



ONE HERITAGE GROUP PLC

Interim report for the six months ended 31 December 2022

27 March 2023

CHIEF EXECUTIVE'S REVIEW

We have made further progress on our strategic objectives during the first half of our financial year, including, most notably, the completion of our first major development project, Lincoln House, Bolton, as announced in August 2022. Post period, in March 2023, another milestone was achieved, with the practical completion of County House, Oldham, our first project acting as Development Manager.

Our Full Year results statement, published in October 2022, noted that the Group had been affected by industry-wide challenges, including the higher cost of building materials and a shortage of sub-contractor labour. This consequently led to the impairment of two of our development projects in that period. In our January 2023 trading update, we confirmed that a further development, Oscar House in Manchester, was also likely to be impaired, with the higher cost of debt and construction-related cost increases being prominent factors.

Our Construction Services Department has three principal revenue streams: in-house refurbishment of two group developments (St Petersgate, Stockport and Bank Street, Sheffield); development of co-living properties; and the refurbishment of Queen Street, Sheffield, a project where the group is appointed as Development Manager. Following a strategic review, we have decided to cease our participation in in-house construction of residential development projects, and this will take effect upon the completion of our current projects under construction in Q3 calendar year 2023. We will continue to provide the development of co-living projects but have chosen a new approach to the delivery of our development projects by appointing a principal contractor, which we believe will deliver the best shareholder value.

The results for the period reflect only one development completion reached, and the legal completion of property sales has taken longer than expected due to several factors. We are expecting a strong second half to our financial year ending 30 June 2023, as we benefit from the revenue of our property sales across our completed development projects. Overall, I am pleased with how the team has adapted to the challenges faced and there are some important changes being planned upon which I look forward to providing updates in due course. We are in a far stronger position as we strengthen our internal processes and controls, adapt our strategy, and refine our delivery. This bodes well for the future, but we remain cautious concerning the economic challenges the country continues to face and how this impacts our industry.

The following strategic objectives have been in place during the period under review and the progress of each is set out below.

DELIVER OUR EXISTING DEVELOPMENT PROJECTS

Below is a current summary of existing development projects:

Project	Location	Residential units	Commercial units	Gross Development Value (£m)	Expected Completion	Reservations
Lincoln House	Bolton	88	0	10.0	Complete	56
Churchgate	Leicester	15	1	3.1	under assessment	Not released
Oscar House	Manchester	27	0	6.2	H1 2023	27
Bank Street	Sheffield	23	0	3.9	H1 2023	20
St Petersgate	Stockport	18	1	3.0	H1 2023	18
Seaton House	Stockport	30	0	5.6	H2 2024	Not released
Victoria Road	Eccleshill	24	0	6.5	H2 2024	Not released
		225	2	38.3		

Having completed Lincoln House, Bolton in September 2022, three more of the Group's own developments are expected to complete within the calendar year ending 31 December 2023. These are Bank Street, Sheffield and Oscar House, Manchester, which are expected to complete in April 2023 and St Petersgate, Stockport, where completion is anticipated in June 2023.

There are three other projects within the development pipeline and each is at a different stage. Churchgate, Leicester, had planning permission granted in August 2022, but considering the impact of higher construction costs and the size of the development i.e. 15 units, the Board has decided to reassess whether the delivery of the project is in the best interests of the business. Victoria Road, Eccleshill, West Yorkshire, the Group's first venture into new build housing, has the benefit of planning permission for 24 houses and is in the pre-construction phase of development. Seaton House, Stockport, has

a planning application pending with a decision expected imminently. Construction is now expected to start in the second half of 2023.

Following the signing of the Group's fourth Development Management agreement in April 2022 for One Victoria, Manchester, construction of 129 apartments is expected to commence in April 2023.

Changes have been made to improve the delivery of our development projects, in response to lessons learned from our projects to date and to adapt to challenging market conditions. Since the departure of the development director, our development team has been restructured and in January 2023 we brought in a highly experienced Interim Development Director. Further senior appointments have been made in the form of a Head of Projects and an Acquisitions Lead, with more hires expected over the coming months to further strengthen the team.

SECURE PRE-SALES WHERE WE CAN THROUGH OUR SALES NETWORK

At our completed development, Lincoln House, Bolton, there were 27 completed sales by the end of December 2022. A further 29 completions are expected in the first half of 2023 and 32 remain available for sale. These available units are fully let and generating rental income for the Group whilst we consider offers. Importantly, the completed unit sales have enabled us to reduce the Lincoln House construction finance debt to £0.28m at H1 FY23 (June FY22: £2.44m). This residual debt of £0.28m has been fully repaid post half year end.

It is encouraging to report that sales on our projects under construction have been strong. There is an agreement for sale of all 27 apartments at Oscar House, Manchester. Bank Street, Sheffield, has 20 of 23 apartments sold and at St Petersgate, Stockport, all 18 units are pre-sold.

INCREASE REVENUE GENERATED THROUGH THE GROUP'S SERVICES

Our property services team continues to establish the infrastructure needed to accommodate the increase in volume of properties under management. Investment has been made in a new Customer Relationship Management system and accreditations have been gained for industry-recognised Money Shield and Property Ombudsman schemes. The property management function of the business has become well established and I expect the properties under management to continue to grow and generate increased revenue.

