBERS' REPORT

For the year ended 31 December 2019

The members of Lomond Capital Partnership LLP (the "LLP") present the annual report and the audited financial statements of the limited liability partnership and its subsidiaries (together "the Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the Group was property letting, including the provision of property management services. The trading subsidiaries of the LLP as at the year ended 31 December 2019 are detailed in note 11 to the financial statements. On 19 December 2020, the Group divested of its trading interests with the sale of Lomond Capital No 2 Limited and its subsidiaries to a Newco supported by Lloyds Development Capital. As a result, the members are in the process of winding up the LLP and its remaining subsidiaries.

REVIEW OF THE BUSINESS

During 2019 the Group focused on developing its property management capability in the face of economic challenges arising from the uncertainty from the ongoing Brexit negotiations which impacted confidence in the property market together with the removal of a material revenue stream with the introduction of the Tenant Fees Act banning tenant fees across all tenancies in England and Wales from July. Both impacted the Group's trading performance and whilst the leadership team continued to look for attractive acquisition opportunities, the focus has been on continuing to build capability, driving new revenue streams and rolling out new operating systems.

The key achievement in 2019 was the completion of the roll out of the Reapit system with all group trading companies now fully operational. The system represents a material investment and is transformational for the group delivering improvements in our service capability to landlords and tenants whilst also creating a more robust and resilient operating platform to support the growth strategy. The platform allows a consistent client service approach across the Group and we believe is critical to creating the platform to recommence the acquisition strategy in the future.

The business continues to enjoy market leading positions across the United Kingdom in Aberdeen, Edinburgh, Birmingham, Manchester and Brighton providing property management services including estate agency, residential property letting, property maintenance surveying, land and new homes, mortgage advice.

Our core sales and lettings business operates from 20 locations across the country across 6 different brands with local management providing a client relationship focused service.

Key performance indicators (KPIs)

With the investment in a group wide operating system which is now fully operational across each subsidiary, the Partners ability to source and interpret the business performance has increased significantly. The LLP Group undertakes a regular structured review of the performance via weekly KPI calls, monthly executive board meetings and a quarterly deep dive on performance with local management. Revenue, costs and cash flow performance are monitored against detailed local budget with whilst management are focused on KPIs to manage performance across the regions including:

Occupied Management Estate – the number of properties which occupied and managed by the Group decreased by 11% to 9,965 units (2018 : 11,084)

Total Letting revenue – revenue generated from letting related activities increased to £13,308k (2018 : £11,512k)

Estate Agency Sales – revenue generated from Estate Agency activity decreased to £4,208k (2018 : £4,954k)

Estate Agency Pipeline – the pipeline of estate agency sales had fallen to £1,186k (2018 : £1,283k).

Additional metrics are monitored on a regional basis by the local teams with particular focus on branch profitability, average market rents, average sales fees & volumes, monthly letting activity and landlord fees.

The directors reviewed the goodwill on the balance sheet at 31 December 2019 and concluded that an impairment of £6,433k was required across the LLP Group. These are deemed to be specific market related issues and the assertion regarding a useful economic life of 20 years across the rest of the Group remains valid.

DESIGNATED MEMBERS

The names of the designated members are listed on page 1, all of whom served throughout the year and up to the date of this report unless otherwise stated.

MEMBERS' DRAWINGS AND CAPITAL POLICY

The members' policy on drawings is dependent upon the working capital requirements of the LLP.

The level of members' capital is determined by the members from time to time. Capital is repaid to members on resignation from the LLP, or at such other time as is determined by the Board.

PRINCIPAL RISKS AND UNCERTAINTIES

Letting Market risk

The LCL Group operates in the Private Rental Sector ("PRS") and, therefore, responds to developments in that sector. The PRS is significant and is a market that has grown strongly over recent years and is forecast to continue to grow with the United Kingdom housing gap and fall in owner occupation supporting growth in the sector.

The current residential asset management market is highly fragmented both in terms of the number of agents and businesses offering a professional and comprehensive proposition to private and institutional investors. The LCL Group's ability to continue to consolidate in that market is reliant on having developed a professional acquisition and integration model to consolidate in the sector and to professionalise the service and broaden the offering to both private and institutional landlords.

Furthermore, the Group relies upon a stable landlord base as a core element of revenue. There are a number of headwinds facing UK residential landlords including increased property taxes and greater regulation, however the sector remains an attractive long-term UK investment asset given the growing move to rental properties, with limited supply driving attractive rents. The Lomond Group comprises high quality regional operators who are experienced in operating in changing market conditions and reacting to meet new risks. It is the Board's view that continued regulation is positive to protect both landlords and tenants and the Group's focus on high quality customer service, investment in operating systems and a track record of retaining high quality staff ensures the business is well positioned to benefit in an evolving market.

The estate agency market is cyclical and is currently at a historic low level of transactions due to the economic uncertainty and reduced confidence in the UK property market. Estate Agency is a material part of the Lomond business model and relies on transaction volumes to drive profitability. The directors are monitoring estate agency pipelines as a key KPI and responding to short term movements by ensuring the cost base can be flexed to meet market conditions. This includes reducing branch footprint and adjusting the payroll cost to be more flexible and performance related whilst retaining the ability to benefit from a future cyclical upturn. The Board believes that the medium term opportunity remains attractive and with greater certainty following the Election result in December 2019, look forward to benefiting from more stable market conditions.

Liquidity and cash flow risk

The LCL Group manages liquidity and cash flow risk by generating funds from its core activities and by having access to funding enabled by the banking facilities and inter-company loans provided by the wider overall Group, headed by Lomond Capital Partnership LLP, of which the Company is a subsidiary. The wider overall Group continues to develop and invest in its central finance function to ensure control over its liquidity and cash flow risk. This has included the completion of the roll out of the new Group wide operating system improving the management and forecasting via greater direct central control. The Board continues to enjoy the support of its funding partners and is subject to regular review of cash flow forecasting and KPIs which are critical to ensuring satisfactory liquidity and compliance with banking covenants.

