How we manage risk

As with all businesses, we face a wide range of risks and uncertainties on a daily basis.

Principal risks and uncertainties

The Board has determined the most significant risks to achieving the business objectives, including those that would threaten its business model, future performance, solvency or liquidity. The table on pages 32 and 33 summarises these principal risks and how they are managed or mitigated. The risks listed do not comprise all those associated with the Group and are not set out in any order of priority. There could be additional risks and uncertainties that are not presently known to management or currently deemed to be less material, which may also have an adverse effect on the business.

Going concern statement

The Group continues to operate from a sound financial platform and is strongly cash generative. The bank balance as at the date of this report is £8.3m. Whilst the Group continues to generate profit and cash, demonstrating excellent resilience despite the ongoing impact of the pandemic, the Board has nonetheless revisited its forecasts against a range of possible downside outcomes for the period to 31 December 2023. These include the possible impact on the economy of post-pandemic easing of restrictions; higher energy prices; increased tax and interest rates; and geo-political uncertainty both home and abroad on trading.

Sensitivities have been applied to the base case model to reflect minimal impact on lettings income and moderately lower levels of income from sales and mortgage activity but no reduction in headcount or other overheads and no change in terms of business with franchisees.

Under all reasonably foreseeable circumstances, the Board has concluded that the Group has adequate resources to continue in operational existence and to meet its financial obligations as they fall due, whilst operating within its bank covenants, in the period to 28 March 2023.

The final bank loan repayment of £7,868,000 is due on 28 March 2023. The base case forecasts indicate the cash to repay the loan will be available and other mitigating actions remain available to ensure cash is maximised in any reasonably foreseeable downside scenarios. However, the Group's growth ambitions, both organically and though acquisition, will require additional facilities if growth is not to be constrained. Negotiations to secure a new facility are expected to commence during 2022 and initial indications from the Group's bankers suggest they are supportive, both in relation to extending the existing facilities or providing a new, larger facility.

In conclusion, the Board are satisfied that it remains appropriate to prepare these financial statements on a going concern basis and that no material uncertainties exist.

Our risk management framework

Board of Directors

- Leadership of risk management, sets strategic objectives and risk appetite and monitors performance
- Accountable for the effectiveness of the Group's internal control and risk management processes

Audit Committee

- Delegated responsibility from the Board to oversee risk management and internal controls
- Oversees the effectiveness of the Group's internal control and risk management processes
- Monitors the independence and expertise of the external auditor

Executive Directors

- Communicate and disseminate risk policies
- Support and help operating companies to assess risk
- Encourage open communication on risk matters
- Assess materiality of risks in the context of the whole Group and monitor mitigation and controls

Operations Board

- Defines risk management roles at operational and project level
- Uses approach to risk as an explicit part of decision making and management of external relationships
- Continuous identification of risk, assurance and self-assessment

Risk management continued

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The Board has determined the most significant risks to achieving the business objectives, including those that would threaten its business model, future performance, solvency or liquidity."

Potential impact	Mitigating activities	Change in risk
Ability to generate planned revenue and profit growth		
The economic instability post Covid-19 in terms of higher energy prices and increases to both tax and interest rates, and the political uncertainty in Eastern Europe are likely to affect both consumers and businesses. This could have a negative impact on our ability to grow as planned, organically, through corporate acquisitions and under our assisted acquisitions programme.	Both the economic and political landscape are regularly reviewed by the Board and mitigating action is taken wherever possible. Given the extraneous factors involved, there may be limits to the level of direct action that can be taken. However, the Board will be prioritising work that puts our franchisees and advisers in the strongest position to weather any storms caused by wider economic and political pressures.	Increase in risk ▲ Our franchise business model proved to be resilient throughout both the 2007 crash and the current Covid-19 pandemic. We will continue to help our franchisees and advisers to take advantage of all growth opportunities as the market conditions evolve post pandemic. Links to strategy: 1 2 3 4 5
Ability to recruit and retain skilled franchisees and advisers		
The ability of the Group to attract new franchisees and advisers with the appropriate expertise and skills, in available and suitable locations, cannot be guaranteed.	The Board continually monitors the performance of the recruitment team and is focused on identifying innovative ways of attracting successful new joiners. The recruitment marketing message is aimed at attracting the widest possible range of people irrespective of age, gender and race.	Increase in risk ▲ The unprecedented market conditions have created an environment where people are looking for alternative employment models and lifestyles which has increased interest from potential new franchisees and advisers. Links to strategy: 2 3
Reputational risk		
The Group's reputation, in terms of the way in which it and its franchisees/advisers conduct their business and the financial results which they achieve, is central to the Group's future success. Failure by the franchisees/advisers to meet the expectations of their customers may have a material impact on the reputation of the brands within the Group.	New joiners are subject to an intensive training programme and subsequent monitoring and support from a dedicated business development mentor. The Group also offers ongoing training courses to ensure continuing professional development.	No change in risk ● Our franchisees and advisers are both subject to ongoing training and compliance which minimises reputational risk. Links to strategy: 3

Links to strategy

1. Group acquisitions strategy
2. Assisted acquisitions programme
3. Recruitment
4. Diversification
5. Marketing and PR

Learn more about our strategy from **page 18**

Potential impact	Mitigating activities	Change in risk
Cyber risk		
As the sector becomes more technology led, and given the recent roll out of a new Group-wide property platform, our operations become more vulnerable to cyber-attack, ransomware and data breaches. Such an attack could affect the Group's ability to function as normal.	We cannot make the business bulletproof, but are committed to adopting best practice across the Group, including anti-email spoofing measures, centralised email signature management and performing regular simulated phishing attacks on our users, coupled with continuous user awareness training.	Increase in risk ▲ The roll out of new cyber security measures is mandatory across the Group giving improved business protection at all levels Links to strategy: 1 2 3 4 5
Legislative and regulation changes		
Professionalising the sector, as originally set out in the RoPA report, was referred to again in the recent Levelling Up White Paper. These recommendations include the re-introduction of Home Information Packs, the introduction of qualifications for property agents with no "get out" clause for experienced agents, licensing of agents and a new code of practice for the sector.	The Board welcomes the proposed changes aimed at professionalising the sector. Our support system already covers in-depth upfront and ongoing training of all our franchisees and advisers. We also have a comprehensive system of audit and compliance to ensure best practice.	No change in risk ● The recommendations of the RoPA report and the Levelling Up White Paper might deter new entrants to the sector but might also provide opportunities for professionally run reputable businesses. Links to strategy: 1 2 3 4 5
Online threat		
The market share for online agencies offering a low-cost solution fell to less than 7% in 2021. The Group needs to ensure that it can meet the demands of a new generation of landlords, tenants, buyers and sellers for whom a technical platform is second nature, and for whom a physical office presence is less critical.	The pandemic accelerated the use of technology by both agents and the public. The Group has adopted a new technology platform aimed at improving the customer journey. The Group has also recently acquired a personal agent network so as to extend the way in which we deliver our services.	Decrease in risk ▼ There was no significant consumer shift to the online agencies during the pandemic. The long-term viability of online agencies is yet to be proved, with several failures resulting in much less willingness to continue funding unproven models. Links to strategy: 1 2 3 4 5

The Strategic report is contained on pages 1 to 33.
It was approved by the Board on 1 April 2022.