Additional sources of revenue include property sourcing which has seen steady growth over recent months with marketing for our services commencing in Hong Kong. This sourcing service is specific to overseas investors and tailored to their particular needs.

Development Management revenue for the Group increased following our appointment to deliver One Victoria, Manchester, which is a new build development of 129 units. Development Management continues to offer a strong source of revenue for the Group, and also includes construction finance arrangement fees and a profit share on the conclusion of each project. The first development management project completed post half year end, was a conversion of Oldham County Court into 42 residential apartments.

The Group provides Co-Living services which generate revenue through sourcing, property transactions and project management. We have restructured how we deliver these services, which saw some delays for a few months towards the end of 2022 as we paused operations to renegotiate contracts with external suppliers.

GROW THE DEVELOPMENT PIPELINE

During the period under review, the Group acquired land at Victoria Road, Eccleshill, West Yorkshire with planning consent for 24 houses comprising a mixture of 2, 3 and 4 bedrooms. The project is the first new build housing development for the Group and adds diversification to the portfolio.

Work to grow the development pipeline is ongoing and the timing of future acquisitions will be important to deliver best value.

OUTLOOK

The outlook remains positive for the property market, with the North of England continuing to perform well. Savills' long term forecast to 2027 for the UK rental market projects a 6.2% increase in the capital value of the UK second-hand market. The North West and Yorkshire are in the top three leading regions for growth each with forecasted increases of 11.7%. Over the five-year period, the rental value for the UK excluding London is forecast to grow by 18.3%. There also continues to be demand emanating from a long-term lack of supply of new housing throughout the country. With inflation continuing to increase construction prices over the last year, and with land prices remaining stable, there is pressure on the industry, but we are seeing signs of improvement that give us confidence moving into the second half of 2023.

Whilst we remain cautious of the challenging market conditions, the changes made to the business, including adding even greater property development experience and different skills to our team, put us in a stronger position as we look to the future. We remain on track to deliver strong revenue for the FY 2023, driven by our robust pipeline of property sales expected to start coming through in the second quarter of 2023.

FINANCE REVIEW

For the six months ended 31 December 2022, revenue increased by £5.60m (+3,760%) to £5.75m (H1 2022: £0.15m). This primarily reflects significant growth in sales along with construction services.

Revenue	H1 FY23 £m	H1 FY22 £m	Change £m	Change %
Development management fee	0.23	0.12	0.11	+94%
Development sales	3.29	0.00	3.29	-
Construction *	1.89	0.00	1.89	-
Property Services	0.28	0.03	0.25	+784%
Corporate	0.06	0.00	0.06	-
TOTAL	5.75	0.15	5.60	+3,760%

* Construction revenue in in-house residential development projects to be discontinued from Q3 calendar year 2023. Construction revenues from the refurbishment of co-living properties will continue.

Developments sales revenue remained the largest contributor to Group revenue, accounting for 57% of total revenue. This significant growth was driven mainly by the contributions from Lincoln House, Bolton, which practically completed and delivered 27 legal sales completions in the period.

Construction Services delivered revenue of £1.89m in the period (H1 2022: £0.0m), reflecting building activity supplied to related parties Robin Hood Ltd on Co-living properties and Queen Street, Sheffield, a refurbishment project where the group is Development Manager. There was also an increase in development management fee income of £0.11m to £0.23m (H1 2022: £0.12m), and this was delivered from three projects: North Church House, Sheffield; the Tower, Salford and One Victoria, Salford.

Property Services also saw an increase over the same period last year from £0.03m in H1 2022 to £0.28m in H1 2023. This was driven by management fees and transaction fees.

Gross profit reduced by £0.42m to a loss of £0.28m (H1 2022: profit £0.14m) due to an impairment in the period of £1.10m. This was as a result of a number of factors: delays across three of our projects during the period under review; cost increases, mostly attributed to rising construction costs on projects where we act as principal contractor; and increased financing costs impacted by the delays and fees for extensions. There has been a number of significant changes implemented to reporting, risk management and operational delivery, to better protect the Group from similar challenges in the future. Gross margin was 4.87% (H1 2022: +95.3%), which is predominantly due to the impact of the impairment to profits in the period.

Administrative expenses were £1.13m in the period (H1 2022: £0.71m). This represents an overall £0.42m increase in overheads arising from an increase in average headcount of 28 employees (H1 2022: 23) along with increased recruitment costs. The Group remains focused on tight control of overheads, whilst introducing some investment in cost to benefit revenue streams. Administrative expenses as a proportion of revenue were 19.7% in H1 2023. H1 2022 administrative expenses were 476.94% on lower revenues.

The operating loss increased by £0.90m to a loss of £1.41m (H1 2022: loss of £0.52m). Finance costs were £0.16m (H1 2022: £0.01k). The increase in finance cost is attributable to the Lincoln House development reaching practical completion in August 2022, and all finance costs since then are to be expensed and not capitalised. Basic loss per share was 4.1 pence (H1 2022: loss 1.6 pence).