Credit risk

The LCL Group manages the risk of loss owing to failure of customers or counterparties to meet payment obligations by effective monitoring and review against agreed credit limits. A credit risk assessment of the customer or counterparty is undertaken prior to approval of credit risk exposure. The introduction of the Group wide operating system has also allowed a consistent approach to reviewing tenant default and as a result has made continued improvement in debtor management processes.

Financial risk

Financial risk is managed through a monthly cycle of local and central reporting using appropriate financial and operational key performance indicators.

At an LCL Group level the Board monitors performance against its turnover and EBITDA whilst operationally the key performance metric is properties under management:

- Turnover decreased to £22,393k from £23,239k in 2018
- EBITDA decreased to £2,246k from £4,768k in 2018

- Properties under management decreased from11,084 (2018) to 9,965 (2019). During the year the Groupwide operating system improves the ability to analysis the property database with a view to improving efficiencies whilst providing an improved service to clients. The underlying estate continues to be relatively stable and performing in line with the wider market.

Following the disposal of the trading subsidiaries the members are progressing the orderly wind up of the LLP which will see the distribution of any excess cash members. Any trading risk has therefore been removed and all creditors, other than remaining members, have been settled with any remaining liabilities released.

GOING CONCERN

Following the sale of Lomond Capital No 2 Limited and its subsidiaries highlighted in Note 24, LLP no longer has any interest in any trading entity and it is the intention of the members to liquidate LLP in the first half of 2021. As a result the financial statements have not been prepared on a going concern basis however this has not impacted the presentation of any of the balances therein.

POST BALANCE SHEET EVENTS

Subsequent to the year end, the trading entities of the Group were sold on December 19, 2020 to a Newco established with funding from LDC, a UK based private equity investor. The acquisition will see the merger of the Group's trading entities with Linley & Simpson, an existing LDC investment based in Yorkshire. The transaction combines two market leading agency businesses with experienced management teams and results in national operator with considerable financial resources to continue the strategy of investing in high quality customer service whilst accelerating the acquisition plan to consolidate the UK property letting and sales market.

As a result, funds from the sale of the trading subsidiaries have been provided to LLP and used to settle creditors and repay members accounts. As at the date of signing LLP is the 100% shareholder in the Lomond Capital Limited, which, as a result of the transaction, is itself no longer trading and will be wound up in short order.

FUTURE DEVELOPMENTS

With the sale of the trading entities and liabilities settled, the remaining Members will seek the orderly wind up of LLP early in 2021.

MEMBERS' RESPONSIBILITES STATEMENT

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under these regulations the members 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 LLP and of the profit and loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, 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 LLP will continue in business. As explained in note 1c to the financial statements, the members do not believe the going concern basis to be appropriate and, in consequence, these financial statements have not been prepared on that basis.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions, disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LOMOND CAPITAL PARTNERSHIP LLP

MEMBERS' REPORT

For the year ended 31 December 2019

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 members and signed on their behalf by:

Stuart Pender
Designated Member
15 March 2021

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LOMOND CAPITAL PARTNERSHIP LLP

For the year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMOND CAPITAL PARTNERSHIP LLP

Opinion

We have audited the financial statements of Lomond Capital Partnership LLP ("the Limited Liability Partnership") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated and limited liability partnership balance sheets, consolidated statement of changes in members' interests, limited liability partnership statement of changes in members' interest, 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Limited Liability Partnership's affairs as at 31 December 2019 and of its 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 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

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 Limited Liability Partnership 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.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 1c to the financial statements which explains that following the disposal of all interests in trading subsidiaries after the balance sheet date, the members intend to liquidate the Limited Liability Partnership and therefore do not consider the Limited Liability Partnership to be a going concern. Accordingly the financial statements have been prepared on a basis other than that of going concern as described in Note 1c. Our opinion is not modified in this respect of this matter.

Other information

The Members are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. 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.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LOMOND CAPITAL PARTNERSHIP LLP

For the year ended 31 December 2019

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Limited Liability Partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited Liability Partnership's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement, the Members 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 Members 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 Members are responsible for assessing the Group and the Limited Liability Partnership'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 Members either intend to liquidate the Limited Liability Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

https://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 Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership'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 Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO

Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh, UK
Date: 15 MARCH 2021

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

LOMOND CAPITAL PARTNERSHIP LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

Continuing operations	Note	2019 £'000	2018 £'000
TURNOVER	3	22,210	23,226
Cost of sales		(1,039)	(1,671)
GROSS PROFIT		21,171	21,555
Administrative expenses		(27,640)	(23,201)
Other operating income		31	-
OPERATING LOSS	5	(6,438)	(1,646)
Interest receivable and similar income	6	67	38
Interest payable and similar charges	7	(5,680)	(4,461)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX AND MEMBERS' REMUNERATION		(12,051)	(6,069)
Tax (charge)/credit on loss on ordinary activities	8	(20)	39
LOSS ON ORDINARY ACTIVITIES BEFORE MEMBERS' REMUNERATION		(12,071)	(6,030)
Members' remuneration charged as an expense		(54)	(56)
LOSS FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		(12,125)	(6,086)
Loss and total comprehensive loss for the financial year attributable to:			
- Owners of the parent		(8,257)	(3,719)
- Non-controlling interests		(3,868)	(2,367)
		(12,125)	(6,086)

The accompanying notes form an integral part of these financial statements.

