Moving forward

BELVOIR!

Belvoir Lettings plc
Annual report and accounts 2017




Be with Belvoir!

Belvoir Lettings plc operates the largest franchised network of high street residential lettings and estate agents with 300 offices nationwide across three distinct brands.

The Belvoir vision

The Belvoir Group aims to extend its market share of the UK property sector through its multi-brand franchise business model and by building on its reputation for delivering a highly professional lettings and estate agency service throughout the customer property journey.

What we have achieved during the year

58,020
properties under management

3
Gold awards won

23
assisted acquisitions by franchisees

New acquisition

Acquisition of Brook Financial Services Limited ("Brook"), providing mortgage, insurance and other financial services to the Group.

Brook was bought by Belvoir Lettings in a deal worth £2.2m.

The Barnsley-based brokerage is an appointed representative of the Mortgage Advice Bureau and was founded by Michelle Brook in 2010.

→ Read more about our acquisitions on **page 3**

Highlights 2017

Operational highlights

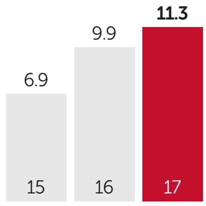
- Acquisition of Brook, a specialist mortgage broker
- £0.3m reduction in cost base from further integration of Northwood GB Limited ("Northwood")
- 23 (2016: nine) assisted acquisitions adding over £3.3m (2016: £1.5m) to network revenue
- The Group now manages 58,020 (2016: 55,756) properties
- Belvoir won the Gold award for "Franchise/Network Group of the Year" at The Negotiator Awards 2017
- Northwood won the 2017 Gold allAgents award for "Best Franchise" and "Best Lettings Agent"

Financial highlights

- Group revenue increased by 14% to £11.3m (2016: £9.9m)
- Growth in management service fees (MSF) of 23% to £7.9m (2016: £6.4m)
- Profit before tax up 62% to £3.9m (2016: £2.4m)
- Strong lettings bias reflected in lettings to sales ratio of 80:20 (2016: 76:24)
- Year-end bank balance of £1.4m (2016: £1.6m)
- Increased final dividend recommended of 3.5p (2016: 3.4p)

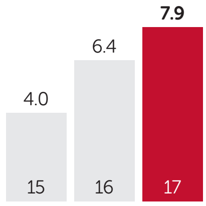
REVENUE
£m

£11.3m
+14%



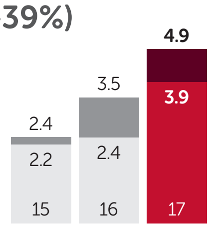
MSF
£m

£7.9m
+23%



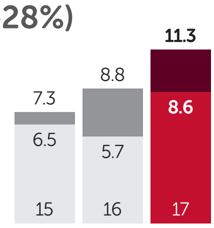
PROFIT BEFORE TAX (AND ADJUSTED*) **£m**

£3.9m (£4.9m)
+62% (+39%)



BASIC EPS (AND ADJUSTED*) **p**

8.6p (11.3p)
+51% (+28%)



See our full KPIs on **page 22**

Adjusted * See note 9 on page 48.

Strategic report

Governance

Financial statements

Shareholder information

Find out more online at
belvoirlettingsplc.com

Growth through acquisition

We are the UK's largest property franchise group and we continue to grow organically by delivering award-winning service and through acquisition at both the franchisee and the corporate level.

Our Group

Belvoir was founded in February 1995 as a specialist franchised lettings agent and extended its services to encompass estate agency in 2014. Over the past three years, the Belvoir Group has adopted a multi-brand strategy by acquiring the Newton Fallowell, Goodchilds and Northwood franchise networks, and now operates from 300 offices nationwide with a portfolio of 58,020 managed properties, making it the UK's largest property franchise group with total revenue of £11.3m.

In 2017 the Group acquired Brook, a specialist mortgage broker, providing customers with mortgage and property-related financial services products.

Why invest in Belvoir?

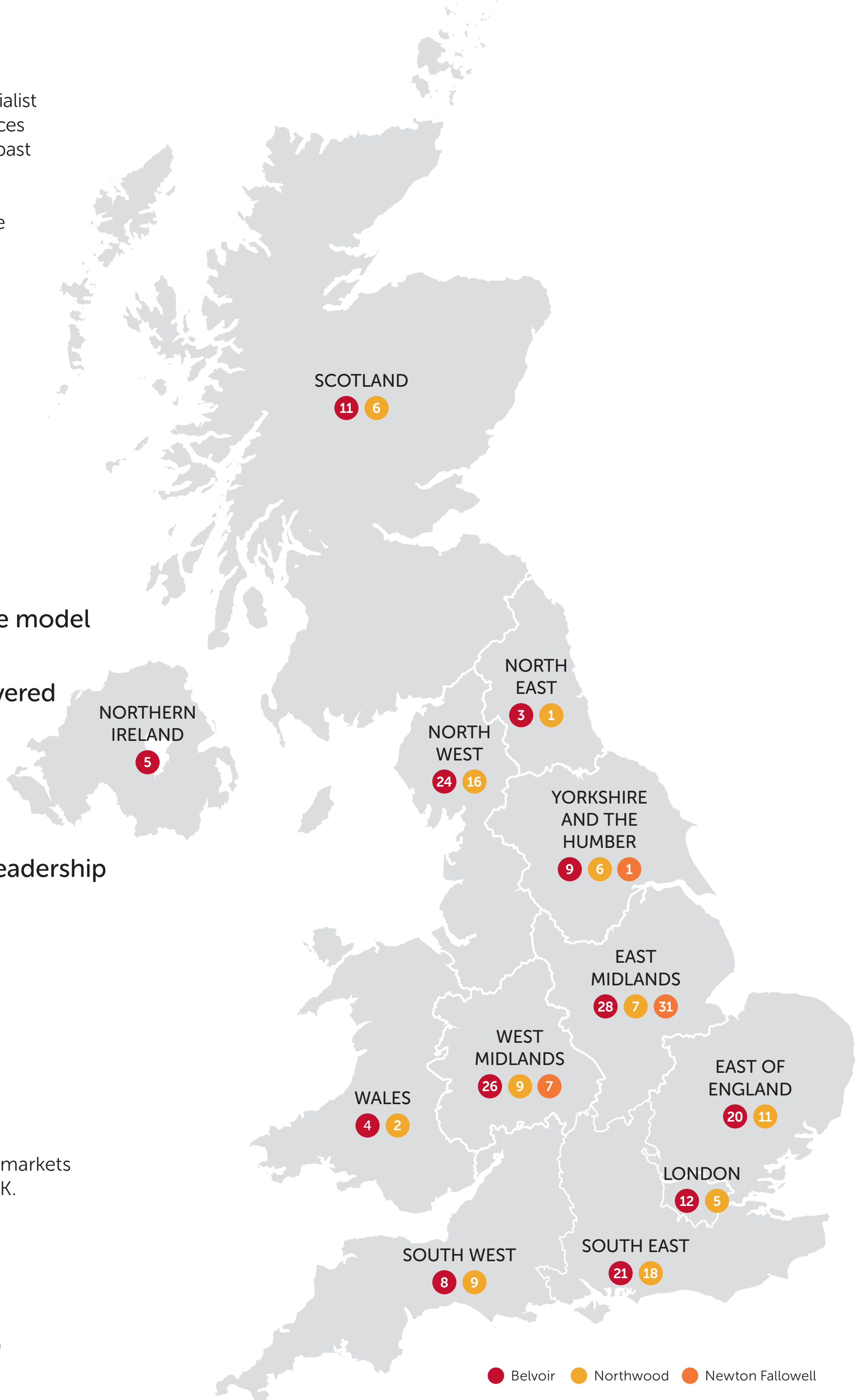
- Proven multi-brand franchise model
- Award-winning services delivered by established network
- Recurring revenue stream
- Long-serving, experienced leadership team delivering growth
- Highly trained staff with expert knowledge

Our reach

Belvoir operates in both the lettings and sales markets and has 300 offices across the whole of the UK.

300
total number of offices

See our business model on **pages 8–9**



Belvoir

Historically a lettings franchise, Belvoir now offers both sales and lettings services and has nationwide coverage.

Established in
1995

Offices
171

Our acquisition timeline

Having developed a multi-brand platform, the Group is looking to grow further through the acquisition of additional significant franchise networks or companies offering specialist property-related services from which our franchisees can benefit. The latter underpinned the rationale of acquiring Brook during 2017.

October 2015
Acquisition of Goodchilds, consisting of lettings and estate agency branches located across the West Midlands

→ Read about our acquisition strategy on **page 16**

July 2015
Acquisition of Newton Fallowell, one of the largest estate agents in the East Midlands

June 2016
Acquisition of Northwood, the largest remaining independent UK property franchise network at the time

July 2017
Acquisition of Brook, providing mortgage, insurance and other financial services to the Group

Newton Fallowell

Originally an East Midlands-based estate agent but, with seven of the Goodchilds offices rebranding to Newton Fallowell, this network is becoming a leading property brand across both the East and West Midlands.

Established in
1999

Offices
39

Northwood

Northwood also started as a specialist lettings franchise but now has national coverage offering both sales and lettings. The Northwood franchisees have welcomed becoming part of a larger well-funded group, with 14 franchisees buying out a local agency under the Belvoir Assisted Acquisitions programme.

Established in
1995

Offices
90

Brook Financial Services

Brook trades as an appointed representative of the Mortgage Advice Bureau (MAB), one of the UK's leading networks for mortgage intermediaries. As part of the Belvoir Group, Brook will leverage its expertise to introduce new mortgage products and financial services across all Group networks.

Established in
2010

Advisors
29

Experienced management team delivering significant progress

2017 marked 21 years of uninterrupted profit growth for the Belvoir Group.

I am pleased to report that the Belvoir Group has made significant progress, increasing profitability by over 60%, in a year that has been a testing one for some companies in the property sector.

Performance

Total revenue of £11.3m was underpinned by increases in both MSF from lettings and sales of 23% and 21% respectively, with organic growth being enhanced by growth from acquisitions and increased take-up of property sales by both the Belvoir and Northwood networks. This is a testament to the resilience of the business format franchising model and the responsiveness of this model to changing markets. In the face of uncertainty from the introduction of new regulations, our franchisees have risen to the challenge with many seeing growth through portfolio acquisition opportunities at a local level and pursuing new revenue streams, such as property sales and financial services, as a means to securing their long-term future.

Strategy

The Board of Belvoir identified financial services as a potential growth area for the Group, and in July 2017 acquired Brook as an excellent vehicle for maximising our return from individual property transactions through the sale of specialist mortgage and property-related financial services. I would like to take this opportunity to welcome Michelle Brook and her team to the Belvoir Group. Brook is already working closely with all 39 Newton Fallowell offices and, with 25 Belvoir and six Northwood offices already on board, I have every confidence in their ability to roll out their financial services offering across the other Group networks.

At the Group level, we continue in our aim to extend our share of the UK property market by leveraging our expertise as a franchisor, as we see a genuine benefit to all stakeholders from further consolidation within the sector. We firmly believe that Belvoir is best placed to take advantage of consolidation at both the franchisee and franchisor level. Furthermore, the Board is committed to broadening the range of property services offered by our franchisees, building on their reputation for delivering a highly professional lettings and estate agency service throughout the customer property journey.

> "Looking to the future I have every confidence in the success of our franchise business model which, having flourished historically in all phases of the property market, can and will adapt to the current changing market conditions."

Senior management

As Chairman, I am especially pleased with the strength and depth of our senior team, from the main Board Directors to the management teams of our various trading subsidiaries, Belvoir, Northwood, Newton Fallowell and Brook, all of whom are long serving and very capable. These dedicated teams have been instrumental in doubling the number and value of transactions under the Assisted Acquisitions programme, successfully integrating the Northwood network to deliver a 58% increase in its EBITDA within 19 months, and starting the process of cross-selling financial services to the whole Group through Brook. In addition we have recently completed our planned programme to franchise all but the two original Grantham-based Belvoir and Newton Fallowell corporate offices, enabling us to focus entirely on the further development of our franchise model.

Growth

Our headline figures reflect how successfully the Belvoir Group has performed in 2017. Revenue increased by 14% to £11.3m (2016: £9.9m), operating profit of £3.9m (2016: £2.5m) is an increase of 56%, profit before tax of £3.9m (2016: £2.4m) is up 62%, and there has been a 28% improvement in the adjusted earnings per share (EPS) to 11.3p (2016: 8.8p). These figures reflect a full year of Northwood and a part-year contribution from Brook but nevertheless they are significant and have encouraged us to increase our dividend to 6.9p per share, showing our confidence in the strength of the Group to continue to deliver on its growth strategy.

Board changes

Finally, we say farewell to Nicholas Leeming as a Non-Executive Director and the Chairman of the Remuneration Committee. Nicholas has been with us for over five years, having joined just after Belvoir floated on AIM, and in that time he has brought a wealth of experience and wisdom to the Board. I would like to thank him for his valuable contribution and wish him the very best for the future. At the same time we welcome Michael Stoop to the Board. Michael has over 40 years' experience of the franchise property market, having held the role of group managing director initially at Winkworth, then at Legal and General's estate agency network, Xperience, where he was instrumental in converting the corporate-owned offices into a wholly franchised network of 95 offices, and most recently at the Property Franchise Group plc until he stood down in 2016. I am confident that with his background and experience Michael will make a valuable contribution to the Group's strategy.

Mike Goddard
Chairman

Q&A with Dorian Gonsalves, Chief Executive Officer

Q **To what extent will online estate agencies threaten the traditional estate and lettings agency business?**

A Traditional estate agents, as opposed to exclusively online estate agency businesses, handle over 90% of property transactions in the UK. Vendors, especially landlords, continue to value the local expertise and cost effectiveness available across our network of offices.

Online agents have succeeded in lowering the public's expectation of how much they should be paying for estate agency services. As a relatively new entrant to estate agency, downward pressure on fees has not negatively impacted our business and in fact, having adjusted for the full year impact of Northwood, we are still 10% up year on year on MSF from estate agency.

Q **What impact do you see Brexit having on the property market?**

A There has been no discernible impact from the transition towards Brexit. Whilst during 2017 a slow down in the property market was anticipated, the number of property transactions remained surprisingly stable and was only 1% down year on year and changes in our business model has meant that network revenue from estate agency increased. In our opinion the reason that property transactions remained stable in 2017 was due to two main factors: supply and demand, and access to relatively cheap mortgage lending.

There continues to be a shortage of suitable housing within the UK for either home ownership or to rent, and given that EU nationals currently living in the UK will have the same residency rights after Brexit, there is no foreseeable reduction in the current level of demand for housing. So, whilst any uncertainty could have a short-term impact, the longer-term dynamics remain the same.

Q **Do you think the upcoming ban on tenancy fees is the right solution to make renting more secure for tenants?**

A No. It has been widely commented on in the press that the tenancy fee ban will simply increase the cost of renting for many tenants. There are a number of Government consultations happening as we speak, as policy makers recognise the importance of the private rented sector (PRS). It is likely that with the introduction of redress for tenants from DIY landlords, licensing for agents and the possibility of longer tenancies, standards of accommodation are likely to increase and encourage more people to use a well-functioning PRS, similar to other European countries.

Q **Do you expect the size of the PRS to increase or decrease in the next ten years?**

A The PRS will undoubtedly continue to grow, both in terms of the number of properties in the PRS and also the number of properties in the social housing sector.

Q **What changes might encourage private landlords to use a lettings agent?**

A Increased regulation around property letting and licensing for both agents and landlords is likely to make the prospect of renting property without the involvement of a fully qualified agent less attractive. Recent proposals that private landlords should be subject to a redress scheme, as is already applicable to lettings agents, will add to the risk and cost profile for private landlords such that the negatives of managing their portfolio themselves will start to outweigh the positives.