Net debt at 31 December 2022 was £17.73m (30 June 2022: £14.95m). The increase over the six-month period primarily reflects an increase in working capital, with significant work-in-progress at the period end for delivery in the second half of the year and in the next financial year. The Group continues to have a very strong relationship with the majority shareholder, One Heritage Hong Kong (OHHK), and the funding facility provided by OHHK had a drawn down amount of £9.04m at the period end. On 17th January 2023, the loan facility was increased to £11.00m, to provide extra short-term headroom to December 2024. It is expected that the utilisation of this facility will reduce as our completions and sales crystallise over the remainder of H2 FY23.

On 7 July 2022 the Group issued 6.25m new ordinary share of 1.0 pence each at an issue price of 20.0 pence per share, raising gross proceeds of £1.25m.

RISK MANAGEMENT AND PRINCIPAL RISKS

The ability of the Group to operate effectively and achieve its strategic objectives is subject to a range of potential risks and uncertainties. The Board and the broader management team take a pro-active approach to identifying and assessing internal and external risks. The potential likelihood and impact of each risk is assessed and mitigation policies are set against them that are judged to be appropriate to the risk level. Management constantly updates plans and these are monitored by the Audit and Risk Committee and reported to the Board.

The principal risks that the Board sees as impacting the Group in the coming period are divided into six categories, and these are set out below together with how the Group mitigates such risks.

1. Strategy: Government regulation, planning policy and land availability.
2. Delivery: Inadequate controls or failures in compliance will impact the Group's operational and financial performance.
3. Operations: Availability and cost of raw materials, sub-contractors and suppliers.
4. People and culture: Attracting and retaining high-calibre employees.
5. Finance & Liquidity: Availability of finance and working capital.
6. External Factors: Economic environment, including housing demand and mortgage availability.

1. Strategy: Government regulation, planning policy and land availability

A risk exists that changes in the regulatory environment may affect the conditions and time taken to obtain planning approval and technical requirements including changes to Building Regulations or Environmental Regulations, increasing the challenge of providing quality homes where they are most needed. Such changes may also impact our ability to meet our margin or site return on capital employed (ROCE) hurdle rates (this ratio can help to understand how well a company is generating profits from its capital as it is put to use). An inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations to enhance communities, could affect our ability to grow sales volumes and/or meet our margin and site ROCE hurdle rates. The Group mitigates against these risks by liaising regularly with experts and officials to understand where and when changes may occur. In addition, the Group monitors proposals by Westminster to ensure the achievement of implementable planning consents that meet local requirements and that exceed current and expected statutory requirements. The Group regularly reviews land currently owned, committed and pipeline prospects, underpinned with robust key business control where all land acquisitions are subject to formal appraisal and approved by the senior executive team.

2. Delivery: Inadequate controls or failures in compliance will impact the Group's operational and financial performance

A risk exists of failure to achieve excellence in construction, such as design and construction defects, deviation from environmental standards, or through an inability to develop and implement new and innovative construction methods. This could increase costs, expose the Group to future remediation liabilities, and result in poor product quality, reduced selling prices and sales volumes.

To mitigate this the Group liaises with technical experts to ensure compliance with all regulations around design and materials, along with external engineers through approved panels. It also has detailed build programmes supported by a robust quality assurance.

3. Operations: Availability and cost of raw materials, sub-contractors and suppliers

A risk exists that not adequately responding to shortages or increased costs of materials and skilled labour or the failure of a key supplier, may lead to increased costs and delays in construction. It may also impact our ability to achieve disciplined growth in the provision of high quality homes.

Following a strategic review, the Group has taken the opportunity to cease our participation in in-house construction of residential development projects, and this will take effect upon the completion of our current projects under construction. We will continue to provide the development of co-living projects but have chosen a new approach to the delivery of our development projects by appointing a principal contractor after a period of due diligence, which we believe will deliver the best shareholder value.

4. People and culture: Attracting and retaining high-calibre employees

A risk exists that increasing competition for skills may mean we are unable to recruit and/or retain the best people. Having sufficient skilled employees is critical to delivery of the Group's strategy whilst maintaining excellence in all of our other strategic priorities.

To mitigate this the Group has a number of People Strategy programmes which include development, training and succession planning, remuneration benchmarking against competitors, and monitoring of employee turnover, absence statistics and feedback from exit interviews.

5. Finance & Liquidity: Availability of finance and working capital

A risk exists that lack of sufficient borrowing and surety facilities to settle liabilities and/or an ability to manage working capital, may mean that we are unable to respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities.

To minimise this risk the Group has a disciplined operating framework with an appropriate capital structure, and management have stress tested the Group's resilience to ensure the funding available is sufficient. This process has regular management and Board attention to review the most appropriate funding strategy to drive the Group's growth ambitions. We have regular monthly Treasury updates, and we gain market intelligence and availability of finance from experienced sector Treasury advisers.

6. External Factors: Economic environment, including housing demand and mortgage availability

A risk exists that changes in the UK macroeconomic environment may lead to falling demand or tightened mortgage availability, upon which most of our customers are reliant, thus potentially reducing the affordability of our homes. This could result in reduced sales volumes and affect our ability to deliver profitable growth.