LOMOND CAPITAL PARTNERSHIP LLP

CONSOLIDATED AND PARTNERSHIP BALANCE SHEETS

As at 31 December 2019

		Group		LLP	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
FIXED ASSETS					
Intangible assets	9	17,145	25,139	-	-
Tangible assets	10	413	612	2	1
Investments	11	27	27	43	43
		17,585	25,778	45	44
CURRENT ASSETS					
Stock		2	1	-	-
Debtors	12	2,813	2,664	6,840	5,895
Investments - restricted	13	4,685	4,435	-	-
Cash at bank and in hand		1,898	2,982	236	720
Restricted client funds	14	9,176	9,756	-	-
		18,574	19,838	7,076	6,615
CREDITORS: amounts falling due within one year	15	(63,195)	(19,516)	(1,305)	(72)
NET CURRENT (LIABILITIES)/ASSETS		(44,621)	322	5,771	6,543
TOTAL ASSETS LESS CURRENT LIABILITIES		(27,036)	26,100	5,816	6,587
CREDITORS: amounts falling due after more than one year	16	(7)	(40,447)	-	(643)
PROVISIONS FOR LIABILITIES	17	(60)	(117)	-	-
NET (LIABILITIES)/ASSETS ATTRIBUTABLE TO MEMBERS		(27,103)	(14,464)	5,816	5,944
REPRESENTED BY:					
Loans and other debts due to members after more than one year		(17,306)	(8,535)	5,639	5,767
Members' capital classified as equity		177	177	177	177
TOTAL MEMBERS' INTERESTS		(17,129)	(8,358)	5,816	5,944
Non-controlling interests	18	(9,974)	(6,106)	-	-
TOTAL CAPITAL EMPLOYED		(27,103)	(14,464)	5,816	5,944

The accompanying notes form an integral part of these financial statements.

The LLP has elected to take the exemption under section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 not to present the LLP statement of comprehensive income. The profit for the LLP for the year was £416k (2018: £516k).

The financial statements of Lomond Capital Partnership LLP, registration number SO302064, were approved and authorised for issue by the members on 15 March 2021 and signed on its behalf by:

Stuart Pender
Designated member

LOMOND CAPITAL PARTNERSHIP LLP

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS

For the year ended 31 December 2019

	Members' capital classified as equity £'000	Other reserves £'000	Total £'000	Loans and other debts due by members £'000	Total members' interests £'000
At 1 January 2018	6,929	-	**6,929**	(11,065)	**(4,136)**
Loss for the financial year available for discretionary division among members	-	(3,719)	**(3,719)**	-	**(3,719)**
Minority interests transfer	-	81	**81**	-	**81**
Members' interests after loss for the financial year	6,929	(3,638)	**3,291**	(11,065)	**(7,774)**
Allocated losses	-	3,638	**3,638**	(3,638)	**-**
Repayment of loans	(6,649)	-	**(6,649)**	6,901	**252**
Return of capital	(103)	-	**(103)**	-	**(103)**
Drawings	-	-	**-**	(733)	**(733)**
At 31 December 2018	177	-	**177**	(8,535)	**(8,358)**
Loss for the financial year available for discretionary division among members	-	(8,257)	**(8,257)**	-	**(8,257)**
Members' interests after loss for the financial year	177	(8,257)	**(8,080)**	(8,535)	**(16,615)**
Allocated losses	-	8,257	**8,257**	(8,257)	**-**
Drawings	-	-	**-**	(514)	**(514)**
At 31 December 2019	177	-	**177**	(17,306)	**(17,129)**

The accompanying notes form an integral part of these financial statements.

PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS

For the year ended 31 December 2019

	Members' capital classified as equity £'000	Other reserves £'000	Total £'000	Loans and other debts due to/(by) members £'000	Total members' interests £'000
At 1 January 2018	6,929	-	**6,929**	(913)	**6,016**
Profit for the financial year available for discretionary division among members	-	516	**516**	-	**516**
Members' interests after profit for the financial year	6,929	516	**7,445**	(913)	**6,532**
Allocated profits	-	(516)	**(516)**	516	**-**
Repayment of loans	(6,649)	-	**(6,649)**	6,897	**248**
Return of capital	(103)	-	**(103)**	-	**(103)**
Drawings	-	-	**-**	(733)	**(733)**
At 31 December 2018	177	-	**177**	5,767	**5,944**
Profit for the financial year available for discretionary division among members	-	386	**386**	-	**386**
Members' interests after profit for the financial year	177	386	**593**	5,767	**6,330**
Allocated profits	-	(386)	**(386)**	386	**-**
Drawings	-	-	**-**	(514)	**(514)**
At 31 December 2019	177	-	**177**	5,639	**5,816**

The accompanying notes form an integral part of these financial statements.

LOMOND CAPITAL PARTNERSHIP LLP

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Loss on ordinary activities after tax	(12,125)	(6,086)
Adjustments for:		
Depreciation of tangible assets	246	452
Amortisation of intangible assets	1,592	1,723
Impairment of goodwill	6,433	2,728
Gain on sale of tangible assets	(19)	(10)
Charge to provisions	(57)	(32)
Interest receivable	(67)	(38)
Interest payable	5,680	4,461
Working capital movements:		
- Increase in stock	(1)	2
- Increase in debtors	(401)	(571)
- Decrease in creditors	(39)	2,383
Cash flows generated from operating activities before Tax	1,242	5,012
Income taxes paid	(158)	(167)
Net cash flows generated from operating activities	1,084	4,845
Cash flow from investing activities		
Purchase of subsidiary undertakings, trade and assets of companies (net of cash acquired)	-	(494)
Deferred consideration paid	(1,254)	(1,346)
Purchase of tangible assets	(71)	(146)
Proceeds from disposal of tangible assets	28	65
Interest received	67	38
Net cash used in investing activities	(1,230)	(1,883)
Cash flow from financing activities		
Interest paid	(1,239)	(1,267)
New hire purchase agreements	-	69
Repayment of obligations under hire purchase agreements	(175)	(161)
Repayment of senior term loan	(1,090)	(767)
Receipts from loan notes issued	1,500	3,375
Repayment from members' capital and loans	-	143
Members' drawings	(514)	(538)
Net cash (used by)/generated from financing activities	(1,518)	854

LOMOND CAPITAL PARTNERSHIP LLP

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Net (decrease)/increase in cash and cash equivalents	(1,664)	3,816
Cash and cash equivalents at 1 January	12,738	8,922
Cash and cash equivalents at 31 December	11,074	12,738
Cash and cash equivalents consist of:		
Cash at bank and in hand	1,898	2,982
Restricted client funds	9,176	9,756
	11,074	12,738

The accompanying notes form an integral part of these financial statements.