Q **How does the volatility of house prices affect Belvoir?**

A As far as the rental sector is concerned, Belvoir has traded successfully, delivering year-on-year growth since 1995, during which time house prices have both fallen, as in the period between 2007 and 2010, and risen well above general inflation, as during the late 1990s and early 2000s.

As far as estate agency is concerned, during a period where prices are falling typically the number of transactions also falls as sellers are less willing to sell their property at a lower price, or at a loss, and this will impact on estate agents. However, if properties are more difficult to sell, vendors are more likely to use a proactive local estate agent to ensure they get the best price possible.

Q **Do you expect to see more or fewer lettings agents in the future?**

A We predict that the number of lettings agencies will reduce by 20% in the next three years. There are simply too many estate and lettings agents in the UK, which we see as a significant opportunity for a network of our strength. Since 2014 our Assisted Acquisitions programme has enabled 44 franchised businesses across all of our networks to grow their businesses and increase their market share by acquiring their competition.

Watch our Proactive Investors interview at
https://www.youtube.com/watch?v=fgZkV56wqUo

Capitalising on opportunities as the industry evolves

In a changing market, our franchise network benefits from the agility of franchise owners coupled with a central support system to give us an edge over both the large corporate networks and small independent operators.

MSF growth

Management service fees (MSF) increased by 23% to £7.9m (2016: £6.4m). These fees are collected by each network as a royalty for providing a brand, a system and the considerable know-how for a franchisee to operate a profitable business at local office level. The increase in MSF reflects growth across our existing network of offices and a full year's contribution from Northwood.

Lettings

Like Belvoir, Northwood has a strong lettings background which is evident in lettings now representing 80% (2016: 76%) of our network revenue, providing a reliable and recurring income from a nationwide portfolio of 58,020 (2016: 55,576) rented properties.

Belvoir's Rental Index for the final quarter of 2017 confirms that rents are rising broadly in line with average wages. Belvoir has 300 offices nationwide and data for those offices that have traded consistently over the last nine years in England, Wales and Scotland indicate a year-on-year (YoY) increase in average rents of 2% from £744 in Q4 2016 to £759 in Q4 2017 whereas average earnings increased 2.5% YoY according to ONS figures[1]. Average rents including all Belvoir offices range from £597 per month in the North West (down 5% YoY), up to £657 in the East Midlands (up 6% YoY) and through to £1,046 in the South East (up 7% YoY) and £1,431 in London (down 5% YoY).

Property sales

Our main estate agency network, Newton Fallowell, achieved a 10% growth in revenue from property sales whilst the lettings-biased networks, Belvoir and Northwood-branded offices, saw property sales MSF increase by 47% and 7% respectively. The ability of our traditional lettings agents to be able to process property sales is critical to retaining the ongoing portfolio of managed properties, with most landlords looking first to sell through their lettings agent. Where the new owner is a landlord buyer, there is a strong probability of retaining the vast majority of their properties under management.

Financial services

Financial services were identified as a means of increasing the return from property sales that would benefit both franchisee and franchisor. The acquisition of Brook represented an opportunity to bring into the Group a very successful business with a track record in the financial services sector. The Board believes that the focused approach operated by Brook will enable the Group to achieve materially greater penetration of Belvoir's client base and increase the financial services fees generated on property sales across all Group networks. As our lettings-biased networks, Belvoir and Northwood, grow their property sales business, Brook will enable our brands to increase further their revenue from estate agency-related services and mitigate some of the impact of the upcoming ban on tenant fees. Additionally, Brook will be able to make immediate inroads into the Group's main estate agency network, Newton Fallowell, by increasing the available number of mortgage advisors to service its substantial house sales transactions.

Acquisitions

2017 saw a record number of portfolio acquisitions at a franchisee level under the Assisted Acquisitions programme, a core part of the Group's growth strategy. The Board's target of doubling the number of transactions under this programme was significantly exceeded with 23 (2016: nine) independent agencies being acquired. These acquisitions were undertaken by one Newton Fallowell, eight Belvoir and 14 Northwood franchisees and added £3.3m (2016: £1.5m) to network revenue, 2,264 managed properties and £351,000 (2016: £243,000) p.a. in MSF.

There remain over 10,000 potential acquisition targets comprising small to medium-sized independent lettings and sales agents in the UK, which might look to exit following increased regulation and the prospect of the ban on tenant fees in 2019. Our dedicated in-house acquisitions team currently has 73 franchises registered on the Assisted Acquisitions programme and 17 opportunities under consideration.

A growing business

Our growth depends directly on the entrepreneurial drive of our franchisees and, unlike many franchise offerings, our model offers our franchisees both a revenue stream from their business and a capital value on exit. In order to maximise our growth potential, we have recently launched a new strategy to enable existing franchisees to expand into an adjacent empty territory. Franchisees can appoint a suitable business partner to work the new territory from home as a satellite of their existing franchise office which would provide all back office support. The focus will be on establishing a reliable revenue stream within the first three years, after which a high street office would be opened in the new territory to ensure that the business could fulfil its maximum growth potential. Our successful strategy of growing our network organically with single and multi-unit operators and by acquisition continues to evolve to ensure we improve our physical footprint and brand awareness.

Corporate offices

In 2016 the Board determined to implement a franchise solution for eight of its ten corporate-owned offices, retaining the two original Grantham-based Belvoir and Newton Fallowell offices, both of which are very profitable, to be used for system development purposes. This process is now complete, with four offices having been sold in 2016, two in 2017 and the final two in the first quarter of 2018. Of these, three were sold to adjacent franchisees, two to the existing branch manager, and three to a new franchise owner. In one case the new owner was already operating two existing lettings businesses, which will now be rebranded to Belvoir. The Board sees this as a way of bringing fresh impetus to these offices and freeing the Board to focus on the Group's franchising operations.

Acquisition strategy

Having raised £5.0m through equity in 2013 to fund the Assisted Acquisitions programme, we have since provided both commercial and financial support to 45 of our franchisees, many of whom have doubled the size of their business overnight through a portfolio acquisition. Each year between £0.7m and £1.0m is repaid by franchisees which is then available to fund further portfolio acquisitions, and around £0.3m is received in interest on the loan book. The success of our franchisees in securing alternative funding means that each year we have been able to support a larger number of transactions from the same funding base. The Board has once again doubled the Assisted Acquisitions target and so far in 2018 has completed on eight transactions totalling £3.3m, which will bring in £2.8m of network revenue and 2,238 managed properties.

Compliance

The Belvoir Group has built its reputation by delivering a highly professional lettings and estate agency service which embraces the principles of specialism, quality and customer care. Compliance is at the top of our agenda with all franchisees undergoing a training programme and ongoing business support and every office being audited annually to ensure strict adherence to our high operational standards and current legislation. This is increasingly important as the Government looks to professionalise the PRS sector through greater regulation and control. The Board welcomes the Government's initiatives that we believe will deter rogue landlords and agents.

Market conditions

The size of the PRS in the UK has been steadily increasing for over a decade, resulting in the PRS representing 20% of the total households. A lack of affordable housing, static wages and indeed personal choice are causing the PRS to cater for a wider reaching demographic including families, professionals and even retirees. For this reason the PRS is evolving, the average tenancy is now just under four years and many people are turning to lettings, looking for their long-term stable home. In line with these changes, tenants are expecting a much higher standard of property and service from their agent meaning a reputable, professional agent is more important than ever for landlords to attract the right tenant.

Impacting on this shift is the added increase in regulation of the lettings industry imposed by the Government. These changes are already leading to consolidation in the lettings market as smaller independent agents look to exit, leaving market share for our franchisees to capitalise on either organically or directly through our Assisted Acquisitions programme.

Some of the changes in our industry such as the upcoming ban on tenant fees will certainly be a challenge for our business but robust plans have been in place ever since the ban was announced to give franchisees additional opportunities such as property sales to mitigate the loss in revenue.

The sales market in the UK has been fairly uneventful with unchanged transaction numbers and a modest increase in house prices of 5.2% during 2017. This result was more positive than anticipated though and was probably due to supply and demand with net migration exceeding the number of new builds completed in 2017.

The Group's performance in property sales was very positive in 2017 with an increase in MSF of 21%. Our relatively small reliance on the property sales market and the fact that the majority of our franchisees are offering sales as an additional service alongside a very stable lettings business mean there is only really upside for us with property sales. The acquisition of Brook also helped us build on this opportunity, as franchisees can generate additional revenue from each house sale whilst offering their clients a more comprehensive property service.

"Our franchisees are already adapting to changes within the sector and welcome the professionalisation of our industry as an opportunity not a threat."

Franchising

In 2016 the British Franchising Association and NatWest jointly reported that the franchising industry was estimated to be worth £15.1bn to the UK economy, an increase of 46% over the last ten years. The increasing popularity of franchising was linked to the greater chance of financial success with a record 97% of franchisee-owned units reported profitability, with 56% saying they are "quite" or "very" profitable. Franchising offers a relatively low risk way for young people to get into business with one in five franchise owners launching their business in the last two years being under the age of 30. It also offers opportunity for scale with 29% of franchises running multiple outlets.

Current trading and outlook

2018 has started well with eight franchisees having completed on portfolio acquisitions estimated to bring in a total of £2.8m p.a. of additional network revenue, taking the Group to 42% of our 2018 target within Q1. Furthermore, despite the anticipated slow down in house sales, our main estate agency network, Newton Fallowell, has reported on both sales subject to contract and its pipeline being ahead of 2017. Our investment in Brook to deliver a planned increase in revenue from financial services is proving to be a success with the value of mortgages written and net banking up 30% through a combination of a greater number of mortgages being written, a higher penetration from life policies and an increased average case value on the same period last year. We do anticipate some tempering of the underlying organic growth of the lettings market with YoY average rent increases reported at 2% in Q4 2017 and evidence of slightly longer void periods between tenancies in some regions. However, given the shortfall of properties available to buy continuing to fuel demand within the PRS and the additional legislative demands on both lettings agents and private landlords seeing an increase in the need for a qualified, well-supported agent, we believe that our franchisees are in a good position to capitalise on the opportunities within the sector and anticipate a further year of positive growth for the Belvoir Group.

Dorian Gonsalves
Chief Executive Officer

1. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours.

A formula for success

Our franchise model is built on 23 years of experience, the entrepreneurial drive and local knowledge of our franchisees, and the support and guidance of our Central Office team.

Our difference

Service excellence

Our experience and focus on customer service has enabled us to stand out from the crowd and is key to the success of our Group. Our intensive training and annual audit further support this to ensure our franchisees are equipped to deliver the standards we require.

Greater financial stability

A strong lettings base coupled with a growing revenue stream from property sales provide our franchisees and the Group as a whole with greater financial stability compared to a typical estate agency. Our model also enables franchisees to build a capital asset which, unlike income-based franchise options, provides a financial return on exit.

The franchise network

Our franchisees benefit from the backup and support associated with a large franchise operation whilst operating their own business with the entrepreneurial drive of an owner–manager.

Proactive growth

We proactively identify suitable businesses for our franchisees to bolt onto their existing business, whilst also initiating the roll out of additional property services to be offered by our franchisees, providing the opportunity for accelerated and sustained growth.

Our process

Fees

New franchisees pay an upfront fee to cover the licence for their exclusive territory and our induction training. An ongoing monthly management service fee, based on franchise revenue, covers the cost of our mentoring programme and contributes towards Central Office operations and further investment in the business.

Brand equity

Our brands are highly regarded and respected for their core values of professionalism and customer service. We invest continually in our brands to ensure that messaging remains fresh and relevant to our markets.

Networking

We facilitate a culture where franchisees learn from each other and share experiences through both national and regional networking groups and at the annual conference held by each network.

Selection

We work closely with potential new franchisees to ensure that they are a good fit for our business model of high quality service delivery and sound business ethics. This process minimises the risk to both the franchisor and the franchisees and assures our high success rate.

Support

Each franchisee has a dedicated business mentor who helps them to develop their business. Advice and support is available from Central Office in specialist areas such as legal, IT, compliance and marketing.

Training

New franchisees undertake an intensive training course prior to opening. Continual professional training and development is conducted both at Central Office and via webinars.

Read more about our offering on **pages 10–11**

Delivering value

Franchisees

We provide a proactive support system, bringing the best and most up-to-date tools, advice and services to our franchisees with group deals negotiated where possible.

5,887 hours
spent on training

Employees

We recognise the need for our Central Office operations to attract, train, reward and retain highly motivated staff to deliver a professional service to our franchised networks.

17 staff
holding or training towards a professional qualification

Customers

Our professional service goes above and beyond legal requirements. Our franchisees' key role is to deliver exceptional customer service to their clients.

4.5
online star rating (independently generated by reputation.com)

Shareholders

Our Board is committed to building a business capable of creating value for our shareholders based on sound business ethics.

Adjusted basic EPS increased to

11.3p
(2016: 8.8p)*

* See note 9 on page 48.

At the heart of our business

We recognise the need to attract, train, reward and retain highly motivated staff and franchisees to deliver a professional and exceptional service.

People are the most important factor in any business but even more so in sales and lettings. When dealing with a person's most valued possession, trust, confidence and communication are of paramount importance to delivering the service the customer expects. Our business could not thrive without exceptional franchisees who exceed their customers' expectations and grasp the opportunities that come their way.

Stephen Summerhayes of Northwood Norwich and Ipswich

Cold start, resale and acquisition

Stephen is a long-standing Northwood franchisee having owned Northwood Norwich for 14 years, during which time he has built up his lettings portfolio to 690 managed and guaranteed rent properties. Stephen's first acquisition was over five years ago for 80 properties, and the largest, in December 2017, was for 300 properties.

Also in 2017 Stephen decided to acquire a second territory through the resale of the Northwood Ipswich office, which had a portfolio of 200 properties. Stephen is now looking to expand this further through acquisition.

The growth by acquisition in the last five years has seen Stephen's business grow by 60% in size with turnover more than doubling.

"I realised that acquisition was more cost effective than advertising for organic growth. I decided to focus on acquisition and have completed five portfolio purchases in as many years. As a result I have grown twice as fast in the last five years than I did in the previous ten. Only through acquisition could this have been possible."

Laura Mearns of Northwood Aberdeen

Cold start and two acquisitions

Laura and her husband, Steven, opened Northwood Aberdeen in 2008. Trading in Aberdeen has been extremely tough in 2017 due to long-term falling oil prices dramatically changing the dynamic of this unusual city. The difficult trading conditions presented opportunities which Laura has fully taken advantage of, with two acquisitions in quick succession in November 2017 bringing over 300 additional managed properties to Northwood Aberdeen. To make her achievement even more impressive, this was all done just after Laura had just given birth to the couple's third child.

"2017 was an exciting year for Northwood Aberdeen. As the rental market experienced a huge shift in rental values following the oil crisis and, in addition, as significant legislative changes were being faced, it was an opportunity for us to consolidate with other agents during this period. This growth is really exciting for Northwood. However, it is important to highlight that, although we have grown the portfolio, we continue to be a small, family run, local business, ensuring our landlords and tenants receive a personal service."

Clayton Foston of Belvoir Hinckley and Nuneaton, Tamworth and Burton

Cold start, resale and acquisition

Clayton Foston joined Belvoir in 2011, when he purchased a cold start office in Nuneaton and Hinckley. In 2014 he was one of the first franchisees to benefit from the Assisted Acquisitions programme when acquiring a local lettings portfolio. Subsequently Clayton joined forces with two new business partners in order to purchase Belvoir Tamworth as a resale in 2016. In 2017 Clayton took over the previous corporate-owned office in Burton and made a significant acquisition comprising 293 managed properties and 200 let-only properties. He is currently embarking on further grand plans for his existing Nuneaton and Hinckley business.