To mitigate this risk the wider Group has a significant presence in Hong Kong, China and Singapore and the majority of overseas purchasers are cash buyers. The Group continually monitors the market at Board, Executive Committee and team levels, leading to amendments in the Group's forecasts and planning, as necessary. In addition there are comprehensive sales policies, regular reviews of pricing in local markets and development of good relationships with mortgage lenders. This is underpinned by a disciplined operating framework with an appropriate capital structure and strong balance sheet.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;
- the interim management report includes a fair review of the information required by:
 - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of One Heritage Group PLC are listed on the company website, www.oneheritageplc.com

By order of the Board

Jason Upton

Chief Executive Officer

27 March 2023

INDEPENDENT REVIEW REPORT TO ONE HERITAGE GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 31 December 2022 which comprises the consolidated statements of comprehensive income, financial position, changes in equity and cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 31 December 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity (“ISRE (UK) 2410”) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the interim report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors’ responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the interim report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

KPMG Audit LLC

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man

27 March 2023

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the six months ended 31 December 2022

£ unless stated	Notes	Six months to 31 December 2022	Six months to 31 December 2021
Revenue	6	5,748,725	148,946
Revenue – Development management fee		228,117	117,628
Revenue – Development sales		3,292,524	-
Revenue - Construction		1,887,022	-
Revenue – Property services		276,729	31,318
Revenue - Corporate		64,333	-
Cost of sales		(6,028,942)	(6,977)
Cost of sales – Development management fee	6	-	-
Cost of sales – Development sales		(3,086,903)	-
Cost of sales – Construction		(1,796,318)	-
Cost of sales – Property services		(42,980)	(6,977)
Cost of sales – Impairment of inventory		(1,102,741)	-
Gross (loss)/profit		(280,217)	141,969
Share of profits from associate		-	24,368
Other income		-	26,620
Administration expenses	7	(1,132,942)	(710,377)
Operating (loss)		(1,413,159)	(517,420)
Finance expense		(158,674)	(7,887)
(Loss) before taxation		(1,571,833)	(525,307)
Taxation		-	-
(Loss) after taxation		(1,571,833)	(525,307)
Other comprehensive income		-	-
COMPREHENSIVE INCOME/LOSS attributable to shareholders		(1,571,833)	(525,307)
Weighted average shares in issued over the period		38,440,561	32,428,333
(Loss) per share (GBP)		(4.1)	(1.6)
Diluted (loss) per share (GBP)		(4.1)	(1.6)

The accompanying notes on pages 13 to 21 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2022

£ unless stated	Notes	As at 31 December 2022	As at 30 June 2022
ASSETS			
Non-current assets			
Property, plant and equipment		328,599	374,475
Intangible asset		2,029	2,324
		330,628	376,799
Current assets			
Cash and cash equivalents		354,825	974,201
Inventory	8	17,863,378	15,127,758
Investment in associate		-	50,000
Trade and other receivables	9	1,558,825	1,911,351
		19,777,028	18,063,310
TOTAL ASSETS		20,107,656	18,440,109
LIABILITIES			
Non-current liabilities			
Borrowings	11	8,198,691	6,679,902
		8,198,691	6,679,902
Current liabilities			
Trade and other payables	10	1,770,928	1,944,632
Borrowings	11	9,888,334	9,241,139
		11,659,262	11,185,771
TOTAL LIABILITIES		19,857,953	17,865,673
EQUITY			
Share capital	12	386,783	324,283
Share premium	12	4,753,325	3,568,725
Retained earnings		(4,890,405)	(3,318,572)
TOTAL EQUITY		249,703	574,436
TOTAL LIABILITIES AND EQUITY		20,107,656	18,440,109
Shares in issue		38,678,333	32,428,333
Net asset value per share (GBp)		0.6	1.8

The accompanying notes on pages 13 to 21 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Consolidated statement of cash flows

For the six months ended 31 December 2022

£ unless stated	Six months to 31 December 2022	Six months to 31 December 2021
Cash flows from operating activities		
Loss for the period before tax	(1,571,833)	(525,307)
Adjustments for:		
Share of profit in associate	-	(24,368)
Finance expense	158,674	7,887
Amortisation of intangible asset	295	63
Depreciation of property, plant and equipment	51,852	54,760
Movement in working capital:		
Decrease/(Increase) in trade and other receivables	262,496	(63,737)
(Increase) in inventories	(2,022,337)	(3,430,259)
Increase/(Decrease) in trade and other payables	67,911	(1,611)
Cash from operations	(3,052,942)	(3,982,572)
Income taxation paid	-	-
Net cash used in operating activities	(3,052,942)	(3,982,572)
Cash flows from investing activities		
Investment in intangible asset	-	(2,324)
Proceeds on sale of associate	50,000	-
Purchases of property, plant and equipment	(5,976)	(48,638)
Net cash used in investing activities	44,024	(50,962)
Financing cash flows		
Issue of share capital	1,247,100	-
Interest paid	(1,165,570)	(416,026)
Advance proceeds from Corporate Bond	-	400,000
Proceeds of borrowing	2,452,151	797,345
Proceeds of related party borrowing	(2,160,880)	-
Payments made in relation to lease liabilities	2,060,054	3,663,554
Net cash generated from financing activities	(43,313)	(2,089)
Net change in cash and cash equivalents	(619,376)	409,250
Opening cash and cash equivalents	974,201	204,147
Closing cash and cash equivalents	354,825	613,397