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 and preceding financial year, unless otherwise stated.

a) General information and basis of accounting

The entity is a limited liability partnership and is incorporated in Scotland, UK under the Limited Liability Partnership Act 2000. The address of the registered office of the Group and LLP is given on page 1. The nature of the Group and LLP's operations, its principal activities and registered number are set out in the members' report on page 2.

The financial statements are prepared under the historical cost convention, as modified to include certain items measured at fair value, and in accordance with FRS 102, issued by the Financial Reporting Council, the Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP) "Accounting by Limited Liability Partnerships", issued in December 2018.

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 LLP and its subsidiary undertakings drawn up to 31 December 2019. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as 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 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.

Prestige Property Management Limited (company registration number SC145324), Alba Residential Limited (company registration number SC212098), Bon Accord Leasing Limited (company registration number SC249409), K.W.A.D Property Managers Limited (company registration number SC213624), Thornley Groves (Sale) Limited (company registration number 03010497), Thornley Groves (NW) Limited (company registration number 03462809), Yvonne Moir Property Services Limited (company registration number SC246541), Vitalspace Manchester Limited (company registration number 08067491), Shepherd Gilmour Properties Limited (company registration number 03296278), Click-Let Limited (company registration number SC245187), Lomond Maintenance (Birmingham) Limited (company number registration 10773610), Lomond Maintenance (Manchester) Limited (company registration number 10773658), Lomond Capital No. 2 Limited (company registration number SC455640), Marwood Homes Limited (company registration number 04988668), Lettingplaces Limited (company registration number 03935233), Wolf's Limited (company registration number 04365152), Wolf's Property Sales Limited (company registration number 08109738), John Shepherd New Homes Limited (company registration number 03852134), Barlow Costley Limited (company registration number 06362081), Greenfend Limited (company registration number 05117752) and Brand Vaughan Limited (company registration number 05976765), all subsidiaries of the Group, have taken advantage of the exemption from the requirement to prepare individual financial statements in relation to dormant subsidiary companies contained in section 394A of the Companies Act 2006.

The LLP 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: Lomond Mortgages Limited (company registration number SC390469), Mountview Investments Limited (company registration number SC151792), Mountview Property (Scotland) Limited (company registration number SC476925), Managed Space Limited (company registration

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

b) Basis of consolidation (continued)

number SC250257), Bondsave Limited (company registration number SC138755), Lomond Maintenance Limited (company registration number SC428376), Thornley Groves Limited (company registration number 02674298), John Shepherd Lettings Limited (company registration number 06841027), John Shepherd Estate Agents Limited (company registration number 09704507), Thornley Groves Estate Agents Limited, (company registration number 07072190), Hallmark Residential Sales & Lettings Limited (company registration number 06163378), HBJ 381 Limited (company registration number SC180420), Cambridge Brand Vaughan Limited (company registration number 09467584) and Bonetts Estate Agents Limited (company registration number 02465069).

c) Going concern

Following the sale of Lomond Capital No 2 Limited and its subsidiaries highlighted as a post balance sheet event, LLP no longer has any interest in any trading entity, and it is the intention of the members to liquidate LLP in the first half of 2021. As a result the financial statements have not been prepared on a going concern basis however this has not impacted the presentation of any of the balances herein.

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. Revenue from fees and commission is recognised on an accruals basis.

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.

Other operating income represents rental income receivable during the year and is recognised over the period in respect of which the rent is due.

e) 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 balance sheet.

f) 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet date and that are expected to apply to the reversal of the timing difference.

g) 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 20 years. Provision is made for any impairment.

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

Management contracts

Management contracts are included at cost and depreciated in equal annual instalments over a period of 6 years which is their estimated useful economic life. Provision is made for any impairment.

Website and rebranding costs (other intangible assets)

The external costs incurred in relation to the rebrand and website build is capitalised and written off on a straight-line basis over its useful economic life, which is 5 years. Provision is made for any impairment.

h) 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	10% - 15% per annum (straight line basis)
Plant, equipment and vehicles	5% - 33% per annum (straight line 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.

j) Impairment of intangible and tangible fixed assets

At each balance sheet 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 estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

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.

k) Financial instruments

Basic financial instruments, including trade and other debtors, investment 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 Group 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Restricted client funds

In Scotland, cash balances, including monies received from tenants and landlords in respect of rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property, are held in separate bank accounts and are restricted from the Group's business cash.

Deposits received on behalf of landlords from tenants under property management contracts are held in separate client bank accounts and are restricted from the Group's business cash. The deposits are then registered with tenant deposit scheme. Once registered the monies are passed across to the deposit scheme and are not held on the Group's balance sheet.

In England, cash balances, including deposits received on behalf of landlords from tenants under property management contracts and other monies received from tenants and landlords for rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property, are held in separate bank accounts and are restricted from the Group's business cash.

Restricted current asset investments consist of client monies placed on deposit for a term of less than 12 months.

q) 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. Cash equivalents are represented by restricted client funds.

r) Members' interests

Members' capital is classified as equity in the balance sheet as these are defined as capital contributions which the LLP is not obliged to repay to its members.

Non-discretionary profit allocations are included in members' remuneration charged as an expense in the statement of comprehensive income, whilst discretionary profit allocations are classified as a division of profits within members' interests.

The members' policy on drawings is dependent upon the working capital requirements of the LLP.

The level of members' capital is determined by the members from time to time. Capital is repaid to members on resignation from the LLP, or at such other time as is determined by the Board.

2. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies the members 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 members 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.

Impairment of fixed assets

At each balance sheet date fixed assets, being tangible and intangible 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 estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Amortisation rates

The members review the useful economic life 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.

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.