Clayton is a very progressive franchisee and fully appreciates that a successful business must evolve and develop in order to remain relevant. A new shopping centre in Clayton's territory is about to change the dynamic of the traditional town centre, and rather than waiting and seeing what impact a lack of footfall will have on his business, Clayton is taking an unusual approach for a high street lettings and estate agent and is moving his business to the shopping centre to make the most of the opportunity. Clayton is looking to maximise this opportunity even further by working with the Belvoir Central Office to create a new, updated version of the Belvoir shop fit that is vibrant and modern and fully embraces technology. He is also creating a one-stop-shop for customers, incorporating a MAB mortgage advisor and a range of other services to help make his new office a destination for Nuneaton and Hinckley's property needs.

"Traditional lettings and estate agency must adapt to meet new challenges in the sector as the disruptors such as Purplebricks have clearly shaken up the market. For me, differentiating myself from all of the numerous agents in town is an essential part of this evolution, with premises designed to meet the challenges of the next decade in a location of high footfall where we can showcase new innovations and ideas."

Employees

Belvoir believes that employee engagement and human capital management is key to ensuring that we have the necessary team to deliver future success. In order to attract and retain professional staff with the requisite skill, Belvoir invests in a high level of employee engagement through regular staff reviews setting out and monitoring performance against an agreed personal development plan. We also invest in professional training to enable our employees to develop in their roles. We currently have seven members of staff undertaking professional qualifications, encompassing lettings, accountancy and project management. This includes the sponsorship of two very successful accounting apprentices taking their AAT exams within the Group finance team.

Accounting apprentice Catalyn wins two local awards

In 2017 accounting apprentice Catalyn Bavister, who works in the Belvoir Group finance department, won both the Grantham College Advanced Accounting Apprentice of the Year award and the Grantham Journal Apprentice of the Year award.

Catalyn was nominated for the Grantham Journal award by Chief Financial Officer, Louise George: "Catalyn is a perfect example of how the apprenticeship qualification provides young people with the opportunity to achieve their ambitions and potential given the right mix of academic and work-based experience and support. She has grown in confidence over the last year and we look forward to supporting her professional development and future career progression at Belvoir."

Catalyn was ecstatic with her success, stating: "I was over the moon! It was a great feeling just to have been nominated and I am so very proud to have won." Catalyn believes that the apprenticeship was the right path for her to take: "I get to both earn and learn at the same time, gaining a professional qualification in a well regarded company."

Catalyn has recently progressed onto level 4 of the Accounting Technician (AAT) exams. Her original purchase ledger role has been taken on by the latest addition to the finance team; accounting apprentice Adam Egner, who is working towards his level 2 AAT exams and has a 100% record on both exams taken to date.

The housing market and how we are responding to it

With a lack of affordable housing and average wages down in real terms, the private rented sector (PRS) continues to grow as households decide to rent rather than buy.

2017 was very much a continuation from the year before for the property market with economic uncertainty resulting in flat transaction rates for sales although our own performance within this sector has remained positive. The upcoming ban on tenant fees, together with the likelihood of greater regulation within the lettings market, has brought challenges to our industry but also opportunity through increasing consolidation.

Ever increasing importance of the lettings market

Tenure type rising

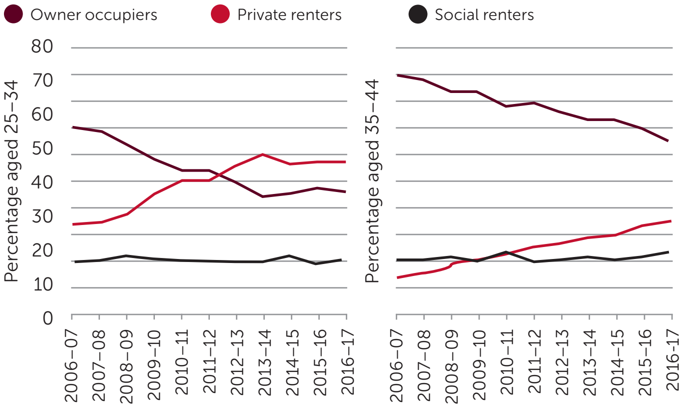
The latest English Housing Survey[1] for 2016–2017 demonstrates the continuing increased reliance in the UK on the PRS, which now represents 4.7 million households, 13 million people, or 20% of the total households. In London, this is more significant with 30% of households now privately renting.

Looking at the demographic detail behind this trend, those in the age groups of 25–34 and 35–44 seem to be the biggest cause of this shift. The decline in home ownership has been particularly pronounced for these age groups, leading to a significant increase in the PRS for that same group. In 2006–2007, 38% of the 25–44 age group were privately renting, which increased to 75% in 2016–2017.

Growth in the PRS for this key age group in particular is likely to be for various reasons. With the deposit needed from first-time buyers averaging £48,591 (mean), affordability is likely to be a major factor in this shift away from home ownership. Also, an increasing number of people are choosing to rent as the freedom that comes without being tied to a mortgage better suits their lifestyle. The need for flexible or temporary accommodation is also prevalent for groups such as professionals, students and migrants.

1. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675942/2016-17_EHS_Headline_Report.pdf.

Trends in tenure for households with a HRP aged 25–34 or 35–44, 2006–2007 to 2016–2017



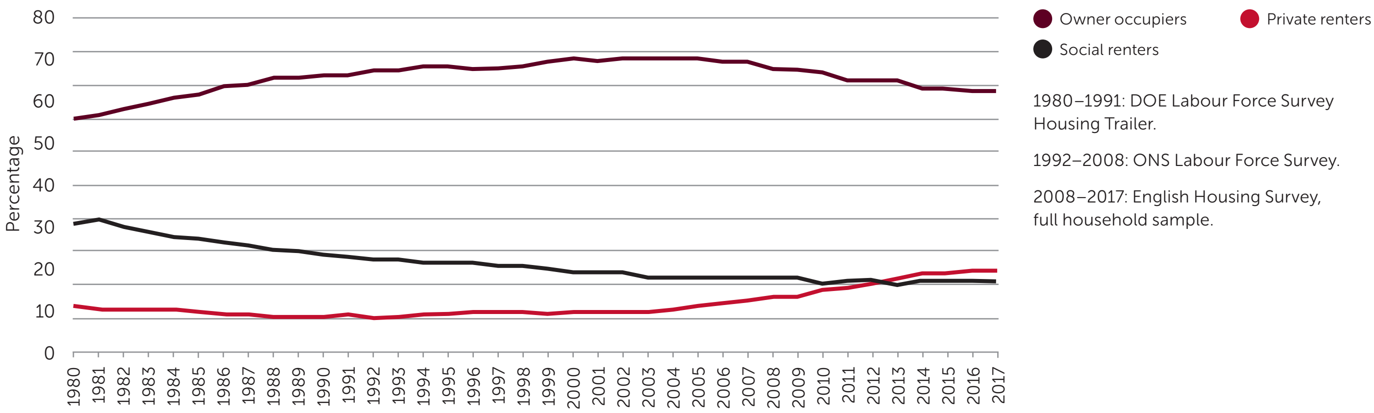
Base: all households with a Household Reference Person (HRP) aged 25–34 or 35–44.

Notes:
Based on the age of the HRP. The HRP is the person in whose name the accommodation is owned or rented.

Sources:
2003–2004 to 2007–2008: English House Condition Survey, full household sample.

2008–2009 onwards: English Housing Survey, full household sample.

Trends in tenure (proportions), 1980 to 2016–2017



1980–1991: DOE Labour Force Survey Housing Trailer.

1992–2008: ONS Labour Force Survey.

2008–2017: English Housing Survey, full household sample.

The changing face of the "typical" tenant

The information presented overleaf demonstrates the changing face of today's tenant. As a result the PRS is becoming increasingly important for families as well as single households. With regard to renters' economic status, 74% of private renters were working, with 63% in full-time work and 11% in part-time work. In addition, 9% of private renters were retired, 6% were in full-time education and 4% were unemployed.

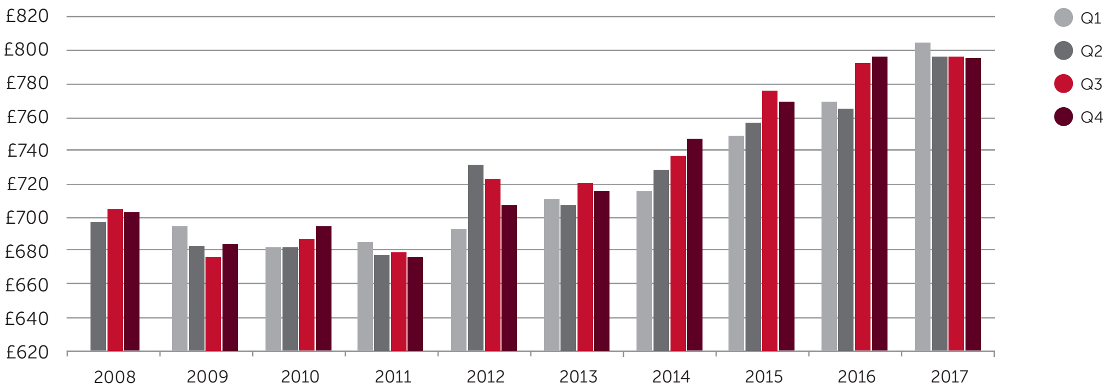
The average length of tenure for private renters remains unchanged at 3.9 years, showing that many renters are looking for a long-term, stable home.

Our own analysis: ten years of the Belvoir Rental Index

In 2008, Belvoir started producing its Rental Index based on data from the Belvoir network, gathered and analysed quarterly by an independent party. This Rental Index is one of the longest running of its kind and crucially one of the few to pre-date the property market crash of 2008/2009. The Belvoir Rental Index, taken together with other industrywide data, gives us a more accurate picture of the industry within which we operate and enables us to make more informed business decisions as a result.

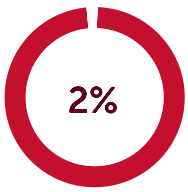
Our data shows that rents are increasing but at a slow, steady and sustainable rate. The average rent for the Belvoir network in 2017 was £798, which is 2% up on the average rent charged in 2016. Rental increases have stalled during 2017 which is possibly due to an increase in negative focus on our industry to support upcoming changes in Government legislation.

England, Scotland and Wales – Average rent by quarter including all new offices



Average rent Q4 2017

Year-on-year increase in average rents to Q4 17



Increase from 2016 average to Q4 17 average rent

Government-led initiatives and their potential effect on the lettings industry

The last few years have seen a marked increase in the rules and regulations introduced to our industry. These changes include stricter health and safety regulations, and the additional administrative tasks associated with identifying the eligibility of a tenant to live in the UK as part of Right to Rent. Reputable lettings agents will usually carry the burden of this extra work for their landlords and as such we expect to see more private landlords start to enlist the services of a lettings agent. A recent announcement by Communities Secretary, Sajid Javid[2], detailed proposals for potentially introducing compulsory membership for private landlords to a consumer redress scheme which would also encompass certain additional regulations to adhere to. This would further improve a tenant's experience of the PRS ensuring they receive adequate support in a dispute regardless of who they rent from. This would also help to level the playing field between lettings agents and private landlords, making it even more beneficial for a landlord to use a lettings agent.

The 2016 announcement of the proposed ban on tenant fees is probably the biggest challenge for our industry. Although not due to come into force until 2019, the impending ban has forced letting agents to rethink their business plans and income streams in order to offset the costs associated with carrying out the necessary checks and administrative tasks associated with placing a tenant. For some agents this cost may be passed onto the landlord, some may need to increase the rent charged to the tenant and some may be able to find new opportunities or efficiencies within their own business in order to absorb the additional cost.

Our response

The PRS clearly has an important role to play in providing homes for an ever increasing section of the UK population. With long average tenancies and fair steady growth in rents, tenants can feel secure in their home and the PRS can continue to remain profitable for lettings agents and landlords.

Increased regulation for landlords can only help to make the PRS a more reliable sector for tenants. Banning of tenant fees, while less favourable in our opinion than a cap on fees, will help to rid the PRS of less reputable lettings agents who may have abused this revenue stream in the past. Ultimately a safer, fairer, more transparent PRS can only be a good thing for the perception of our industry as a whole.

Some smaller, independent lettings agents without the support of a national brand, legal expertise and business development planning are now struggling to maintain a profitable business. This is leading to continued consolidation in our industry, which is creating more opportunities for our franchisees to buy competitors' lettings portfolios to add to their existing businesses.

2. https://www.telegraph.co.uk/property/landlord-guide/property-ombudsman-scheme.

Market case study

The upcoming tenant fee ban has been a concern for our franchisees and we have estimated that our network revenue could be affected by around 13%.

As with all setbacks in business, the level of impact is somewhat controllable if you evolve and develop in other ways to compensate. Our Belvoir Doncaster franchisee, Chris Duffy, is a prime example of this. Six months ago Chris decided to get ahead of the upcoming ban on tenant fees and started to work on a series of changes in an attempt to mitigate any future loss in revenue.

Through moving to a more cost-effective business premises, upgrading some of his technology for greater efficiency, improving his processes and putting more emphasis on selling the best level of insurance products to his landlords and tenants, Chris has completely compensated for all loss in tenant fees when the ban comes into place meaning Chris will go forward with a better performing, more efficient business as a result.

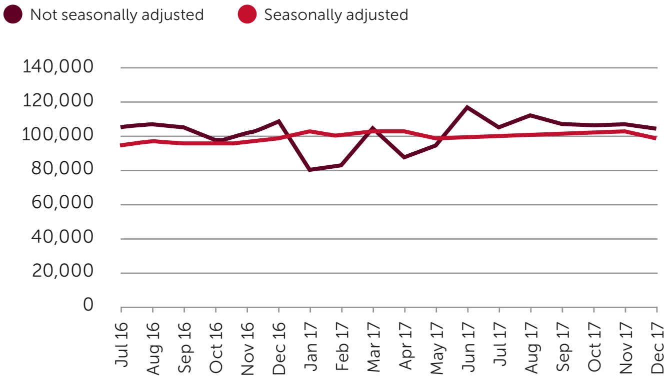
The sales market

Residential property transactions have remained fairly static throughout 2017 potentially due to continued economic uncertainty and static wages. House prices, however, are still faring well with a modest increase of 5.2%[3] year on year. This is likely due to a simple case of supply and demand. Government figures report net migration of 244,000[4] compared to 154,220[5] new builds completed for the year to September 2017, which is only adding to the existing housing shortage.

Contrary to elsewhere in the UK, house prices in London actually fell for the first time in eight years according to mortgage lender Nationwide. House prices in London fell by 0.5%[6] making it the weakest performing region for the first time since 2004 with a greater number of people in the capital unable to afford to buy a home.

The Belvoir Group has been largely immune to the effects of a suffering London housing market as our coverage in the capital remains low with less than 5% of our franchisees' revenue derived from the London area.

Total UK residential property transactions



Sources:

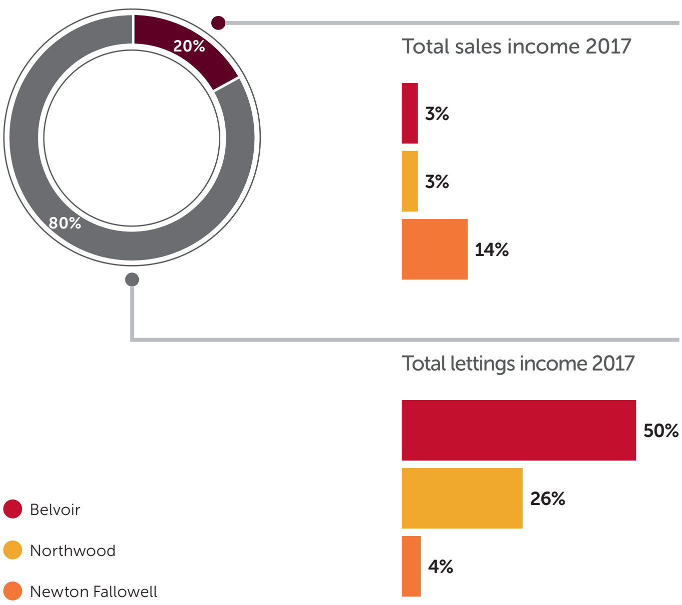
3. https://www.gov.uk/government/publications/uk-house-price-index-summary-december-2017/uk-house-price-index-summary-december-2017.
4. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2018.
5. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/668995/House_Building_Release_Sep_Qtr_2017.pdf.
6. https://www.theguardian.com/business/2018/jan/04/cost-of-living-squeeze-dents-uk-house-price-growth.