The accompanying notes on pages 13 to 21 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the six months ended to 31 December 2022

£	Share capital	Share premium	Retained earnings	Total Equity
Balance at 01 July 2022	324,283	3,568,725	(3,318,572)	574,436
Loss for the period	-	-	(1,571,833)	(1,571,833)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	324,283	3,568,725	(4,890,405)	(997,397)
Issue of share capital	62,500	1,187,500	-	1,250,000
Cost of share issue	-	(2,900)	-	(2,900)
Balance at 31 December 2022	386,783	4,753,325	(4,890,405)	249,703

For the six months ended 31 December 2021

£	Share Capital	Share premium	Retained earnings	Total Equity
Balance at 01 July 2021	324,283	3,568,725	(1,183,637)	2,709,371
Loss for the period	-	-	(525,307)	(525,307)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the period	324,283	3,568,725	(1,708,944)	2,184,064
Issue of share capital	-	-	-	-
Balance at 31 December 2021	324,283	3,568,725	(1,708,944)	2,184,064

For the year ended 30 June 2022

£	Share capital	Share premium	Retained earnings	Total equity
Balance at 01 July 2021	324,283	3,568,725	(1,183,637)	2,709,371
Loss for the period	-	-	(2,134,935)	(2,134,935)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	324,283	3,568,725	(3,318,572)	574,436
Issue of share capital	-	-	-	-
Balance at 30 June 2022	324,283	3,568,725	(3,318,572)	574,436

The accompanying notes on pages 13 to 21 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Notes to the interim financial statements

For the six months ended to 31 December 2022

1. Reporting entity

One Heritage Group PLC (the “Company”) is a public limited company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of its registered office and its principal place of trading is 80 Mosley Street, Manchester, M2 3FX. The principal activity of the company is that of property development.

These condensed consolidated interim financial statements (“interim financial statements”) as at the end of the six month period to 31 December 2022 comprise of the Company and its subsidiaries.

2. Basis of preparation

These interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 30 June 2022 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company’s published consolidated financial statements for the year ended 30 June 2022.

These interim financial statements were authorised for issue by the Company’s board of directors on 27 March 2023.

Going concern

Notwithstanding net current liabilities of £9,745,611 (excluding inventory balances totalling £17,863,378) as at 31 December 2022, a loss for the interim period then ended of £1,571,833 and operating cash outflows for the period of £3,052,942, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the period to 30 June 2024 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through the proceeds from sale of developments supplemented by continued financial support from its parent company, One Heritage Property Development Limited (“OHPD”), and a related party, One Heritage SPC Limited (“OHSPC”), to meet its liabilities as they fall due for at least that period. OHPD and OHSPC have confirmed that their respective loans due to mature in June 2023 and January 2023 will not be demanded for repayment until such a time that the Group can afford to repay them without impacting on its going concern. The loan facility from the parent company was £9.5m at 31 December 2022, with £2.5m due to be repaid by 30 June 2023 and the balance due by 31 December 2024. Of the total facility, £0.5m remained undrawn at 31 December 2022. The total facility increased to £11m in January 2023.

As with any company placing reliance on other related entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

FINANCIAL STATEMENTS

 Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

3. Use of judgements and estimation uncertainty

In preparing these Interim Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts in the financial statements. The management continually evaluate these judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based upon historical experience and on other factors that they believe to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions.

The key areas of judgement and estimation are:

- *The carrying value of inventory:* Under IAS 2: Inventories the Group must hold developments at the lower of cost and net realisable value. The Group applies judgement to determine the net realisable value of developments at a point in time that the property is partly developed and compares that to the carrying value. The Group has undertaken an impairment review of all of the Inventory and determined that an impairment is appropriate on three of the developments.
- *Going concern:* The Directors have prepared forecast financial information for the period to June 2024. This forecast requires management to make judgements and assumptions with regard to future performance, such as the timing of completion of development projects, and subsequent sales of inventory as well as the availability of resources to meet liabilities as they fall due.

4. Change in accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022.

The accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2023.

5. Operating segments

The Group operates four segments: Developments, Construction, Property Services and Corporate.

All the revenues generated by the Group were generated within the United Kingdom.

For the period ended 31 December 2022:

£ unless stated	Developments	Developments - Sales	Construction	Property services	Corporate	Total
Revenue	228,117	3,292,524	1,887,022	276,729	64,333	5,748,725
Cost of sales	-	(3,086,903)	(1,796,318)	(42,980)	-	(4,926,201)
Impairment of inventory	-	(1,102,741)	-	-	-	(1,102,741)
Gross (loss)/profit	228,117	(897,120)	90,704	233,749	64,333	(280,217)
Administration expenses	(132,877)		-	(111,874)	(888,191)	(1,132,942)
Operating loss	95,240	(897,120)	90,704	127,875	(823,858)	(1,413,159)
Finance expense			-	-	(158,674)	(158,674)
Loss for the year	95,240	(897,120)	90,704	121,875	(823,858)	(1,571,833)

Segment operating profit or loss is used as a measure of performance as management believe this is the most relevant information when evaluating the performance of a segment.