Deferred tax

The Group has an unrecognised deferred tax asset of £59k (2018: £248k) in respect of unrelieved tax losses and £1,575k (2018: £1,089k) in respect of other timing differences which have not been recognised in the financial statements on the basis that there is insufficient evidence to suggest there will be suitable taxable profits to enable the deferred tax asset to be realised in the foreseeable future.

3. TURNOVER

	2019 £'000	2018 £'000
Management fees	14,152	14,129
Estate agency fees	4,223	5,348
Insurance and mortgages	560	544
Maintenance	3,246	3,162
Commissions	29	43
	22,210	23,226

4. STAFF COSTS

The average monthly number of persons (excluding members) employed by the Group during the year was:

	Group 2019 No	Group 2018 No	LLP 2019 No	LLP 2018 No
Lettings and estate agency	299	333	-	-
Maintenance	33	19	-	-
Administration	17	18	2	1
Directors of subsidiaries	18	9	-	-
	367	379	2	1

Their aggregate remuneration comprised:	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Wages and salaries	9,910	9,987	216	32
Social security costs	913	925	26	3
Pension costs	382	511	27	31
	11,205	11,423	269	66

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 £56k were outstanding at 31 December 2019 (2018: £40k).

The average number of members during the year was 11 (2018: 11).

5. OPERATING LOSS

Operating loss is arrived at after charging:	2019 £'000	2018 £'000
Operating lease rentals	1,633	1,585
Gain on sale of tangible assets	(19)	(10)
Depreciation	246	451
Amortisation of intangible assets	1,592	1,723
Impairment of intangible assets	6,433	2,728
Auditor's remuneration		
Fees payable to the LLP's auditor for the audit of the LLP and the Group's annual financial statements	7	9
Audit of the LLP's subsidiaries	78	67
Total audit fees	85	76
Fees payable to the LLP's auditor and its associates for other services:		
- Advisory	4	-
- Tax compliance services	10	46
- Tax advisory services	-	8
Total non-audit fees	14	54

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Bank interest	67	38

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
Senior debt	554	577
12% subordinated secured loan notes	2,284	1,606
25% subordinated secured loan notes	1,076	798
Mezzanine facility	1,308	1,071
Revolver facility	17	11
Series A loan notes	145	45
Hire purchase interest	19	35
Fair value loss on interest rate swap	-	10
Other interest and similar charges	277	308
	5,680	4,461

8. TAXATION

The tax charge/(credit) on the loss on ordinary activities for the year was as follows:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax at 19% (2018: 19%)	-	2
Adjustment in respect of prior periods	24	(28)
Total current tax charge/(credit)	24	(26)
Deferred tax		
Origination and reversal of timing differences	(25)	(14)
Effects of changes in tax rates	21	1
Total deferred tax	(4)	(13)
Total tax charge/(credit) on loss for the year	20	(39)

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

8. TAXATION (continued)

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(12,021)	(6,069)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	(2,284)	(1,153)
Effects of:		
Expenses not deductible for tax purposes	862	438
Income not taxable	(201)	(578)
Fixed asset timing differences	1,258	641
Adjustments to brought forward values	(2)	535
Movements in unrecognised deferred tax	303	170
Losses eliminated	104	-
Effect of change in tax rate	38	23
Effects of Group relief/other credits	-	10
Differences arising from partnership basis of taxation	(79)	(98)
Adjustments to tax charge in respect of prior years	44	(27)
Other tax adjustments	(23)	-
Tax charge/(credit) for the year	20	(39)

Finance Act (No.2) 2015 provided for a corporation tax rate of 19% from 1 April 2017, and Finance Act 2016 provided for a further reduction in the corporation tax rate to 17% from 1 April 2020. FRS 102 requires the Group to measure deferred tax using the tax rates that are expected to apply to the reversal of the timing difference. The Group has applied a corporation tax rate of 17% when calculating its deferred tax assets and liabilities as at 31 December 2019.

9. INTANGIBLE ASSETS

Group	Management contracts £'000	Goodwill £'000	Website and rebranding costs £'000	Total £'000
Cost				
At 1 January 2019	157	36,123	46	36,326
Additions	-	31	-	31
At 31 December 2019	157	36,154	46	36,357
Amortisation				
At 1 January 2019	157	10,990	40	11,187
Charge for the year	-	1,588	4	1,592
Impairment	-	6,431	2	6,433
At 31 December 2019	157	19,009	46	19,212
Net book value				
At 31 December 2019	-	17,145	-	17,145
At 31 December 2018	-	25,133	6	25,139

9. INTANGIBLE ASSETS (continued)

Other intangible assets include websites for both Edinburgh lettings and estate agency and rebranding of the Edinburgh and Aberdeen based businesses undertaken in 2014.

The impairment of goodwill relates to the reduction in the original consideration agreed for the purchase of Raeburn Christie Clark & Wallace Limited, Mountview Investments Limited, Thornley Groves Limited and Wolfs Lettings Limited.

LLP

The LLP had no intangible assets at 31 December 2019 (2018: £Nil).

10. TANGIBLE ASSETS

Group	**Leasehold property £'000**	**Plant, equipment & vehicles £'000**	**Total £'000**
Cost			
At 1 January 2019	547	791	1,338
Additions	11	60	71
Disposals	(24)	(584)	(608)
At 31 December 2019	534	267	801
Depreciation			
At 1 January 2019	184	542	726
Charge for the year	80	166	246
Disposals	(7)	(577)	(584)
At 31 December 2019	257	131	388
Net book value			
At 31 December 2019	277	136	413
At 31 December 2018	363	249	612

10. TANGIBLE ASSETS (continued)

LLP	Plant, equipment & vehicles £'000	Total £'000
Cost		
At 1 January 2019	62	62
Additions	2	2
At 31 December 2019	64	64
Depreciation		
At 1 January 2019	61	61
Charge for the year	1	1
At 31 December 2019	62	62
Net book value		
At 31 December 2019	2	2
At 31 December 2018	1	1

The net book value of assets held under finance leases included in leasehold property and plant, equipment and vehicles is £240k (2018: £352k). The depreciation charge for the year for assets held under finance leases is £82k (2018: £102k).