The importance of estate agency for the Group

With our Belvoir and Northwood networks being relative newcomers to estate agency, this market still represents more of an opportunity than a risk to us. Despite a challenging sales market in 2017, as a Group, our network revenue from sales increased by 20% yet, as shown in the graph below, sales still represents only 20% of our total revenue meaning there is still the potential to increase this further.

The acquisition of Brook in July 2017 also presents an opportunity for increased revenue from sales once integrated into our franchisees' business operations. The existing, smaller Newton Fallowell's mortgage business was transferred into Brook at the start of 2018 resulting in 29 financial advisors with a target to grow to 50 over the next two years. The Brook advisors are already fully supporting the Newton Fallowell network and during 2018 will start to integrate with the Belvoir and Northwood networks offering franchisees the opportunity to benefit from this additional revenue stream. Typically a franchisee will earn around £300 for simply introducing a customer with no ongoing costs or charges. This will be an extremely welcome addition to its income particularly when faced with the probable withdrawal of tenant fees in 2019.

Total Group MSF income



Leveraging our expertise

GROUP ACQUISITIONS STRATEGY

Accelerating business growth through the acquisition of additional franchised lettings and estate agency networks and property-related services companies to the Belvoir Group

Milestones of 2017

- Integrated Northwood into the Group reducing the cost base by £300,000 p.a.
- Acquisition of Brook to strengthen property-related financial services offered throughout the Group
- Rebranding of four Goodchilds offices to Newton Fallowell and three to Belvoir

Focus for the future

- Further integration of Group functions to deliver efficiencies and economies of scale
- Identify further property-related service companies to bring into the Group
- Position Belvoir to take advantage of further strategic consolidation within the property franchising sector

Read about our brands on **page 3**

ASSISTED ACQUISITIONS PROGRAMME

Increasing the market penetration of existing franchise territories through a proactive approach to finding them a local portfolio acquisition

Milestones of 2017

- 23 (2016: nine) transactions completed by franchisees under the Assisted Acquisitions programme
- Added £3.3m (2016: £1.5m) to network revenue and £351,000 (2016: £243,000) p.a. in MSF
- Year-end pipeline of transactions with lawyers totalling £2.8m
- 73 franchisees enrolled on the acquisition research programme

Focus for the future

- Target to add £6.6m of additional network revenue in 2018 under the Assisted Acquisitions programme
- Strengthen relations with business transfer agents and improve targeting of potential sellers
- Position our franchisees to take advantage of consolidation within the sector

Read about our acquisitions on **page 3**

FRANCHISE RECRUITMENT

Increasing UK coverage with newly franchised territories

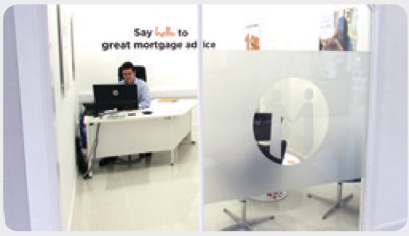
Milestones of 2017

- Nine new offices opened in 2017 including one "hot start"
- Five existing offices sold on to new franchise owners
- Development of a new satellite recruitment strategy targeted at existing franchisees supporting new franchisees opening in adjacent territories

Focus for the future

- Target to open six satellite offices in 2018
- Expecting to resell six existing offices to a new franchise owner in 2018
- Match new franchised territories with a portfolio acquisition, where possible, to give new franchisees an established income from day one

Read about our reach on **page 2**



DIVERSIFICATION

Continuing to expand our service offering with over two-thirds of our franchisees now offering property sales, and more proactive marketing of insurance and financial services

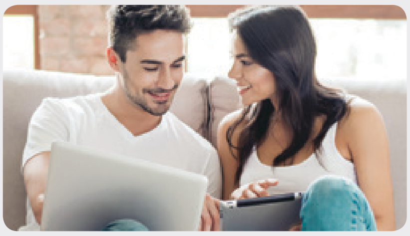
Milestones of 2017

- Property sales delivered a 47% increase in MSF to £270,000 (2016: £184,000) from the Belvoir network with 109 (2016: 93) of Belvoir offices having now completed sales training
- Three of the Newton Fallowell estate agents took up the lettings franchise for their territory
- Acquisition of Brook to enhance revenue opportunities from financial services

Focus for the future

- Drive to maximise revenue from financial services and insurance products
- Continue to focus on improving reputation of local offices through online reviews
- Ongoing encouragement of franchisees to proactively offer additional services

Read about our services on **page 8**



MARKETING AND PR

Continuously driving for increased brand awareness

Milestones of 2017

- Belvoir won Gold at The Negotiator Awards for Franchise or Large Group of the Year
- Northwood won Best Lettings Agency in the allAgents Awards based entirely on customer reviews
- Belvoir Group marketing team undertook Northwood brand refresh
- Alignment of Group marketing suppliers to achieve economies of scale

Focus for the future

- New Belvoir website for 2018 with more emphasis on lead management and conversion
- Further success with key industry awards across all brands
- Drive additional value by utlilising economies of scale wherever appropriate and, most importantly, using learnings to further improve each brand's marketing success
- Increase focus on digital marketing to generate and convert leads

Read about our awards on **page 61**

#MovingMemories

In September Belvoir launched its #MovingMemories video campaign, an emotive video to capture the excitement, stress and occasional sadness that a house move can bring. Behind every house move there is a person with a story to tell, and this is something that Belvoir never forgets.

See the video here
https://www.youtube.com/watch?v=_H4q7pszBJE

Our strategy is to leverage our expertise as a property franchisor to deliver both network growth and value for shareholders, underpinned by highly professional franchisees and sound business ethics.

See our KPIs on **page 22**

How we manage risk

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

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

Subsidiary boards

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

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 opposite 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, which 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's business model as set out on pages 8 and 9 has proved to be a robust and successful model for over 23 years. The Group's corporate strategy has been clearly set out to investors since flotation in 2012 and has resulted in Belvoir becoming the largest franchise property group within the UK. We continue to open new agencies across the UK and to support growth by assisting our franchisees to make local portfolio acquisitions and by making corporate-level acquisitions of other property franchise networks and property services-related companies. The Group has demonstrated strong growth from a mixture of like-for-like and acquisition-based growth as evidenced by increasing revenue and profitability over many years.

At the year end, the Group had cash at bank of £1.4m and a bank term loan of £6.5m. On 28 March 2017, the Group entered into new banking arrangements with HSBC which included a £12.0m loan facility and a £5.0m accordion facility to replace the existing lending by NatWest and to provide further access to funds to support Group growth plans.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

Nature of risk and impact	Potential impact	Mitigating activities
Ability to generate planned revenue and profit growth No change	There is no certainty that the Group will continue to expand its share of the residential property market through organic growth or by acquisition. The Group derives its main source of income from its MSF chargeable at a percentage of franchise network revenue. This depends upon market conditions and the willingness of landlords to pay commission to lettings agents and of vendors to pay commission for a traditional estate agency service. Our forecast growth relies on the continued commercial success of our franchisees to outperform the underlying market growth and to diversify their property-related service offering in what is a highly competitive residential property market.	The risks are mitigated by the Board regularly monitoring the revenue from the MSF and the Group management accounts, and taking the appropriate action when variances are identified. Given that some of the risk arises due to extraneous factors, there may be limits to the level of direct action that can be taken. However, the Board does prioritise the work of the business development mentors, who work closely with franchisees to target and address how they grow their business and respond to market conditions. Furthermore, the Board identifies additional property-related services and supports the roll out of such new services to franchisees.
Ability to recruit and retain skilled franchisees Risk increased	The ability of the Group to attract new franchisees with the appropriate expertise and skills, in available and suitable locations, cannot be guaranteed. Given the prevailing market conditions, the Group may experience difficulties in finding appropriate franchisees and failure to do so would have a detrimental effect upon trading performance.	The Board continually monitors the performance of the recruitment team and is focused on identifying innovative ways of attracting successful new franchise owners.
Reputational risk to the franchise model No change	The Group's reputation, in terms of the service it and its franchisees provide, the way in which it and its franchisees conduct their business, and the financial results which they achieve are central to the Group's future success. Failure by the franchisees to meet the expectations of their landlords, tenants, buyers and sellers may have a material impact on the reputation of the brands within the Group.	The franchisees join 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.
Ability to execute the Belvoir Assisted Acquisitions strategy Risk decreased	The Group needs to continue to identify suitable acquisition targets for its franchisees through its Assisted Acquisitions programme and to be able to support the franchisee to fund the acquisition through both third party and Belvoir lending. The competitive process in the marketplace might increase the acquisition price and the tight lending criteria of major lenders might limit resources available to our network.	The Board monitors the Assisted Acquisitions programme to target a return on investment in excess of 25%. Belvoir saw acquisition activity double in 2017 and only provided 10% of the deal value as loans to franchisees. The year ended with a strong pipeline of potential acquisitions for 2018.
Legislative changes Risk increased	Tax changes on interest relief against buy-to-let (BTL) mortgages and higher stamp duty on second homes have cooled BTL landlord activity in the market. Furthermore, the introduction of a ban on tenant fees, now expected in 2019 following a period of consultation, has led to uncertainty for both existing and potential new franchise owners.	The Board is focused on supporting the network in expanding their service offering: • Property sales still represent a viable new revenue stream for our many lettings-based franchise owners. • A drive to engage with our franchisees on the upsale possibilities in the financial services sector including the commission on insurances, conveyancing and mortgages. • Local acquisitions to expand their lettings portfolios.
Online threat Risk increased	Online agencies offering a low cost solution are likely to increase their market share. 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 Board is pursuing a strategy of improving the customer journey via its traditional agency service through a better technology platform to give landlords, tenants, buyers and sellers greater online visibility and interaction.

Link to strategy

Group acquisitions strategy **Assisted Acquisitions programme** **Franchise recruitment** **Diversification** **Marketing and PR**

Significant growth delivered from a sound financial platform

Our focus on delivering shareholder value underpins our investment and long-term growth strategy.

Revenue
In 2017 Group revenue increased by 14% to £11.3m (2016: £9.9m) reflecting the full year's impact of our 2016 acquisition of Northwood, the 2017 acquisition of Brook Financial Services and the franchising out of six corporate-owned offices during the two years under review.

MSF increased by 23% to £7.9m (2016: £6.4m), of which 17% resulted from Northwood being within the Group for twelve months (2016: seven). Adjusting for the full year impact of Northwood, lettings MSF increased by a further 4.3%, of which 2.7% arose from like-for-like growth and 1.6% from portfolio acquisitions by franchisees. Meanwhile MSF from property sales increased by 1.6% overall, with the main estate agency network, Newton Fallowell, on par with last year and growth of 47% and 7% within the lettings-biased networks, Belvoir and Northwood, respectively.

Income from corporate-owned offices was down £0.9m as a result of the disposal of six Belvoir offices to franchisees between August 2016 and March 2017. At the year end there remained four corporate-owned offices, of which Cumbria and Spalding have since each been acquired by a new franchise owner, leaving the two original Grantham offices of Belvoir and Newton Fallowell, which are both profitable and will be retained for future development purposes.

Revenue from franchise sales in 2017 was £0.3m (2016: £0.4m). The Group's recruitment policy is geared towards bringing on new franchise owners via a resale of an existing franchised territory or into a "hot start" where a portfolio acquisition is executed at the time of opening, so as to give our new franchise owners a launch pad. During 2017, we processed five resales and one hot start. Meanwhile we saw nine of our existing franchise owners open a second office, often as part of a portfolio acquisition transaction.

The acquisition of Brook Financial Services ("Brook") in July 2017 has introduced a new reportable revenue stream for the Group with Brook adding £0.9m to the £0.3m of financial services revenue within the Group to give a total of £1.2m (2016: £0.3m) for the year.

Having recognised financial services as a separate revenue stream, the 2016 "other income" has been adjusted to extract financial services, leaving other income comparable at £0.5m (2016: £0.5m) for both years under review.

Operating profit before exceptional items
The £0.4m reduction in non-exceptional administrative expenses to £6.5m (2016: £6.9m) reflected a number of underlying factors. The full year impact of Northwood, expected to add around £0.6m, was considerably mitigated by a restructuring exercise carried out in Q1 2017, which eliminated £0.3m from overheads, and tighter cost control, resulting in a net increase of £0.2m in the Northwood cost base. The July 2017 acquisition of Brook added £0.7m to overheads and the franchising out of the six corporate offices reduced overheads by £1.2m.

Within administrative expenses there is a charge of £72,000 (2016: £25,000) associated with the share options issued to Directors and certain staff between 2014 and 2017. Full disclosure is in note 26 to the accounts.

Operating profit before exceptional items was £3.9m (2016: £2.5m), an increase of 56% over the prior year.

Exceptional items
Exceptional items totalled £0.5m (2016: £0.7m), of which £0.1m and £0.2m related to legal and professional fees associated with the acquisition of Brook and an aborted merger offer respectively, and £0.1m represented the deemed interest on the Northwood contingent consideration.

Profit before taxation
Profit before taxation of £3.9m (2016: £2.4m) is after interest receivable on franchisee loans of £0.3m (2016: £0.3m), which is regarded by the Group as part of its ongoing operations to extend the network reach.

Taxation
The effective rate of corporate tax for the year was 24.2% (2016: 23.9%) due to the £0.3m exceptional legal and professional costs of the acquisition and deemed interest not being an allowable deduction from profits for tax purposes.

Earnings per share
Basic earnings per share was up 51% to 8.6p (2016: 5.7p) based on an average number of shares in issue in the period of 34,638,939 (2016: 32,375,694), an increase arising from the issue of 803,284 shares in January against the Northwood earn-out and 475,162 shares in July 2017 against the Brook acquisition. When diluted to incorporate 1,830,399 (2016: 938,399) share options, the earnings per share was 8.1p (2016: 5.5p).

"The successful integration of Northwood has demonstrated our capability to manage effectively a multi-brand franchise group and to deliver increasing profitability."

Adjusted basic earnings per share of 11.3p (2016: 8.8p) reflects adjustments for exceptional administrative costs, profit/(loss) on disposal of corporate offices and deemed interest on contingent consideration totalling £0.7m. The adjusted diluted earnings per share was 10.7p (2016: 8.5p).

The profit attributable to owners was up 67% to £3.0m (2016: £1.8m).

Dividends

The Board is proposing a final dividend for 2017 of 3.5p per share (2016: 3.4p). Together with the interim dividend of 3.4p paid to shareholders on 27 October 2017, this equates to a total dividend for the year of 6.9p per share (2016: 6.8p), a modest increase in line with the Board's progressive dividend policy.

Subject to shareholders' approval at the AGM on 29 May 2017, the dividend will be paid on 31 May 2018 based upon the register on 20 April 2018. The ex-dividend date will be 19 April 2018.

Cash flow

The net cash inflow from operations was £4.6m (2016: £2.9m) reflecting the enlarged Group.

The net cash used in investing activities was £0.9m (2016: £9.4m):

- On 12 July 2017 the Group acquired the entire share capital of Brook Financial Services Limited, a specialist mortgage advice company, for consideration of £2.2m, of which £1.7m was settled in cash and £0.5m by the issue of shares to the vendor.
- On 2 May 2017 the Group took ownership of the Yardley franchise office at a cost of £0.1m. This office, and two existing corporate offices, Devizes and Burton, were sold to new franchise owners during the year giving rise to a cash inflow of £0.3m (2016: £0.8m) on disposal.
- £0.4m was returned from the Northwood escrow account to settle a tax liability.
- During the year the net inflow from the franchise loan book was £0.1m (2016: net outflow of £0.4m).