FINANCIAL STATEMENTS

 Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

6. Revenue

The Group generates its revenue primarily from development management agreements, development sales and construction services.

£ unless stated	Six months to 31 December 2022	Six months to 31 December 2021
<i>Revenue</i>		
Development sales	3,292,524	-
Development revenue	228,117	117,628
Profit participation	-	26,163
Construction	1,887,022	-
Property services	276,729	5,155
Corporate	64,333	-
	5,748,725	148,946
<i>Cost of sales</i>		
Development sales	(3,086,903)	-
Impairment of inventory (see note 7)	(1,102,741)	-
Construction	(1,796,318)	-
Property services	(42,980)	(6,977)
Corporate	-	-
	(6,028,942)	(6,977)
Gross (loss)/profit	(280,217)	141,969

Development sales is attributable to the sale of 27 units in the completed Lincoln House development. This development reached practical completion at the end of August 2022.

Development management consist of three development management agreements with One Heritage Tower Limited, One Heritage Great Ducie Street Limited and One Heritage North Church Limited.

The Group earns a management fee of 0.75% of costs incurred to date per month and a 10% share of net profit generated by the development through the agreement with One Heritage Tower Limited. The Group is also entitled to 1% of any external debt or equity funding raised on behalf of the development. This agreement generated £65,928 (31 December 2021: £59,836) in the period. The Group signed a development management agreement with a related party, ACT Property Holding Limited. As part of this agreement a 20% profit share of the net profit will be generated by the development.

The One Heritage North Church Limited agreement splits the fees into three: 1. 2% of total development cost, paid monthly over the period of the development; 2. 15% of net profit, paid on completion; 3. 1% on any debt finance raised. This agreement generated £27,459 (31 December 2021: £57,792) in the period as well as a debt raising fee of £31,650. The debt raising fee has been shown as part of development management revenues.

The Group signed a development management agreement on 1 April 2022 with One Heritage Great Ducie Street Limited that splits the fees as follows: 1. 2% of the total development cost, paid monthly over the period of the development 2. 15% of net profit, paid on completion; 3. 1% on any debt finance raised. This agreement generated £103,080 in the period.

The Group has not recognised any revenue linked to the profit share element of these agreements as the transaction price is variable and the amount cannot be reliably determined at this time. This is because the developments are in the early stages of construction and there is too much uncertainty to reliably estimate expected revenue.

FINANCIAL STATEMENTS
Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

6. Revenue *continued*

Construction generates revenue from two entities; Robin Hood Property Development Limited and One Heritage North Church Limited. The Group receives a cost plus 5.0% margin on all works undertaken, recognising £826,440 of revenue in the period. The Group has undertaken work for One Heritage North Church Limited on a cost plus 7.0% margin basis, this generated revenue of £1,023,018 in the period.

The development management and construction revenues have been generated through related parties.

The Corporate revenue is from contracts signed with Robin Hood Property Development Limited, generating revenue of £58,333 and One Heritage Portfolio Rental Limited, recognising revenue of £6,000 and is in consideration for a range of administration services and use of the Group's office.

7. Administration expenses

£ unless stated	Six months to 31 December 2022	Six months to 31 December 2021
The aggregate remuneration comprised:		
- Wages and salaries	402,518	199,251
- National insurance	40,979	19,708
- Pension costs	6,339	1,822
Staff costs	625,493	449,836
Other administration expenses	507,449	260,541
	1,132,942	710,377
Average number of employees	28	20

8. Inventory - developments

£ unless stated	31 December 2022	30 June 2022
Residential developments		
- Land	5,179,071	4,394,799
- Construction and development costs	10,541,808	9,322,221
- Capitalised interest	2,142,499	1,410,738
	17,863,378	15,127,758

On 12 July 2022 the Group completed the acquisition of development land on Victoria Road, Eccleshill for £1,000,000, and on 19 December 2022, the Group purchased Churchgate for the value of £120,000.

As at 30 June 2022, the Group has taken the decision to impair the value of its Bank Street and St Petersgate development, which are owned by wholly owned subsidiaries, One Heritage Bank Street Limited and One Heritage St Petersgate Limited. This was a consequence of significant cost pressures and issues with the previous contractors. The impairment totalled £1,297,560 as at 30 June 2022.

Due to further expenditures, the Group has taken the decision to further impair the value of its Bank Street and St Petersgate developments and additionally, the Oscar House development. The impairment totalled £2,400,301 as at 31 December 2022 and the charge for the period was £1,102,741.

FINANCIAL STATEMENTS

 Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

9. Trade and other receivables

£ unless stated	31 December 2022	30 June 2022
Trade receivables	470,027	776,570
Other debtors	230,777	140,544
Prepaid sales fees and commissions	797,649	843,835
VAT receivable	60,372	109,811
Related party receivable	-	40,591
	1,558,825	1,911,351

Loan facility fees of £nil (30 June 2022: £146,276) were paid in the period to cover the negotiation and arrangement of facilities which will be offset against the respective loans when drawn. Such fees are deferred if it is probable that a facility will be drawn down.