11. INVESTMENTS

Group

The Group's investments of £27k (2018: £27k) represent loan note deposits held by the Group's subsidiaries Thornley Groves Limited, Cambridge Brand Vaughan Limited and John Shepherd Estate Agents Ltd.

LLP

Investments in subsidiaries	Total £'000
Net book value	
At 1 January and 31 December 2019	43

Subsidiary undertakings

At 31 December 2019 the LLP had interests in the following subsidiaries below:

11. INVESTMENTS (continued)

Subsidiaries	**Type of shares held**	**Proportion held (%)**	**Country of incorporation**	**Nature of business**
Lomond Maintenance Limited*^	Ordinary	100%	United Kingdom	Property Maintenance
Prestige Property Management Limited*^	Ordinary	100%	United Kingdom	Non-Trading
Alba Residential Limited*^	Ordinary	100%	United Kingdom	Non-Trading
Shepherd Gilmour Properties Limited* β	Ordinary	75%	United Kingdom	Non-Trading
Barlow Costley Limited* β	Ordinary	75%	United Kingdom	Non-Trading
Lomond Mortgages Limited*^	Ordinary	100%	United Kingdom	Mortgage advice services
Vitalspace Manchester Limited* β	Ordinary	75%	United Kingdom	Non-Trading
Thornley Groves Estate Agents Limited* β	Ordinary	75%	United Kingdom	Intermediate holding company
Thornley Groves (Sale) Limited* β	Ordinary	75%	United Kingdom	Non-Trading
Thornley Groves (NW) Limited* β	Ordinary	75%	United Kingdom	Non-Trading
HBJ 381 Limited*^	Ordinary	100%	United Kingdom	Intermediate holding company
Bon Accord Leasing Limited*^	Ordinary	93%	United Kingdom	Non-Trading
Yvonne Moir Property Services Limited*^	Ordinary	93%	United Kingdom	Non-Trading
K.W.A.D Property Managers Limited*^	Ordinary	93%	United Kingdom	Non-trading
Lomond Capital No.2 Limited*^	Ordinary	100%	United Kingdom	Intermediate holding company
Lomond Capital No.1 Limited*^	Ordinary	100%	United Kingdom	Intermediate holding company
John Shepherd Estate Agents Limited* Ω	Ordinary	80%	United Kingdom	Estate agency
Lomond Property Lettings Limited*^	Ordinary	100%	United Kingdom	Intermediate holding company
Bondsave Limited*^	Ordinary	100%	United Kingdom	Property management services
Click-Let Limited*^	Ordinary	100%	United Kingdom	Non-trading
Thornley Groves Limited * β	Ordinary	75%	United Kingdom	Property management services
Mountview Investments Limited*^	Ordinary	93%	United Kingdom	Property management services
Managed Space Limited *^	Ordinary	93%	United Kingdom	Property maintenance
Mountview Property (Scotland) Limited*^	Ordinary	93%	United Kingdom	Property management services

11. INVESTMENTS (continued)

Subsidiaries	Type of shares held	Proportion held (%)	Country of incorporation	Nature of business
John Shepherd Lettings Limited* Ω	Ordinary	80%	United Kingdom	Property management services
Marwood Homes Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
John Shepherd New Homes Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
Lettingplaces Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
Wolf's Limited * Ω	Ordinary	80%	United Kingdom	Non-trading
Wolf's Property Sales Limited * Ω	Ordinary	80%	United Kingdom	Non-trading
Lomond Capital Limited^	Ordinary	100%	United Kingdom	Intermediate holding company
Hallmark Residential Sales & Lettings Limited * β	Ordinary	75%	United Kingdom	Non-trading
Cambridge Brand Vaughan Limited*~	Ordinary	80%	United Kingdom	Property management services
Greenfend Limited *~	Ordinary	80%	United Kingdom	Non-trading
Brand Vaughan Limited*~	Ordinary	80%	United Kingdom	Non-trading
Bonetts Estate Agents Limited*~	Ordinary	80%	United Kingdom	Non-trading
Lomond Maintenance (Birmingham) Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
Lomond Maintenance (Manchester) Limited* β	Ordinary	75%	United Kingdom	Non-trading

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

^ The registered address of the company is 32 Charlotte Square, Edinburgh, Scotland, EH2 4ET.

β The registered address of the company is 16-18 Lloyd Street, Altrincham, England, WA14 2DE.

Ω The registered address of the company is 33 Colmore Row, Birmingham, England, B3 2BS.

~ The registered address of the company is 117-118 Western Road, Hove, England BN3 1DB.

12. DEBTORS

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Trade debtors	1,511	1,493	11	23
Amounts due from Group undertakings	-	-	6,806	5,855
Other debtors	437	463	-	-
Amounts owed by related parties (note 22)	30	30	14	14
Corporation tax recoverable	125	-	-	-
Prepayments	680	648	4	3
VAT recoverable	30	30	5	-
	2,813	2,664	6,840	5,895

Trade debtors are stated after provisions for impairment throughout the Group of £128k (2018: £22k).

Amounts due from Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

13. INVESTMENTS

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Fixed term cash deposits of client funds (restricted)	4,685	4,435	-	-

Fixed term cash deposits are measured at amortised cost and relate to deposits received on behalf of landlords from tenants under property management contracts for the Group's lettings business based in England. Such monies are held in separate client bank accounts and are restricted from the Group's business cash. The fixed term cash deposits have an original maturity of 12 months or less. The interest rate was 0.93% (2018: 1.6%).

14. RESTRICTED CLIENT FUNDS

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Restricted client funds	9,176	9,756	-	-

Included within restricted client cash balances are deposits received on behalf of landlords from tenants under property management contracts. Such monies are held in separate client bank accounts and are restricted from the Group's business cash. The deposits are then registered with tenant deposit schemes. In relation to Scotland, once registered the monies are passed across to the deposit scheme once registered and are not held on the balance sheet.

In England, the monies are retained on the balance sheet once they are registered with a deposit scheme.