Loans repaid to the bank in the year were £0.5m (2016: £1.0m) and dividend payments totalled £2.4m (2016: £2.2m). As a result, net cash outflow from financing activities totalled £3.1m (2016: net cash inflow of £5.9m).

Liquidity and capital resources

At the year end the Group had cash balances of £1.4m (2016: £1.6m) and a term loan of £6.5m (2016: £7.0m). The Group entered into new banking facilities with HSBC on 28 March 2018. As part of that process the year-end NatWest bank loan was settled and a new revolving credit facility of £12.0m was put in its place to provide the Group with sufficient liquidity to settle the Northwood earn-out expected to crystallise in July 2018. The initial drawdown of £7.0m under the HSBC facility is repayable in half yearly payments of £350,000.

Financial position

The Group continues to operate from a sound financial platform and is strongly cash generative. This, together with the £1.4m opening cash balance, will enable the Group to meet the bank loan repayment of £0.7m in 2018. Also, the capital repayments from the existing franchisee loan book will enable the Group to give further financial assistance to franchisees acquiring local managed lettings portfolios, which delivers both network growth and favourable rates of return for the Group.

Key performance indicators

The Group uses a number of key financial and non-financial performance indicators to measure performance. The Group also uses alternative performance measures to improve comparability of information between reporting periods and across the sector for uncontrollable and one-off factors, which impact upon IFRS measures, to aid the users of the annual report in understanding the activity taking place across the Group's portfolio.

The key financial indicators are as follows:

- management service fees;
- adjusted net profit before tax; and
- adjusted earnings per share.

These have been discussed in further detail above.

Following the introduction of property sales to the Belvoir network in 2014, the Board started tracking the number of offices offering property sales as a KPI. Since the acquisitions of Newton Fallowell, Goodchilds and Northwood, all of which were already offering sales to varying degrees, and given that the penetration of sales within the Belvoir network is now up to over 60%, the number of offices offering property sales is no longer deemed to be a key determinant of future growth. Meanwhile, the Board is closely monitoring the success of the Assisted Acquisitions programme as a key part of its strategic growth plans. This change in focus has been reflected in the key non-financial indicators listed below:

- number of offices;
- managed properties; and
- additional MSF arising from assisted acquisitions.

These have been discussed in further detail throughout the Strategic report and are illustrated on page 22.

Louise George
Chief Financial Officer

Measuring our performance

The Group tracks a series of financial and non-financial metrics that demonstrate the progress we are making. These have been discussed in further detail throughout the Strategic report.

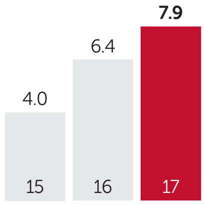
Financial

Link to strategy

- Group acquisitions strategy
- Assisted Acquisitions programme
- Franchise recruitment
- Diversification
- Marketing and PR

MSF
£m

£7.9m
+23%



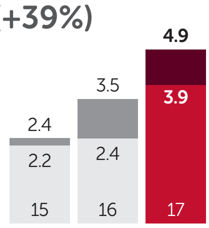
Definition
Fees to the franchisor based on a percentage of franchisee revenue

Comment
17% growth from full year impact of 2016 Northwood acquisition. 6% from ongoing network activities

Link to strategy

PROFIT BEFORE TAX
(AND ADJUSTED*) £m

£3.9m (£4.9m)
+62% (+39%)



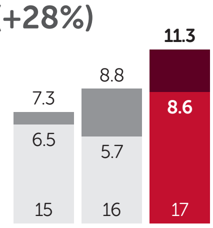
Definition
Adjusted profit before tax arising from ongoing operations

Comment
Cost savings from integration of Northwood into the Group and revenue growth from the acquisition of Brook

Link to strategy

BASIC EPS
(AND ADJUSTED*) p

8.6p (11.3p)
+51% (+28%)



Definition
Earnings per share adjusted for non-recurring transactions

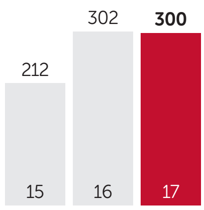
Comment
Increase in adjusted EPS also reflecting enlarged group

Link to strategy

Non-financial

NO. OF OFFICES
#

300
-1%



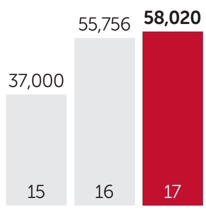
Definition
All our offices have a physical high street presence

Comment
Growth of the network has come from greater market penetration of existing territories

Link to strategy

NO. OF MANAGED PROPERTIES
#

58,020
+4%



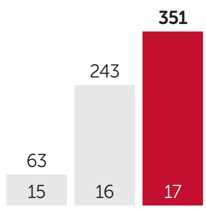
Definition
Total number of properties managed on behalf of landlords within the Group

Comment
Substantial increase from portfolio acquisitions by our franchisees

Link to strategy

ASSISTED ACQUISITIONS
MSF p.a. £'000

£351,000
+44%



Definition
Additional MSF p.a. arising from the Assisted Acquisitions programme

Comment
23 assisted acquisitions were completed in 2017 adding £3.3m of network revenue and £351,000 in recurring MSF

Link to strategy

Adjusted

* See note 9 on page 48.


BELVOIR!


NEWTON FALLOWELL

Governance

At Belvoir we recognise that high standards of corporate governance underpin our continuing success.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware;
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
- the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We continually review the framework within which we operate and the processes implemented to ensure that they reflect the complexities of our business and, whilst acknowledging our size, are also capable of adding value as the business grows. The Company seeks guidance as set out in the "Corporate Governance Code for Small and Mid-Size Quoted Companies" published in 2013 by the Quoted Companies Alliance (the "QCA Corporate Governance Code").

The Board sets out the overall strategic direction for Belvoir, regularly reviews management performance and ensures that the Group has the right level of resources available to support our strategic goals. The Board is satisfied that the necessary controls and resources are in place such that these responsibilities can be properly addressed.

Within Belvoir we promote a culture of good governance in dealing with all key stakeholders: our franchisees, our employees, our customers and our shareholders. This section of the annual report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31 December 2017.

Mike Goddard
Chairman

2017 key shareholder engagements

January	Pre-close trading update	RNS
April	Preliminary results Annual report published	Meetings/RNS Report
May	Investor visit to Belvoir AGM trading update AGM	Meeting RNS Meeting
July	Acquisition of Brook and change of Board	RNS
August	New Long Term Incentive Plan	RNS
September	Interim results	Meetings/RNS
October	Investor visit to Belvoir Rule 2.4 announcement	Meeting Meetings/RNS
November	Communication between Chair and investors Rule 2.7 announcement Northwood growth	Calls RNS RNS
December	Brook update	RNS

Board of Directors

Key:
- Audit Committee
- Remuneration Committee
- C Chair of Committee

Belvoir Lettings has a highly experienced Board of Directors with a commitment to driving profitability and long-term shareholder value. The Directors of the Company who were in office during the year up to the date of signing the financial statements were:

Mike Goddard
Chairman

Appointment January 1995

Experience
Mike founded Belvoir in 1995, having previously served in the Royal Air Force. He is a well-respected figure in both the UK lettings market and franchising industry having been chairman of the British Franchising Association, a director of the National Approved Lettings Scheme and a director of The Property Ombudsman, and having served on the World Franchise Council.

Key skills
Team building/strategic business planning

Dorian Gonsalves
Chief Executive Officer

Appointment April 2005

Experience
Dorian has extensive experience in the property industry having spent seven years with Countrywide before joining Belvoir in 2005 as Business Development Manager and being appointed Sales Director a year later. Currently Chief Executive Officer, Dorian has a deep understanding of successful franchising and is also a director of The Property Ombudsman.

Key skills
People management/business development

Louise George
Chief Financial Officer

Appointment June 2014

Experience
Louise is a Chartered Accountant and Chartered Secretary, having qualified with Ernst & Young in 1991. She has over 14 years' board-level experience with AIM-listed companies overseeing a wide range of corporate transactions. Over the past three years Louise has undertaken four significant acquisitions for the Group. Louise also serves as Company Secretary to the Group.

Key skills
Financial management/mergers and acquisitions

Mark Newton
Executive Director

Appointment March 2016

Experience
Mark, a Chartered Surveyor, has over 30 years' experience of estate agency having joined Black Horse Agencies in 1984 and subsequently becoming managing director of Legal & General Estate Agents. In 1999 Mark established Newton Fallowell, which he built into a network of 30 franchised offices before selling to Belvoir in July 2015. Mark has Board-level responsibility for the diversification into financial services.

Key skills
Estate agency/financial services

Andrew Borkowski
Non-Executive Director

Appointment March 2014

Experience
Andrew has over 26 years' experience as a corporate lawyer having been an equity partner at a national law firm until 2015, leading its corporate and banking team. Andrew is now chief executive of a private family investment fund, Fullbrook Thorpe Investments LLP, which has built up a portfolio of 26 investments, and a non-executive director of a number of privately held concerns.

Key skills
Legal/corporate transactions

Michael Stoop
Non-Executive Director

Appointment March 2018

Experience
Michael has over 40 years' experience of the franchise property market, initially with Winkworth as both a franchisee and as the group managing director. This was followed by 22 years as managing director of Legal and General's estate agency network, Xperience, which he was instrumental in converting into a wholly franchised network of 95 offices. In 2014, this was sold to the Property Franchise Group plc, where Michael was group managing director until he stood down in 2016.

Key skills
Estate agency/franchising

Nicholas Leeming C
Non-Executive Director

Key skills
Estate agency/online technology

Nicholas served as a Non-Executive Director from 2012 until he stood down from the Board on 10 April 2018. During 2017, Nicholas served on the Audit Committee and was Chairman of the Remuneration Committee.

Statement of corporate governance

Compliance

The Board ensures that the Company adopts proper standards of corporate governance and that the principles of best practice as set out in the QCA Corporate Governance Code are followed so far as is practicable and appropriate to the size and nature of the Company and the constitution of the Board. Set out below is a summary of how, at 31 December 2017 and for the year then ended, the Company was applying the key requirements of the Code.

Board of Directors

Throughout the year the Board comprised a Chairman, three Executive Directors and two Non-Executive Directors. At every AGM one-third of the Directors must retire by rotation. Notwithstanding their small shareholdings, both Non-Executive Directors are considered to be independent.

The Board has ten scheduled meetings a year, but meets more frequently if required, and has full and timely access to all relevant information to enable it to carry out its duties.

The Board reserves for itself a range of key decisions such as strategy, acquisitions, significant contracts and internal controls, to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Directors who are responsible for the Executive management of the business.

With effect from July 2017, the roles of Chairman and Chief Executive Officer have been separated and are no longer held by the same individual. There is a clear division of responsibilities at the head of the Company between the running of the Board and the running of the Group's operations.

The role of the Chairman is to manage the Board in the best interests of its stakeholders, to ensure that shareholders' views are communicated to the Board and to be responsible for ensuring the Board's integrity and effectiveness.

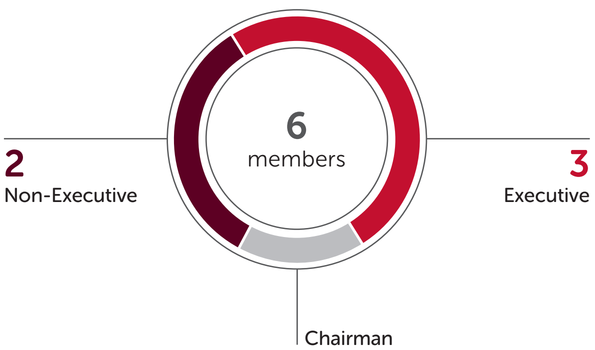
The role of the Chief Executive Officer is to manage the Group on a day-to-day basis, to ensure that Board decisions are implemented effectively and to develop and propose Group strategy to the Board.

The Board considers the current Board structure appropriate for the Company. There are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties and to have access to the advice and services of the Company Secretary.

Board composition and roles

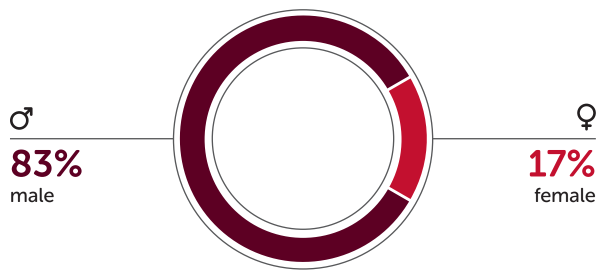
Composition and roles

The QCA Corporate Governance Code provides that the Board should be balanced between Executive and Non-Executive Directors and should have at least two independent Non-Executive Directors.



Board diversity

As of 31 December 2017.



Length of tenure

As of the date of this report.

Director	Appointment	Tenure
Mike Goddard	Jan 1995	23 years
Dorian Gonsalves	Apr 2005	13 years
Louise George	Jun 2014	4 years
Mark Newton	Mar 2016	2 years
Nicholas Leeming*	Nov 2012	5 years
Andrew Borkowski	Mar 2014	4 years
Michael Stoop	Mar 2018	0 years

* Nicholas Leeming stood down from the Board on 10 April 2018.

Attendance at meetings

Meetings attended	Main Board	Remuneration Committee	Audit Committee
Total number of meetings	**10**	**5**	**3**
Mike Goddard	●●●●●●●●●●	●●●●●	
Dorian Gonsalves	●●●●●●●●●●		
Louise George	●●●●●●●●●●		●●●
Mark Newton	●●●●●●●●●●		
Nicholas Leeming*	●●●●●●●●●●	●●●●●	●●●
Andrew Borkowski	●●●●●●●●○○	●●●●●	●●●

Board Committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees. Given its relatively small size, the Board as a whole fulfils the function of the Nominations Committee. The Board considers that all the members of each Committee have the appropriate experience and none of them have interests which conflict with their positions on the Committees. All Board Committees have their own terms of reference, which are available from the Company Secretary upon request.

Remuneration Committee

The Remuneration Committee has two scheduled meetings a year and is responsible for determining the contractual terms, remuneration and other benefits of the Executive Directors. The Remuneration Committee comprised Mike Goddard, Andrew Borkowski and Nicholas Leeming, who acted as the Chairman until stepping down from the Board on 10 April 2018. Michael Stoop has been appointed Chairman of the Remuneration Committee as of 10 April 2018.

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' remuneration report on pages 28 and 29.

Audit Committee

The Audit Committee has three scheduled meetings a year. The Audit Committee comprised Andrew Borkowski, who acted as the Chairman, and Nicholas Leeming, until he stepped down from the Board on 10 April 2018. Andrew Borkowski is considered to have recent and relevant financial and legal knowledge and experience. Michael Stoop has been appointed to serve on the Audit Committee as of 10 April 2018.

The Audit Committee is responsible for ensuring the integrity of the financial statements of the Group and the effectiveness of the Group's underlying internal controls.

The Audit Committee will make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, taking into account the cost effectiveness, independence and objectivity of the external auditor. The Committee meets with the external auditor for the purpose of discussing matters relating to the financial reporting, accounting policies and internal controls of the Group.

During the year the Group's external auditor provided non-audit services to the Group, including tax advice. The fees paid for these services are outlined in note 3. The use of the external auditor for non-audit work has been carefully evaluated by the Audit Committee and was not considered to have impaired the external auditor's independence and objectivity.