Trade receivables includes £26,742 (30 June 2022: £50,980) due from One Heritage Tower Limited, £7,534 (30 June 2022: £154,089) due from One Heritage North Church Limited, £97,964 (30 June 2022: £3,221) due from One Heritage Great Ducie Street Limited, £287,016 (30 June 2022: £565,880) due from Robin Hood Property Development Limited and £2,400 (30 June 2022: £2,400) due from One Heritage Property Rental Limited, whom are all related parties.

The prepaid sales fees and commissions relate to the sales agents fees and commissions paid on units from developments that have been exchanged but not yet completed. These relate to units exchanged on the Lincoln House, St Petersgate, Bank Street and Oscar House developments.

Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding, there have been no increases in credit risk and therefore credit risk is considered to be low. Therefore, no expected credit loss provision has been recognised.

10. Trade and other payables

£ unless stated	31 December 2022	30 June 2022
Trade payables	444,462	794,181
Accruals and other creditors	204,500	115,392
Customer deposits	975,800	1,012,222
Related party payable	108,104	-
PAYE payable	38,062	22,837
	1,770,928	1,944,632

Trade payables and accruals relate to amounts payable at the reporting date for services received during the period.

The related party payable relates to amounts payable to various related parties outside of the Group, with £104,373 of this amount owed to ACT Property Developments Limited.

The Group has received deposits and reservation fees in relation to its developments. These relate to units that have been reserved for sale and exchanged contracts, but are yet to legally complete sale. The deposits will only be repayable if significant property damage occurs and reinstatement is not possible

FINANCIAL STATEMENTS

Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

11. Borrowing

£ unless stated	As at 31 December 2022	As at 30 June 2022
Current		
Lease liability	219,340	267,125
Related party borrowings	6,540,855	5,000,000
Loan	1,438,496	1,412,777
	8,198,691	6,679,902
Non-current		
Lease liability	97,762	86,623
Related party borrowings	3,795,694	3,425,190
Loan	5,994,878	5,729,326
	9,888,334	9,241,139
	18,087,025	15,921,041

On 16 December 2021 a subsidiary, One Heritage Lincoln House Limited, signed a loan agreement with Shawbrook Bank Limited. This was for a gross amount of construction finance totalling £3.5 million. This had a term of 20 months and is to be drawn down to fund costs incurred by the development in that subsidiary. As at 31 December 2022, the balance of the loan was £275,684 (30 June 2022: £2,436,564). In line with the agreement on the loan, when the Lincoln House development reached practical completion in August 2022, as units are sold, the proceeds of these will go toward repayment of the loan. The Group paid an arrangement fee of £35,000 and will pay an exit fee of £43,875 on final repayment. The loan was repaid in full on 27 January 2022. The loan had two covenants that are linked to the underlying development, the loan to development cost of 44% and a loan to value of 45%, which have both been complied with during the reporting period.

On 20 May 2021 a subsidiary, One Heritage Oscar House Limited, signed a loan agreement with Lyell Trading Limited. This was for a gross amount of construction finance totalling £4 million. This had a term of 18 months and is to be drawn down to fund costs incurred by the development in that subsidiary. On 18 November 2022 the Group entered into an agreement to extend the loan to 19 May 2023. As at 31 December 2022, the balance of the loan was £3,724,619 (30 June 2022: £2,166,706). The loan bears interest at 9.6% per year. The loan has two covenants that are linked to the underlying development, the loan to development cost of 69% and a loan to value of 89%, which have both been complied with during the reporting period.

On 01 June 2021 a subsidiary, One Heritage Bank Street Limited, signed a loan agreement with Together Commercial Finance Limited. This was for a gross amount of construction finance totalling £2 million. This had a term of 18 months and is to be drawn down to fund costs incurred by the development in that subsidiary. During November 2022 it was agreed with Together Financial Limited that the loan be renewed for a further 12 months. As at 31 December 2022, the balance of the loan was £1,994,575 (30 June 2022: £1,126,056). The loan bears interest at 0.85% monthly at a variable rate, based on the Bank of England base rate. The loan has two covenants that are linked to the underlying development, the loan to development cost of 70% and a loan to value of 70%, which have both been complied with during the reporting period.

On 18 March 2022 the Group had a £1.5 million corporate bond admitted to the Standard List of the London Stock Exchange. This had a 2 year term and an 8.0% coupon which is paid on 30 June and 31 December each year. The Group incurred listing costs of £102,040 which were capitalised and released over the term of the Bond.

On 11 August 2020 the Group received a loan worth £1,007,000 from One Heritage SPC. The loan has an interest rate of 12%. As at 31 December 2022 £288,692 (30 June 2022: £227,776) of interest had been accrued against the remaining loan.

FINANCIAL STATEMENTS
Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

13. Borrowing *continued*
Related party borrowings

The Group signed a £5.0 million loan facility with One Heritage Property Development Limited on 21 September 2020. This can be drawn down as required and is to be repaid on 31 December 2024. The facility has an interest rate of 7.0%. On 18 February 2021 the facility was increased by £2.5 million to £7.5 million, this additional amount can only be drawn to fund property development activities where obtaining project financing is delayed or unavailable. On 14 October 2022 the facility was further increased by £2 million to £9.5 million. On 17 January 2023 the facility was increased with a further £1.5 million to £11 million. The balance on this loan at 31 December 2022 was £9,040,881 (30 June 2022: £7,190,414).