Also held within the restricted cash balances, in separate client bank accounts, are other monies received from tenants in respect of rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Clydesdale revolver facility	500	504	-	-
Clydesdale senior term loan	9,418	-	-	-
Mezzanine term loan	9,716	-	-	-
0% secured subordinated loan note	75	-	-	-
12% secured subordinated loan notes	19,380	-	-	-
25% secured subordinated loan notes	6,741	-	1,243	-
Series A loan notes	386	-	-	-
Hire purchase liability	117	179	-	-
Amounts owed to clients	13,861	14,191	-	-
Trade creditors	848	848	25	24
Corporation tax	-	9	-	-
Other taxes and social security	939	1,059	4	22
Other creditors	9	84	-	-
Accruals and deferred income	1,060	1,245	33	26
Deferred consideration	145	1,397	-	-
	63,195	19,516	1,305	72

Revolver facility

The Group had a revolving credit facility with Clydesdale Bank plc to cover working capital and liquidity commitments. It was repaid on 16 October 2018. The Group took out a new revolver facility on 31 October 2018. Interest is charged at 4.301% per annum. It is secured by a floating charge over the assets of the principal trading subsidiaries. The Revolver was repaid in full as part of the transaction referred to in Note 24.

Senior term loan

The senior term loan with Clydesdale Bank plc of £10,560,000 is split into two tranches, tranche A of £3,514,000 and tranche B of £7,046,000. Tranche A accrues interest on a quarterly basis at LIBOR plus 3.5%. Tranche B accrues interest on a quarterly basis at LIBOR plus 3.95%. The senior term loan is measured at amortised cost. The Senior Term Loan was repaid as part of the transaction referred to in Note 24

Mezzanine term loan

The senior term loan of £8,000,000 with Tosca was drawn down in March 2017. The loan accrues interest on a monthly basis at LIBOR plus 12%. The cash interest is charged at a fixed rate of 6% and is repaid quarterly and the compounded interest is charged at 6% plus LIBOR. The Mezzanine Term Loan was repaid as part of the transaction referred to in Note 24

0% secured subordinated loan note

The 0% secured subordinated loan note was issued on 1 January 2017 and is measured at amortised cost. The loan note is secured by a floating charge and a debenture over the assets of the LLP and its principal trading subsidiaries. The loan note was repaid and security released as part of the transaction referred to in Note 24

12% secured subordinated loan notes

The 12% secured subordinated loan notes were issued to MML Capital Partners LLP on 31 July 2015, 13 August 2019 and 27 September 2019 and are measured at amortised cost. Interest accrues on the principal amount at 12% per annum and is payable on redemption. The loan notes are secured by a floating charge and a debenture over the assets of the Company and its principal trading subsidiaries. The loan note was repaid and security released as part of the transaction referred to in Note 24.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

25% secured subordinated loan notes

The 25% secured subordinated loan notes were issued on 22 January 2016 and 30 April 2018 and are measured at amortised cost. Interest accrues on the principal amount at 25% per annum and is payable on redemption. The loan notes are secured by a floating charge and a debenture over the assets of the company and its principal trading subsidiaries, and are due to be redeemed on 30 September 2020.

The loan notes are secured by a floating charge and debenture over the assets of the LLP and its principal trading subsidiaries. The loan note was repaid and security released as part of the transaction referred to in Note 24

Series A loan notes

At 31 December 2019 Series A loan notes of £177k (2018: £168k) were due to Roger Lane-Smith, a designated member of the LLP (note 22) and £209k (2018: £197k) to the Betsy Aubrey Trust. The Series A loan notes were repaid and security released as part of the transaction referred to in Note 24.

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

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Amounts falling due between one and five years:				
0% secured subordinated loan note	-	75	-	-
12% secured subordinated loan notes	-	15,874	-	-
25% secured subordinated loan notes	-	4,847	-	643
Series A loan notes	-	366	-	-
Hire purchase liability	7	119	-	-
Senior term loan	-	10,371	-	-
Mezzanine term loan	-	8,795	-	-
Total creditors falling due after more than one year	7	40,447	-	643

Hire purchase

The Group had the following future minimum lease payments under non-cancellable hire purchase contracts for each of the following periods:

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Not later than one year	123	213	-	-
Later than one year and not later than five years	7	113	-	-
Total gross payments	130	326	-	-
Less: finance charges	(6)	(28)	-	-
Carrying amount of liability	124	298	-	-

The hire purchase contracts relate to motor vehicles and property improvements. Hire purchase liabilities are secured by the related assets held under hire purchase contracts (see note 10). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

17. PROVISIONS FOR LIABILITIES

Group	Onerous leases £'000	Deferred tax £'000	Total £'000
At 1 January 2019	100	17	117
Deferred tax credited to the statement of comprehensive income	-	(4)	(4)
Released to the statement of comprehensive income	(53)	-	(53)
At 31 December 2019	47	13	60

Onerous lease provisions

Where leasehold properties become vacant, the Group provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal of the sublease. This provision relates to the estimated time to effect disposal of various leases held by the Group's subsidiaries.

Deferred tax

Deferred tax is provided as follows:

Group	2019 £'000	2018 £'000
Accelerated capital allowances	19	32
Other timing differences	(2)	(1)
Tax losses available	(4)	(34)
Capital gains	-	20
	13	17
Deferred tax (assets)		
Recoverable within 12 months	(6)	(35)
Deferred tax liabilities		
Payable within 12 months	19	52

The Group has an unrecognised deferred tax asset of £59k (2018: £248k) in respect of unrelieved tax losses and £1,575k (2018: £1,089k) in respect of other timing differences which have not been recognised in the financial statements on the basis that there is insufficient evidence to suggest there will be suitable taxable profits to enable the deferred tax asset to be realised in the foreseeable future.

LLP

The LLP had no provisions at 31 December 2019 (2018: £nil).