Internal control

The Board is responsible for the Company's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Company in managing the risks to which it is exposed. The Board is satisfied with the effectiveness of the Group's system of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function. The Board has decided that, given the nature of the Company's business and assets and the overall size of the Company, the systems and procedures currently employed provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is in place. An internal audit function is therefore considered unnecessary. However, the Group does operate an audit and compliance team which carries out legal compliance checks and risk-based audits on all franchisees at least once a year.

Financial reporting

There is a comprehensive planning system, including regular periodic forecasts which are presented to and approved by the Board. The performance of the Group is reported monthly and compared to the latest forecast and the prior period.

Relations with shareholders

Keeping investors informed is an essential part of the Company's corporate communications strategy and is achieved by means of an active investor relations programme. The aim is to ensure that the Company's business model, strategic goals and future prospects are clearly understood by the investment community. The Company operates a high level of transparency with regards to its operations by providing consistent information across all channels of communication. The Board places a high emphasis on shareholder engagement and, through an open and transparent dialogue with shareholders, aims to ensure that shareholders' objectives and views on the Company's performance are understood. The Chairman makes himself available to major shareholders on request and periodically attends meetings with and gives presentations to shareholders.

The Group's corporate website, www.belvoirlettingsplc.com, aims to provide investors with the required information to fully understand the business, including the annual and interim report, and to potentially make an investment decision. The website is regularly reviewed and updated to reflect new information.

All shareholders will receive at least 21 clear days' notice of the Annual General Meeting, which is normally attended by all Directors. Shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

Directors' remuneration report

"During the year our executive remuneration packages were revised to ensure that we retain and motivate our talented Executive Team over a longer period of time and that their reward is aligned to maximising shareholder return."

The Directors present the Directors' remuneration report for the year ended 31 December 2017.

The Remuneration Committee sets the overall policy on remuneration and other terms of employment of Directors. The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate Directors of the right calibre. When assessing the pay and benefits of the Directors, the Remuneration Committee takes account of remuneration and benefits information in the marketplace and the pay and employment conditions elsewhere in the Group. In 2017 executive remuneration packages were reviewed by FIT Remuneration Consultants LLP, who advised the Remuneration Committee on a new remuneration plan comprising a fixed salary, a variable annual bonus based on achieving certain budgeted short-term targets and a long-term share option element linked to performance targets over the period to 31 December 2020. The provisions of the new plan reflect the increasing responsibilities of the Executive Team given the enlarged Group and incorporates longer-term objectives to ensure that the Executive Team is incentivised to maximise profitability and shareholder return.

Remuneration for Non-Executive Directors consists of fees for their services in connection with Board and Committee meetings. These fees are to be determined by the Committee without the involvement of the Non-Executive Director concerned. Non-Executive Directors do not participate in any Group pension or share option schemes.

All Directors are subject to retirement by rotation.

Basic salary or fees

Basic salary or fees for each Director are reviewed annually by the Remuneration Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar posts.

Annual bonus

The Company operates a bonus scheme to incentivise Executive Directors to meet the financial and strategic objectives of the Group. During the financial year ended 31 December 2017, a total bonus of £178,000 (2016: £135,000) was awarded to the Directors.

Pension

During the year pension contributions of £34,000 (2016: £16,000) were paid to Executive Directors.

Taxable benefits

The Directors' taxable benefits are tabled opposite.

Service contracts

The Executive Directors of the Company do not have a notice period in excess of twelve months under the terms of their service contracts. Their service contracts contain no provisions for predetermined compensation on termination which exceed one year's salary and benefits in kind. Non-Executive Directors do not have service contracts with the Company but have letters of appointment which can be terminated on three months' notice.

Board members	Notice period
Mike Goddard	Six months' notice
Dorian Gonsalves	Twelve months' notice
Louise George	Twelve months' notice
Mark Newton	Three months' notice
Andrew Borkowski	Three months' notice
Nicholas Leeming	Three months' notice
Michael Stoop	Three months' notice

Company policy on external appointments

The Company recognises that its Directors are likely to be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive and Non-Executive Directors are therefore, subject to approval of the Company's Board, allowed to accept non-executive appointments, as long as these are not with competing companies and are not likely to lead to conflicts of interest. Executive and Non-Executive Directors are allowed to retain the fees paid. Nicholas Leeming has extensive experience of the property market but was appointed to the Board mainly for his knowledge of internet-based business. Nicholas' other appointments may also draw upon this knowledge but he does not act for any other businesses involved in property franchising and hence no conflict arises.

Audited information

Details of the Directors' shareholding interests and remuneration for the financial year ended 31 December 2017, disclosed opposite, have been audited by the Group's external auditor.

Share options

The Remuneration Committee is responsible for awarding options over ordinary shares to Executive Directors and certain senior managers under the Company's enterprise management incentive (EMI) share option scheme. The scheme is intended to offer long-term incentives to Directors and senior management. The Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of Directors and staff. Options outstanding as at 31 December 2017 are tabled below:

Directors' share options	Share option scheme	Number	Exercise price	Date of grant	Vesting period	Expiry date
Executive Directors						
Dorian Gonsalves	Unapproved	163,399	£0.75	16/02/2012	Two years	31/12/2018
Dorian Gonsalves	EMI scheme	200,000	£1.32	04/07/2014	Three years	04/07/2024
Dorian Gonsalves	LTIP	540,000	£0.01	01/08/2017	41 months	31/12/2020
Louise George	EMI scheme	175,000	£1.32	04/07/2014	Three years	04/07/2024
Louise George	LTIP	432,000	£0.01	01/08/2017	41 months	31/12/2020

Directors' emoluments

The figures below represent emoluments earned by Directors during the relevant financial year and relate to the period of each Director's membership of the Board. Benefits incorporate all benefits assessable to tax arising from employment by the Group.

Directors' emoluments	Salary and fees £'000	Bonus £'000	Pension £'000	Benefits £'000	**Total 2017 £'000**	Total 2016 £'000
Executive Directors						
Mike Goddard	117	—	—	2	**119**	191
Dorian Gonsalves	162	78	16	1	**257**	196
Louise George	144	62	14	1	**221**	175
Mark Newton	83	38	4	3	**128**	59
	506	178	34	7	**725**	621
Non-Executive Directors						
Nicholas Leeming*	35	—	—	—	**35**	35
Andrew Borkowski	35	—	—	—	**35**	35
	70	—	—	—	**70**	70
Total remuneration	576	178	34	7	**795**	691

Directors' interests

The interests of the Directors in the shares of the Company are tabled below:

	31 December 2017		31 December 2016 (or date of appointment if later)	
Directors' interests	**Shares**	**Options**	Shares	Options
Mike Goddard	**5,571,921**	**—**	7,193,565	—
Dorian Gonsalves	**463,595**	**903,399**	463,595	363,399
Louise George	**56,607**	**607,000**	35,107	175,000
Mark Newton	**435,507**	**—**	435,507	—
Andrew Borkowski	**33,754**	**—**	24,544	—
Nicholas Leeming*	**24,427**	**—**	24,427	—

Resolution

A resolution to shareholders to approve the Directors' remuneration report will be put forward at the Annual General Meeting.

On behalf of the Board

Mike Goddard
Chairman
10 April 2018

* Nicholas Leeming stood down from the Board on 10 April 2018.

The Directors present their annual report and audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are detailed on page 25.

Dividends

The Company paid its interim dividend for the financial year ended 31 December 2017 of 3.4p per ordinary share on 27 October 2017.

The Board recommends a final dividend for the financial year ended 31 December 2017 of 3.5p (2016: 3.4p) per share to be paid on 31 May 2018 to all shareholders on the register at the close of business on 20 April 2018 subject to shareholders' approval on 29 May 2018. The ex-dividend date will be on 19 April 2018.

Future developments

The Board continues to deliver growth through the support of the network to promote organic growth, the expansion of Belvoir territories and the financial support of franchisee-led acquisitions. Furthermore, the Board is pursuing strategic growth as a multi-brand franchising group through the acquisition of other franchised networks, building on the Group's strength as a highly regarded franchisor within the residential property sales and lettings sector.

Capital and equity structure

Details of the ordinary shares of the Company are shown in note 19 of these financial statements.

Directors' indemnity

The Group maintains third party Directors' and officers' liability insurance which gives appropriate cover against any legal action that may be brought against them.

Employees

The Group believes in a policy of equal opportunities. Recruitment and promotion are undertaken on the basis of merit regardless of gender, race, age, marital status, sexual orientation, religion, nationality, colour or disability. If an employee becomes disabled during the course of their employment, adjustments are made where possible to enable such employee to carry on working despite their disability.

Going concern

The Group and the Company's financial statements have been prepared on a going concern basis. The Directors note that as at 31 December 2017 both the Group and the Company are in a net current liability position of £3,731,000 and £1,366,000 respectively. This reflects the contingent consideration estimated at £4,901,000 payable to the vendors of Northwood GB Limited, which is to be settled in cash or equity as determined by the Company. In addition a new banking facility with HSBC was entered into in March 2018 which will provide additional funding sufficient to cover the contingent consideration should the Directors decide on a cash settlement.

After consideration of forecasts for at least twelve months from the date of signing of the financial statements and making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence, and execute its plan for acquisition growth, for the foreseeable future.

There are no material uncertainties, of which the Directors are aware, that may cast doubt on the entity's ability to continue as a going concern by reference to guidance by the Financial Reporting Council on going concern assessment.

Financial and risk management policies

Details of the Group's financial and risk management policies are discussed in note 22 of these financial statements.

"Having developed a multi-brand franchise model, the Board is looking to build further growth through the introduction of additional property-related services as evidenced by the acquisition of Brook Financial Services."

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and IFRS as adopted by the European Union have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section, confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Independent auditor

PricewaterhouseCoopers LLP has expressed its willingness to continue as auditor. In accordance with Section 489 of the Companies Act 2006 a resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Louise George
Chief Financial Officer
10 April 2018

Independent auditors' report

To the members of Belvoir Lettings plc

Report on the audit of the financial statements

Opinion

In our opinion, Belvoir Lettings PLC's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and accounts 2017 (the "Annual Report"), which comprise: the group and parent company statements of financial position as at 31 December 2017; the group statement of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: £218,500 (2016: £150,000), based on 5% of profit before tax, adjusted for non-recurring exceptional items.
- Overall parent company materiality: £207,500 (2016: £135,000), based on 1% of net assets.

- The Group comprises a consolidation of eleven legal entities.
- We conducted an audit of the complete financial information of nine legal entities, together with additional procedures performed, including over the Group consolidation.
- The components on which audits of the complete financial information and centralised work was performed accounted for 100% of Group revenue.

- Acquisition accounting (Group and parent).
- Recoverability of franchisee debtors (Group).
- Impairments of intangibles and goodwill (Group).
- Exceptional, non-recurring items (Group and parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Acquisition accounting – Group and Parent Refer to the significant judgements and key sources of estimation uncertainty in note 1 to the accounts. Belvoir Lettings plc acquired the share capital of Brook Financial Services Limited in July 2017. Provisional fair values were attributed to each of the assets acquired and liabilities assumed. In addition, contingent consideration is due in May 2018 in relation to the prior year acquisition of Northwood GB Limited.	We have assessed the fair values ascribed to the assets and liabilities that were purchased as part of the acquisition of Brook Financial Services Limited. In particular, we challenged management's assessment that there were no acquired intangible assets and found this to be reasonable. We have reviewed the analysis which supports the contingent consideration due in relation to the Northwood GB Limited acquisition. For those months which remain a forecast we have challenged management's assumptions in arriving at these results and consider these to be reasonable.
Recoverability of franchisee debtors – Group Refer to the significant judgements and key sources of estimation uncertainty in note 1 to the accounts. Loans to franchisees represent a material balance within the statement of financial position. The Group assesses the recoverability of these balances and provisions are booked where recoverability of a specific balance is in doubt.	We have assessed the franchisee debtor balance at the year end analysed between current and overdue amounts. Testing has been performed post-year end to understand which of these amounts have been subsequently paid. We have assessed franchisees who have had their contract terms amended to allow for "payment holidays" to understand the circumstances around these revisions. We have performed an analysis of MSF income against outstanding loan balances to identify franchisees with a comparably high loan amount compared to income. We have challenged management to understand the factors resulting in such circumstances and the recoverability of these amounts. We are satisfied with management's assessment of the recoverability of the franchisee balance at the year end.
Impairments of intangibles and goodwill – Group Refer to the significant judgements and key sources of estimation uncertainty in note 1 to the accounts. A significant balance of goodwill and intangible assets exists on consolidation in relation to the Newton Fallowell Group, Goodchilds Estate Agents & Lettings Limited, Northwood GB Limited and Brook Financial Services Limited and a number of smaller corporate offices. These assets require assessment at the year-end date to determine if impairment is necessary.	We have reviewed the impairment assessment models prepared by management which include a number of key assumptions including the discount rate and growth rate. We have provided independent challenge to these assumptions, including undertaking a sensitivity analysis. We have identified no indication of impairment as a result of the models produced by management. We are satisfied that the assumptions are reasonable.
Exceptional non-recurring items – Group and Parent Refer to the significant judgements and key sources of estimation uncertainty in note 1 to the accounts. Costs relating to the acquisition of Brook Financial Services Limited, the aborted merger with The Property Franchise Group and the restructuring of the Group have been separately disclosed as exceptional items.	We have tested the items that are disclosed as exceptional in the income statement and concluded that they are in accordance with the Group's accounting policy for such items and are appropriately disclosed.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group is structured with one segment. The Group financial statements are a consolidation of eleven legal entities within this segment, comprising the Group's operating business and centralised functions.

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope continued

In establishing the overall approach to the Group audit, we identified three legal entities: Belvoir Property Management (UK) Limited, Northwood GB Limited and Newton Fallowell Limited, which, in our view, required an audit of their complete financial information due to their financial significance to the Group.

In addition, we also conducted the statutory audits of the remaining six non-significant legal entities such that the audit work was complete prior to finalisation of the audit of the Group financial statements, thereby providing further evidence in support of our Group opinion.

The audits of these nine legal entities, together with the additional procedures performed at the Group level, including over the Group consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£218,500 (2016: £150,000).	£207,500 (2016: £135,000).
How we determined it	5% of profit before tax, adjusted for non-recurring exceptional items.	1% of net assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax, adjusted for non-recurring exceptional items is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. Exceptional items have been adjusted for to allow greater comparability in the underlying performance.	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, given it is non trading, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,500 and £207,500. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,925 (Group audit) (2016: £7,500) and £10,375 (Parent company audit) (2016: £6,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s and parent company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s and parent company’s ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors’ Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Report on the audit of the financial statements continued

Reporting on other information continued

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
10 April 2018

Group statement of comprehensive income

For the financial year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	2	**11,299**	9,940
Cost of sales	3	**(510)**	—
Gross profit		**10,789**	9,940
Administrative expenses			
Non-exceptional	3	**(6,540)**	(6,948)
Exceptional	4	**(332)**	(482)
		(6,872)	(7,430)
Operating profit		**3,917**	2,510
Profit/(loss) on disposal of corporate offices	4	**6**	(160)
Finance costs	6	**(192)**	(139)
Finance income	6	**313**	291
Exceptional deemed interest on contingent consideration	4	**(134)**	(93)
Profit before taxation		**3,910**	2,409
Taxation	7	**(948)**	(576)
Profit and total comprehensive income for the financial year		**2,962**	1,833
Profit for the year attributable to the equity holders of the parent company		**2,962**	1,833
Basic earnings per share from continuing operations	9	**8.6p**	5.7p
Adjusted basic earnings per share from continuing operations	9	**11.3p**	8.8p
Adjusted diluted earnings per share from continuing operations	9	**10.7p**	8.5p

The Group's results shown above are derived entirely from continuing operations.