The balance due consist of two tranches. A tranche of £2.5 million is repayable in June 2023. One Heritage Property Development Limited confirmed however, that the loan will not be demanded for repayment until such a time that the Group can afford to repay them without impacting its going concern. The second tranche of £6.5 million is repayable in December 2024.

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

£ unless stated	Currency	Nominal interest rate	Maturity Date	31 December 2022		30 June 2022	
				Face value	Carrying amount	Face value	Carrying amount
One Heritage SPC	GBP	12.0%	Jan-23*	1,295,694	1,295,694	1,234,776	1,234,776
Lyell Trading Limited	GBP	9.6%	May-23	3,724,619	3,724,619	2,166,706	2,166,706
Together Commercial Finance	GBP	10.7%	Nov-23	1,994,575	1,994,575	1,126,056	1,126,056
Shawbrook Bank	GBP	6.3%	Jan-23	275,684	275,684	2,436,564	2,436,564
One Heritage Property Development	GBP	7.0%	Jun-23**	2,500,000	2,500,000	5,000,000	5,000,000
One Heritage Property Development	GBP	7.0%	Dec-24	6,540,855	6,540,855	2,190,414	2,190,414
Corporate Bond	GBP	8.0%	Mar-24	1,438,496	1,438,496	1,412,777	1,412,777
				17,769,923	17,769,923	15,567,293	15,567,293

*One Heritage SPC Limited confirmed that the loan due in January 2023 will not be demanded for repayment until such a time that the Group can afford to repay them without impacting its going concern.

** One Heritage Property Development Limited confirmed that the loan will not be demanded for repayment until such a time that the Group can afford to repay them without impacting its going concern

12. Share capital

£ unless stated	As at 31 December 2022	As at 30 June 2022
Share capital	386,783	324,283
Share premium	4,753,325	3,568,725
	5,140,108	3,893,008

On 7 July 2022 the Group issued 6,250,000 new ordinary share of 1.0 pence each at an issue price of 20.0 pence per share, raising gross proceeds of £1,250,000.

FINANCIAL STATEMENTS

 Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

13. Financial instruments and fair value disclosures

The following table shows the carrying amounts of financial assets and liabilities, including their levels in the fair value hierarchy:

As at 31 December 2022

£ unless stated	Carrying value			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Trade and other receivables	1,558,825	-	1,558,825	-	-	1,558,825	1,558,825
Cash and cash equivalents	354,825	-	354,825	354,825	-	-	354,825
	1,913,650	-	1,913,650	354,825	-	1,558,825	1,913,650
Financial liabilities not measured at fair value							
Secured bank loans	-	7,433,374	7,433,374	-	-	7,433,374	7,433,374
Related party borrowings	-	10,336,549	10,336,549	-	-	10,336,549	10,336,549
Lease liability	-	317,102	317,102	-	-	317,102	317,102
Trade and other payables	-	1,770,928	1,770,928	-	-	1,770,928	1,770,928
	-	19,857,953	19,857,953	-	-	19,857,953	19,857,953

As at 30 June 2022

£ unless stated	Carrying value			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Trade and other receivables	1,911,351	-	1,911,351	-	-	1,911,351	1,911,351
Cash and cash equivalents	974,201	-	974,201	974,201	-	-	974,201
	2,885,552	-	2,885,552	974,201	-	1,911,351	2,885,552
Financial liabilities not measured at fair value							
Secured bank loans	-	7,142,103	7,142,103	-	-	7,142,103	7,142,103
Related party borrowings	-	8,425,190	8,425,190	-	-	8,425,190	8,425,190
Lease liability	-	353,748	353,748	-	-	353,748	353,748
Trade and other payables	-	1,944,632	1,944,632	-	-	1,944,632	1,944,632
	-	17,865,673	17,865,673	-	-	17,865,673	17,865,673

FINANCIAL STATEMENTS

 Notes to the interim financial statements *continued*

For the six months ended to 31 December 2022

14. Related party
Parent and ultimate controlling party

At the reporting date 65.15% of the shares are held by One Heritage Property Development Limited, which is incorporated in Hong Kong. One Heritage Holding Group Limited, incorporated in the British Virgin Islands, is considered the ultimate controlling party through its 100% ownership of One Heritage Property Development Limited.

Included in prepayments is £118,317 (30 June 2022: £132,046) agency fees paid to One Heritage Property Development Limited. During the period £105,900 of these fees have been released to cost of sales and £144,463 remains in the inventory balance.

Compensation of the Group's key management personnel is short term employee benefits.

Transactions with key management

Key management personnel compensation comprised the following:

£ unless stated	31 December 2022	30 June 2022
Short term employee benefits	149,996	311,061
	149,996	311,061

15. Events after the reporting date

On 17 January 2023 the facility with One Heritage Property Development Limited was increased with a further £1.5 million to £11 million.

On 18 January 2023, the Group purchased Seaton House, for £772,795. The site is in proximity to another One Heritage development, St Petersgate. Seaton House is an existing office building with permitted development rights which would allow conversion into 12 apartments.

On 27 January 2023, the Group settled the Shawbrook loan in full.