18. NON-CONTROLLING INTERESTS

Group	2019 £'000	2018 £'000
At 1 January	(6,106)	(3,658)
Share of loss on ordinary activities after tax	(3,868)	(2,367)
Transfer	-	(81)
At 31 December	(9,974)	(6,106)

19. FINANCIAL INSTRUMENTS

	Note	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Financial assets measured at amortised cost:					
- Investments	11	27	27	43	43
- Trade debtors	12	1,511	1,493	11	23
- Amounts owed by Group undertakings	12	-	-	6,806	5,855
- Amounts owed by related parties	12	30	30	14	14
- Other debtors	12	437	463	-	-
- Cash at bank and in hand		1,898	2,982	236	720
- Restricted client funds	14	9,176	9,756	-	-
- Investments in fixed term deposits	13	4,685	4,435	-	-
		17,764	19,186	7,110	6,655
Financial liabilities measured at amortised cost:					
- Hire purchase	15,16	124	298	-	-
- Amounts owed to clients	15	13,861	14,191	-	-
- Loans	15,16	46,216	40,832	1,243	643
- Trade creditors	15	848	848	25	24
- Accruals	15	1,060	932	33	26
- Other creditors	15	9	84	-	-
- Deferred consideration	15	145	1,397	-	-
		62,263	58,582	1,301	693

20. FINANCIAL COMMITMENTS

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

	Group 2019 £'000	Group 2018 £'000	LLP 2019 £'000	LLP 2018 £'000
Payments due:				
Not later than one year	1,118	1,178	-	-
Later than one year and not later than five years	1,821	3,099	-	-
Later than five years	186	769	-	-
	3,125	5,046	-	-

21. CONTINGENT LIABILITIES

The subsidiaries of the LLP are subject to a cross guarantee arrangement with certain other Group companies in respect of bank borrowings. Total bank borrowings of the Group as at 31 December 2019 were £17,790k (2018: £19,060k).

22. RELATED PARTY TRANSACTIONS

The Group paid rent of £92k for two offices in the current year to a company partially owned by a director of the Group (2018: £90k). £1k was outstanding at 31 December 2019 in relation to this transaction (2018: £Nil).

In the prior year a subsidiary of the Group, Lomond Maintenance Limited, carried out refurbishment work for a member of the LLP totalling £21k. £Nil was outstanding at 31 December 2019 (2018: £21k) in relation to this transaction.

In 2013 the Group issued Series A loan notes to Roger Lane-Smith, a member of the LLP. £177k remains outstanding at 31 December 2019 (2018: £168k).

On the 1 January 2017 the Group issued 0% secured subordinated loan notes of £75k to Stuart Pender, a designated member of the LLP. At 31 December 2019 there was no accrued interest on the loan (2018: £Nil). The full £75k was outstanding at 31 December 2019 (2018: £75k).

In 2016 the Group issued 25% secured subordinated loan notes of £500k to Stuart Pender, a designated member of the LLP (2018: £500k). On the 29 March 2017 the full amount was repaid. At 31 December 2019 accrued interest on the loan notes amounted to £155k (2018: £155k). The accrued interest balance of £155k was outstanding at 31 December 2019 (2018: £155k).

In 2016 the Group issued 25% secured subordinated loan notes of £15k to Robert Hamilton, a designated member of the LLP (2018: £15k). At 31 December 2019 accrued interest on the loan notes amounted to £21k (2018: £14k). At 31 December 2019 accrued interest of £21k (2018: £14k) and the full principal of £15k (2018: £15k) were due.

In 2016 the Group issued 25% secured subordinated loan notes of £23k to Roger Lane-Smith and £43k to Vernon Powell, both members of the LLP. At the 31 December 2019 accrued interest of £32k (2018: £21k) was due on Roger Lane-Smith's loan note along with the full principal of £23k (2018: £23k). At 31 December 2019 accrued interest of £60k (2018: £40k) was due on Vernon Powell's loan note along with the full principal of £43k (2018: £43k).

On 18 December 2018 the LLP issued 25% secured subordinated loan notes of £650k to Stuart Pender, a designated member of the LLP. At 31 December 2019 £84k (2018: £3k) of accrued interest was due on the loan note along with the full principal of £650k (2018: £650k).

During the year, the LLP entered into transactions with Lomond Investment Management Limited, a company in which designated members, Stuart Pender and Roger Lane-Smith, are directors. At 31 December 2019 £14k was due from Lomond Investment Management Limited (2018: £14k).

22. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts in 'Loans and other debts due to members' are unsecured and rank equally with debts due to other unsecured creditors in a winding up. There are no restrictions or limitations of the members to reduce the amount of members' other interests.

The total remuneration for key management personnel who served as members during the year was £54k (2018: £56k).

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

The LLP does not have a parent undertaking. The ultimate controlling entity of the Group is considered to be the members in aggregate.

23. NET DEBT RECONCILIATION

	1 January 2019 £'000	Cash Flows £'000	Non-cash changes £'000	31 December 2019 £'000
Cash at bank in hand	2,982	(1,084)	-	1,898
Obligations under finance leases	(298)	174	-	(124)
Bank loans (less than one year)	(504)	(406)	(44,035)	(44,945)
Bank loans (more than one year)	(39,492)	-	39,492	-
	(37,312)	(1,316)	(4,543)	(43,171)

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

24. POST BALANCE SHEET EVENTS

Subsequent to the year end, the Group completed the sale of its trading subsidiaries on December 19, 2020 to a Newco established with funding from LDC, a UK based private equity investor. The acquisition will see the merger of the Group's trading subsidiaries with Linley & Simpson, an existing LDC investment based in Yorkshire. The transaction combines two market leading agency businesses with experienced management teams and results in national operator with considerable financial resources to continue the strategy of investing in high quality customer service whilst accelerating the acquisition plan to consolidate the UK property letting and sales market.

As a result, funds from the sale of the trading subsidiaries have been provided to LLP and used to settle creditors and repay Members' accounts. As at the date of signing LLP is the 100% shareholder in the LCL Group, however these are now non trading and will be wound up in short order.