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

Statements of financial position

As at 31 December 2017

		Group		Company	
	Notes	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Assets					
Non-current assets					
Intangible assets	10	**26,487**	24,772	**—**	—
Investments in subsidiaries	11	**—**	—	**39,533**	35,314
Property, plant and equipment	12	**635**	657	**45**	—
Trade and other receivables	13	**3,617**	4,024	**—**	—
		30,739	29,453	**39,578**	35,314
Current assets					
Trade and other receivables	13	**2,813**	2,740	**4,931**	8,287
Cash and cash equivalents	14	**1,350**	1,591	**226**	16
		4,163	4,331	**5,157**	8,303
Total assets		**34,902**	33,784	**44,735**	43,617
Liabilities					
Non-current liabilities					
Trade and other payables	15	**—**	4,281	**—**	4,281
Interest-bearing loans and borrowings	17	**5,578**	6,270	**5,578**	6,270
Deferred tax	23	**1,989**	2,054	**8**	—
		7,567	12,605	**5,586**	10,551
Current liabilities					
Trade and other payables	15	**6,462**	2,307	**5,657**	2,404
Interest-bearing loans and borrowings	16	**866**	692	**866**	692
Tax payable		**566**	849	**—**	—
		7,894	3,848	**6,523**	3,096
Total liabilities		**15,461**	16,453	**12,109**	13,647
Total net assets		**19,441**	17,331	**32,626**	29,970
Equity					
Shareholders' equity					
Share capital	19	**349**	336	**349**	336
Share premium	19	**12,006**	10,583	**12,006**	10,583
Share-based payments reserve		**148**	76	**148**	76
Revaluation reserve		**162**	162	**(50)**	(50)
Merger reserve		**(5,774)**	(5,774)	**8,101**	8,101
Retained earnings		**12,550**	11,948	**12,072**	10,924
Total equity		**19,441**	17,331	**32,626**	29,970

The Company made a profit after tax of £3,508,000 (2016: £1,063,000).

The financial statements on pages 36 to 58 were approved and authorised for issue by the Board on 10 April 2018 and signed on its behalf by:

Mike Goddard
Chairman

Registered number 07848163

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

Statements of changes in shareholders' equity

For the financial year ended 31 December 2017

Group

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016		305	7,379	51	162	(5,774)	12,298	14,421
Changes in equity								
Issue of equity share capital	19	31	3,204	–	–	–	–	3,235
Share-based payments	26	–	–	25	–	–	–	25
Dividends	8	–	–	–	–	–	(2,183)	(2,183)
Transactions with owners		31	3,204	25	–	–	(2,183)	1,077
Profit and total comprehensive income for the financial year		–	–	–	–	–	1,833	1,833
Balance at 31 December 2016		336	10,583	76	162	(5,774)	11,948	17,331
Issue of equity share capital	19	13	1,423	–	–	–	–	1,436
Share-based payments	26	–	–	72	–	–	–	72
Dividends	8	–	–	–	–	–	(2,360)	(2,360)
Transactions with owners		13	1,423	72	–	–	(2,360)	(852)
Profit and total comprehensive income for the financial year		–	–	–	–	–	2,962	2,962
Balance at 31 December 2017		**349**	**12,006**	**148**	**162**	**(5,774)**	**12,550**	**19,441**

Company

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016		305	7,379	51	(50)	8,101	12,044	27,830
Changes in equity								
Issue of equity share capital	19	31	3,204	–	–	–	–	3,235
Share-based payments	26	–	–	25	–	–	–	25
Dividends	8	–	–	–	–	–	(2,183)	(2,183)
Transactions with owners		31	3,204	25	–	–	(2,183)	1,077
Profit and total comprehensive income for the financial year		–	–	–	–	–	1,063	1,063
Balance at 31 December 2016		336	10,583	76	(50)	8,101	10,924	29,970
Issue of equity share capital	19	13	1,423	–	–	–	–	1,436
Share-based payments	26	–	–	72	–	–	–	72
Dividends	8	–	–	–	–	–	(2,360)	(2,360)
Transactions with owners		13	1,423	72	–	–	(2,360)	(852)
Profit and total comprehensive income for the financial year		–	–	–	–	–	3,508	3,508
Balance at 31 December 2017		**349**	**12,006**	**148**	**(50)**	**8,101**	**12,072**	**32,626**

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

Statements of cash flows

For the financial year ended 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Operating activities					
Cash generated from operating activities	20	**4,612**	2,946	**2,183**	1,331
Tax paid		**(912)**	(597)	**—**	—
Net cash flows generated from operating activities		**3,700**	2,349	**2,183**	1,331
Investing activities					
Acquisitions		**(1,854)**	(8,005)	**(3,647)**	(8,000)
Working capital and cash introduced by companies acquired		**29**	243	**—**	—
Deferred and contingent consideration		**(76)**	(2,202)	**(76)**	(2,202)
Capital expenditure on property, plant and equipment	12	**(114)**	(80)	**(52)**	—
Disposal of assets		**324**	797	**—**	—
Franchisee loans granted		**(681)**	(1,352)	**—**	—
Loans repaid by franchisees		**761**	938	**—**	—
Finance income	6	**313**	291	**—**	—
Return of funds from escrow		**434**	—	**434**	—
Dividends received	25	**—**	—	**4,445**	1,800
Net cash flows (used in)/generated from investing activities		**(864)**	(9,370)	**1,104**	(8,402)
Financing activities					
Bank loan advance	17	**—**	7,000	**—**	7,000
Loan repayments		**(525)**	(1,000)	**(525)**	—
Proceeds from share issue		**—**	2,570	**—**	2,570
Share placing costs		**—**	(269)	**—**	(269)
Equity dividends paid	8	**(2,360)**	(2,183)	**(2,360)**	(2,183)
Finance costs		**(192)**	(185)	**(192)**	(161)
Net cash (used in)/generated from financing activities		**(3,077)**	5,933	**(3,077)**	6,957
Net change in cash and cash equivalents		**(241)**	(1,088)	**210**	(114)
Cash and cash equivalents at the beginning of the financial year		**1,591**	2,679	**16**	130
Cash and cash equivalents at the end of the financial year	14	**1,350**	1,591	**226**	16

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

Notes to the financial statements

For the financial year ended 31 December 2017

1 Accounting policies

General information

Belvoir Lettings plc is the ultimate parent company of the Group, whose principal activity during the year under review was that of selling, supporting and training residential property franchises.

Belvoir Lettings plc, a public limited company listed on AIM, is incorporated and domiciled in the United Kingdom.

Registered office

The address of the registered office and principal place of business of Belvoir Lettings plc is The Old Courthouse, 60A London Road, Grantham, Lincolnshire NG31 6HR.

Basis of preparation

The Group and Company financial statements have been prepared under the historical cost convention with the exception of the freehold property which has been revalued. Being listed on AIM, the Company is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern

The Directors note that as at 31 December 2017 both the Group and the Company are in a net current liability position of £3,731,000 and £1,366,000 respectively, which reflects contingent consideration estimated at £4,901,000 to be settled in either cash or equity as determined by the Company. In addition the Group has put in place a new banking facility with HSBC which will provide additional funding sufficient to cover the contingent consideration should the Directors decide on a cash settlement.

After consideration of forecasts and making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence, and execute their plan for acquisition growth, for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. There are no material uncertainties, of which Directors are aware, that may cast doubt on the Group and Company's ability to continue as a going concern by reference to the guidance issued by the Financial Reporting Council on going concern assessment.

Standards adopted for the first time

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. Adoption of these standards has not had an impact on the Group's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective

A number of new standards and amendments to the standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these statements. None of these is expected to have a significant effect on the financial statements of the Group or Company, except the following, set out below:

- IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2018, and impacts the rules relating to the classification, measurement and impairment of financial assets. The Group has performed an impact assessment and does not anticipate a material change to the net assets of the Group upon transition to the new standard. The Group holds all financial assets with the intention of collecting the contractual cash flows, and no indicators have been noted through the assessment performed that contractual terms would fail the solely payments of principal and interest test. Additionally, no material changes are anticipated through moving from the current "incurred credit loss" model under IAS 39 to the "expected credit loss model". The Group does not apply hedge accounting under IAS 39, so is not impacted by the changes required by IFRS 9.
- IFRS 15 Revenue from Contracts with Customers, which deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and related interpretations and is effective for periods beginning on or after 1 January 2018. The Group has carried out a review of existing contractual arrangements as part of this process to identify the customer contracts, the performance obligations, the transaction price and when the performance obligation is satisfied. The Directors anticipate there will be no material impact on the Group's revenue streams as set out in note 2.
- IFRS 16 Leases, which addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard is effective for annual periods beginning on or after 1 January 2019. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, Leases and related interpretations. The Group holds a number of property, vehicle and equipment leases which will be recognised as additional tangible fixed assets together with an additional lease liability. From 1 January 2019, the operating lease charge would be replaced by a depreciation and an interest charge, and this is not expected to be materially different. The Directors are in the process of reviewing contracts to identify any additional lease arrangements that would need to be recognised under IFRS 16.

There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

1 Accounting policies continued

Basis of consolidation

The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2017. Subsidiaries are entities over which the Group obtains and exercises control through voting rights. Income, expenditure, unrealised gains and intra-group balances arising from transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The acquisition of its principal subsidiaries by the Group in prior years was a common control business combination, which falls outside the scope of IFRS 3, and the Group therefore developed an accounting policy based on the pooling of interests method. Under this method, the financial statements of the parties to the combination are aggregated and presented as though the combining entities had always been part of the same group.

At the time of the IPO, as a result of the pooling of interests method, a number of accounting adjustments arose. The parent company statement of financial position shows a merger reserve of £8,101,000 and an investment of £12,450,000. On a Group basis, the investment by Belvoir Lettings plc in Belvoir Property Management (UK) Limited was restated at the nominal value of shares issued and cash paid rather than at fair value. This results in a merger reserve with a debit balance of £5,774,000 in the Group statement of financial position.

Subsequent acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition.

Acquisitions which include an element of deferred consideration which is contingent on events after the acquisition date are recognised at the date of acquisition based on all information available at that date. Any subsequent changes to these amounts are recognised through the income statement.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition-related transaction costs are recorded as an exceptional administrative expense in the Group statement of comprehensive income.

Goodwill is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill (where the fair value of the assets acquired exceeds the purchase price) is recognised immediately after the acquisition in the Group statement of comprehensive income.

Revenue recognition

Revenue represents income from management service fees (MSF), fees from the sale of franchise licences (initial franchise fees), commission on resales of franchised offices, fees generated from corporate-owned offices and commission received on financial services.

MSF are invoiced to individual franchisees on a monthly basis in relation to a percentage of their turnover for any given month. They are recognised in the month in which the income is receivable.

Initial franchise fees are recognised upon signing of the contract as it is at this point that the new franchisee has a legal obligation to make good the terms of the contract. The initial fees are for the use of the brand along with initial training and support and promotion during the opening phase of the new office. As such the Group regards this as a separate initial transaction for which it has fulfilled its obligations.

Corporate-owned offices are those that are operated directly by the Group and not by franchises. These corporate offices invoice landlords on a monthly basis and so recognise the income during the period in which the work is carried out. Corporate revenue also arises from fees on property sales which are recognised by reference to the legal exchange date of the housing transaction as all obligations have been fulfilled at that point.

Commission from financial services is recognised on amounts received on a weekly basis from the Mortgage Advice Bureau on policies written by Brook Financial Services Limited and Newton & Derry Financial Services Limited, net of the provision for potential clawback of premiums on cancellation of life policies.

Cost of sales

Cost of sales has been introduced following the acquisition of Brook Financial Services Limited. The costs are attributable to cost of sales as they represent amounts paid to advisors and introducer commission paid to companies, in relation to financial services.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material either because of their size or their nature, or that are non-recurring and are presented within the line items to which they best relate.

1 Accounting policies continued

Dividend
Dividend income is recognised when the right to receive payment is established.

Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Intangible assets
In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

Amortisation charges are included in administrative expenses in the statement of comprehensive income. Amortisation is charged on intangibles with a finite life. Amortisation begins when the intangible asset is first available for use and is provided at rates calculated to write off the cost of each intangible asset over its expected useful life, as follows:

Trade names/brands	–	between 10 and 20 years
Customer relationships	–	between 10 and 25 years
Master franchise agreements	–	25 years

Acquired trade names are identified as separate intangible assets where they can be reliably measured by valuation of future cash flows. The trade names which have been identified separately are assessed as having a life reflecting their respective trading histories.

Acquired customer relationships are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship, which is reassessed annually. Customer relationship assets are being written off over a remaining life of ten to 25 years.

Acquired franchise master agreements are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. The life of the relationship is assessed annually. Master franchise agreements are being written off over a remaining life of 25 years as historical analyses show that, on average, 4% of franchises will change ownership per annum.

Subsequent to initial recognition, intangible assets are stated at deemed cost less accumulated amortisation and impairment charges.

Property, plant and equipment
Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost or revaluation of an asset, less its estimated residual value, over the useful economic life of that asset, as follows:

Freehold land	–	not depreciated
Freehold property	–	2% straight line on cost
Fixtures and fittings	–	20% to 33% straight line on cost

Material residual value estimates and expected useful lives are updated as required but at least annually.

The revaluation reserve reflects a revaluation of the freehold property to market value.

Impairment testing of goodwill, other intangible assets, and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the management monitors goodwill.

Cash generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash generating units are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell, reflecting market conditions, and the value in use based on estimated future cash flows from each cash generating unit, discounted at a suitable rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budgets, adjusted as necessary to exclude any future restructuring to which the Group is not yet committed.

Impairment losses for cash generating units reduce first the carrying value of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment charges are included in operating costs in the statement of comprehensive income.

1 Accounting policies continued

Investments
Investments in subsidiaries are stated at cost less provision for impairment.

Taxation
Current tax is the tax currently payable based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences, at the tax rate that is substantively enacted at the balance sheet date. Deferred tax is generally provided on the difference between the carrying amount of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

On 1 May 2017 the Group acquired Belvoir Yardley, a franchised outlet. No tax relief is available on either the goodwill or customer lists acquired. Whilst the initial book value of goodwill is higher than the tax base, no deferred liability is accounted for and any subsequent impairments should be treated as permanent differences for tax and have no impact on deferred tax. The value of the acquired customer lists is amortised over 15 years. An initial deferred tax liability is recognised and reduced subsequently in line with amortisation creating a deferred tax credit.

Cash and cash equivalents
Cash and cash equivalents are defined as cash balances in hand and in the bank including short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating lease commitments
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Client money
The Group holds client monies on behalf of landlords in separate bank accounts that do not form part of the financial statements.

Financial assets
The Group has financial assets classified as loans and receivables. The Group's loans and receivables as stated in the statement of financial position comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to franchisees (e.g. trade receivables) and from loans to franchisees to part-fund the acquisition of a property-related agency, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. From time to time, the Group elects to renegotiate the terms of trade receivables due from franchisees. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, where material the new expected cash flows are discounted at the original effective interest rate.

Financial liabilities
Financial liabilities comprise trade payables, borrowings and other short-term monetary liabilities, which are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

1 Accounting policies continued

Share-based employee remuneration

The Group operates an enterprise management incentive (EMI) scheme and issues equity-settled share-based payments to certain Executive Directors and employees. During the year the Group also introduced the Belvoir Lettings Performance Share Plan 2017 to incentivise, retain and reward key Executive Directors.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The level of vesting is reviewed annually, and the charge is adjusted to reflect actual and estimated levels of vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the services received is measured based on the Black Scholes option pricing model. This model takes into account the following variables: exercise price, share price at date of grant, expected term, expected share price volatility, risk-free interest rate and expected dividend yield. Expected volatility is estimated by considering historical average share price volatility.

In addition to the EMI scheme there is an unapproved share option scheme which allows Dorian Gonsalves to take up 163,399 shares at the float price of 75p.

Belvoir Lettings plc has the obligation to settle the share-based payment transaction and as such recognises the award to employees of Belvoir Property Management (UK) Limited as an equity-settled transaction. Belvoir Lettings plc does not have a direct investment in Belvoir Property Management (UK) Limited. However, to reflect the substance of the transaction, Belvoir Lettings plc has recognised an investment in Belvoir Property Management (UK) Limited with a corresponding equity reserve. This investment is tested for impairment annually.

Equity

Equity comprises the following:

- share capital represents the nominal value of equity share;
- share premium represents the excess over nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- share-based payments reserve represents the reserve arising from the fair value of the share options charge;
- revaluation reserve represents the accumulated net surplus on revaluation of freehold property;
- merger reserve represents the reserve arising in the Group and Company accounts following the application of merger accounting in the treatment of the reorganisation and flotation of the Group and Company; and
- retained earnings represents retained profits and losses.

Significant judgements and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Initial recognition, useful lives and carrying value of intangible assets

The fair value of customer relationships is recognised on each individual acquisition and requires the exercise of management judgement in each case. Customer relationships are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue and are periodically reviewed for continued appropriateness. Potential impairment of carrying values or changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. Further details of amortisation policies are given on page 42 and the movement on intangible assets is presented in note 10.

Acquisition accounting

On acquisition the assets and liabilities acquired are assessed to determine the fair value to be recognised on consolidation into the Group. Any contingent consideration subject to certain performance criteria is determined by reference to recent and forecast performance. In both cases, the exercise of management judgement is required.

Recoverability of franchise debtors

The recoverability of loans to franchisees is assessed by management and where in doubt a specific provision is booked.

Exceptional non-recurring items

Certain items are judged by management to be of an exceptional non-recurring nature and as such are reported separately as exceptional items.

2 Segmental information

The Executive Committee of the Board, as the chief operating decision maker, reviews financial information for and makes decisions about the Group's overall franchising business. In the year ended 31 December 2017 the Board identified a single operating segment, that of franchisor of property agents and related financial services.

The segmental information is, therefore, the same as that set out in the consolidated statement of comprehensive income. The Directors consider operating profit as the key performance measure. The reported segment is consistent with the Group's internal reporting for performance measurement and resources allocation.

Management does not report on a geographical basis and no customer represents greater than 10% of total revenue in either of the periods reported. The Directors believe there to be four material income streams, which are management service fees, revenue from corporate-owned offices, fees on the sale or resale of franchise territory fees and commission receivable on financial services and are split as follows:

	Lettings		Property sales		Total revenue	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	Restated[1] 2016 £'000
Management service fees	**6,634**	5,405	**1,244**	1,026	**7,878**	6,431
Corporate-owned offices	**756**	1,205	**646**	1,110	**1,402**	2,315
	7,390	6,610	**1,890**	2,136	**9,280**	8,746
Initial franchise fees and other resale commissions					**310**	368
Financial services (acquired in the year)					**1,195**	344
Other income (restated[1])					**514**	482
					11,299	9,940

1. For the year ended 31 December 2016 revenue of £344,000, previously reported as other income, has been reclassified with financial services to reflect the management structure in place at 31 December 2017.

Profit for the financial year

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The profit on ordinary activities after taxation of the Company for the year was £3,508,000 (2016: £1,063,000).

3 Cost of sales and administrative expenses

Group

Cost of sales and administrative expenses (non-exceptional) by nature:

	2017 £'000	2016 £'000
Staff costs	**4,013**	3,764
Depreciation and amortisation	**619**	592
Marketing	**365**	459
Auditor's remuneration		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	**46**	46
– Tax compliance services	**14**	37
– Statutory audit of subsidiaries	**42**	27
– Financial due diligence fees	**—**	93
Operating lease expenditure	**235**	444
Other cost of sales and administrative expenses	**1,716**	1,486
	7,050	6,948

Notes to the financial statements continued

For the financial year ended 31 December 2017

4 Exceptional items

Group

A total charge of £460,000 (2016: £735,000) in relation to exceptional items in the year arose from:

	2017 £'000	2016 £'000
Transaction costs on acquisition	87	290
Transaction costs on abortive merger offer	191	—
Impairment of goodwill	—	142
(Profit)/loss on disposal of corporate-owned offices	(6)	160
Deemed interest on contingent consideration	134	93
Restructuring costs	54	—
Tax provision	—	50
	460	735

5 Directors and employees

Group

Staff costs (including Directors)

	2017 £'000	2016 £'000
Wages and salaries	3,506	3,301
Social security costs	377	403
Pension costs	58	35
Share-based payment charge	72	25
	4,013	3,764
The average monthly number of employees during the year was as follows:		
Management and administration	96	112

Key management personnel is defined as the Directors of the Group.

Directors' remuneration

	2017 £'000	2016 £'000
Directors' emoluments	761	675
Social security costs	105	77
Pension costs	34	16
	900	768
Executive Directors	822	690
Non-Executive Directors	78	78
	900	768

During the year 972,000 options (2016: nil) over ordinary shares were granted to Directors under the Belvoir Lettings Performance Share Plan and none (2016: none) were exercised by Directors under the Company's EMI scheme.

6 Finance income and costs
Group
Finance costs

	2017 £'000	2016 £'000
Bank interest	**192**	139

Finance income

	2017 £'000	2016 £'000
Deposit account interest	**—**	6
Interest on franchisee loans	**313**	285
	313	291

7 Taxation
Group

	2017 £'000	2016 £'000
UK corporation tax at 19.25% (2016: 20%)		
Current taxation on profits for the year	**920**	576
Adjustments in respect of prior years	**43**	—
Deferred taxation origination and reversal of temporary differences	**(15)**	—
Total tax charge in the statement of comprehensive income	**948**	576

Factors affecting the tax charge for the year:

	2017 £'000	2016 £'000
Profit before taxation	**3,910**	2,409
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**753**	481
Effects of:		
– Expenses not deductible for tax purposes	**142**	91
– Adjustment in respect of prior years	**43**	—
– Remeasurement of deferred tax	**(2)**	—
– Capital allowances in excess of depreciation	**12**	4
Total tax charge in statement of comprehensive income	**948**	576

The July 2016 Budget Statement announced changes to the UK corporation tax rate which will reduce the main rate of corporation tax to 17% from 1 April 2020. These changes were substantively enacted on 6 September 2016 and accordingly the deferred tax balance has been calculated using a rate of 17%.

8 Dividends
Group

	2017 £'000	2016 £'000
Final dividend for 2016		
3.4p per share paid 31 May 2017 (2016: 3.4p per share paid 31 May 2016)	**1,172**	1,039
Interim dividends for 2017		
3.4p per share paid 27 October 2017 (2016: 3.4p per share paid 21 October 2016)	**1,188**	1,144
Total dividend paid	**2,360**	2,183

The Directors propose a final dividend of 3.5p per share totalling £1,223,000, payable on 31 May 2018. As this remains conditional on shareholders' approval, provision has not been made in these financial statements.

9 Earnings per share

Group

Basic earnings per share is calculated by dividing the profit for the financial year by the weighted average number of ordinary shares in issue during the year. Options over ordinary shares and rights of conversion are described in note 26. The calculation of diluted earnings per share is derived from the basic earnings per share, adjusted to allow for the issue of shares under these instruments.

Adjusted earnings per share and diluted adjusted earnings per share are calculated in the same way but having adjusted the profit for the year for exceptional items, amortisation of acquired intangibles and the share-based payment charge. The 2016 adjusted earnings per share figures have been restated to account for the amortisation of acquired intangibles and the share-based payment charge.

	2017 £'000	Restated 2016 £'000
Profit for the financial year	**2,962**	1,833
Exceptional items	**460**	735
Amortisation of acquired intangibles	**422**	333
Share-based payment charge	**72**	25
Tax on deductible exceptional items	**(10)**	(89)
Adjusted profit for the financial year	**3,906**	2,837
Weighted average number of ordinary shares – basic	**34,639**	32,376
Weighted average number of ordinary shares – diluted	**36,469**	33,314
Basic earnings per share	**8.6p**	5.7p
Diluted earnings per share	**8.1p**	5.5p
Adjusted basic earnings per share	**11.3p**	8.8p
Adjusted diluted earnings per share	**10.7p**	8.5p

10 Intangible assets

Group

	Brand £'000	Goodwill £'000	Master franchise agreements £'000	Customer relationships £'000	Total £'000
Gross carrying amount					
At 1 January 2016	97	6,368	4,351	1,792	12,608
Additions	454	8,416	5,481	108	14,459
Disposals	—	(482)	—	(785)	(1,267)
At 31 December 2016	551	14,302	9,832	1,115	25,800
Additions (note 24)	—	2,359	—	74	2,433
Disposals	—	(134)	—	(367)	(501)
At 31 December 2017	**551**	**16,527**	**9,832**	**822**	**27,732**
Amortisation and impairment					
At 1 January 2016	2	209	58	485	754
Amortisation for the year	17	—	283	115	415
Impairment for the year	—	219	—	—	219
Disposals	—	(209)	—	(151)	(360)
At 31 December 2016	19	219	341	449	1,028
Amortisation for the year	29	—	393	73	495
Disposals	—	(219)	—	(59)	(278)
At 31 December 2017	**48**	**—**	**734**	**463**	**1,245**
Net book value					
At 31 December 2017	**503**	**16,527**	**9,098**	**359**	**26,487**
At 31 December 2016	532	14,083	9,491	666	24,772

On 12 July 2017 the Company acquired Brook Financial Services Limited, a specialist mortgage broker. This generated goodwill of £2,321,000.

10 Intangible assets continued

Group continued

The corporate-owned offices Burton Lettings Limited and Belvoir Devizes were sold on 3 March 2017 and 31 March 2017 respectively. Belvoir Yardley came under corporate ownership between 3 May 2017 and 1 November 2017, when it was resold to a new franchise owner. After the utilisation of the impairment provision brought forward of £219,000 the net effect of these transactions was a profit of £6,000.

Goodwill is deemed to have an indefinite useful life. It is currently carried at cost and tested annually for impairment by reference to the value of the relevant cash generating units (CGUs) to their recoverable amount. The Group has defined its CGUs as Northwood, Newton Fallowell Group (including Goodchilds) and Brook Financial Services. Where the recoverable amount is less than the carrying value, an impairment results. During the year, goodwill was tested for impairment, with no impairment charge arising.

	At 31 December 2016 £'000	Additions £'000	Disposals £'000	**At 31 December 2017 £'000**
Newton Fallowell Group (incorporating Goodchilds)	5,672	—	—	**5,672**
Northwood	8,373	—	—	**8,373**
Brook Financial Services	—	2,321	—	**2,321**
Corporate-owned Belvoir offices	257	38	(134)	**161**
Provision for impairment	(219)	—	219	**—**
Total	14,083	2,359	85	**16,527**

The recoverable amount of all CGUs has been determined based on a value-in-use calculations. These calculations use pre-tax cash flow projections over a period of five years assuming an annual growth rate of 2% followed by a terminal growth rate of 2% (2016: 2%), discounted at a pre-tax discount rate of 10% (2016: 10%) equivalent to the Group's weighted average cost of capital. Assumptions on sales growth are within those applied in the approved budgets for the upcoming year and strategic projections representing the best estimate of future performance.

The Directors do not consider goodwill to be impaired. The Directors believe that no reasonably possible change in assumptions will cause the value in use to fall below the carrying value and hence impair the goodwill.

11 Investments

Investments in subsidiaries

	Company £'000
Cost	
At 1 January 2016	22,039
Additions	13,275
At 31 December 2016	35,314
Additions	4,219
At 31 December 2017	**39,533**
Impairment	
At 1 January 2016, 31 December 2016 and 31 December 2017	—
Net book value	
At 31 December 2017	**39,533**
At 31 December 2016	35,314

On 12 July 2017 the Company acquired 100% of the share capital of Brook Financial Services Limited for £2,236,000.

On 31 December 2017 100% of the share capital of Belvoir Property Management (UK) Limited was transferred from Belvoir Property Solutions Limited to the Company for £1,911,000.

The remaining addition of £72,000 (2016: £25,000) related to the obligation to settle the share-based remuneration awarded to employees of Belvoir Property Management (UK) Limited during the four years ended 31 December 2017.

11 Investments continued

Investments in subsidiaries continued

As at 31 December 2017 the Company owned 100% of the ordinary share capital and voting rights of the following companies:

Subsidiary	Country of incorporation	Principal activity
Belvoir Property Solutions Limited	England and Wales	Holding company
Belvoir Property Management (UK) Limited	England and Wales	Property sales and letting franchising
Newton Fallowell Limited	England and Wales	Property sales and letting franchising
Goodchilds Estate Agents & Lettings Limited	England and Wales	Property sales and letting franchising
Northwood GB Limited	England and Wales	Property sales and letting franchising
Brook Financial Services Limited	England and Wales	Financial services
Newton & Derry Financial Services Limited[1]	England and Wales	Financial services
Claygold Property Limited[2]	England and Wales	Non-trading
Newton & Derry Limited[3]	England and Wales	Non-trading
Belvoir Lettings (Cumbria) Limited[2]	England and Wales	Dormant
Redwoods Estate Agents Limited[2]	England and Wales	Dormant

1. Subsidiary of Newton & Derry Limited.
2. Subsidiary of Belvoir Property Management (UK) Limited.
3. Subsidiary of Newton Fallowell Limited.

The registered office address for all subsidiary companies is the same as for the parent company (see note 1).

The carrying value of the investments has been considered for impairment and the Directors believe that the carrying value is supportable.

12 Property, plant and equipment

	Group				Company
	Freehold land £'000	Freehold property £'000	Fixtures and fittings £'000	Total £'000	Fixtures and fittings £'000
Cost					
At 1 January 2016	150	235	1,161	1,546	—
Acquisitions	—	—	356	356	—
Additions	—	—	80	80	—
Disposals	—	—	(524)	(524)	—
At 31 December 2016	150	235	1,073	1,458	—
Acquisitions (note 24)	—	—	20	20	—
Additions	—	—	114	114	55
Disposals	—	—	(60)	(60)	—
At 31 December 2017	**150**	**235**	**1,147**	**1,532**	**55**
Depreciation					
At 1 January 2016	—	36	861	897	—
Acquisitions (note 24)	—	—	200	200	—
Charge for the year	—	5	172	177	—
Disposals	—	—	(473)	(473)	—
At 31 December 2016	—	41	760	801	—
Acquisitions (note 24)	—	—	5	5	—
Charge for the year	—	5	119	124	10
Disposals	—	—	(33)	(33)	—
At 31 December 2017	**—**	**46**	**851**	**897**	**10**
Net book value					
At 31 December 2017	**150**	**189**	**296**	**635**	**45**
At 31 December 2016	150	194	313	657	—

13 Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Current				
Trade receivables	**1,149**	1,156	**2**	—
Amounts owed by Group undertakings	**—**	—	**4,902**	8,214
Loans to franchisees	**1,146**	897	**—**	—
Other debtors	**151**	259	**—**	18
Prepayments	**220**	308	**27**	55
Accrued income	**147**	120	**—**	—
	2,813	2,740	**4,931**	8,287
Non-current				
Loans to franchisees	**3,617**	4,024	**—**	—

Trade receivables are stated net of bad debt provisions of £261,000 (2016: £358,000).

Loans to franchisees are spread across varying terms and the agreements do not include any collateral on behalf of the franchisees. Franchise loans and other debtors are stated net of bad debt provisions of £nil (2016: £nil). At the year end none (2016: none) of the franchise loan repayments were past the due date.

As of 31 December 2017 trade receivables of £859,000 (2016: £913,000) were not due.

Ageing of trade and other receivables

	Past due and impaired		Past due and not impaired	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Of which:				
Not more than three months	**—**	—	**227**	175
Between three and six months	**—**	—	**63**	48
Between six months and one year	**47**	—	**—**	12
More than one year	**214**	358	**—**	8
	261	358	**290**	243

14 Cash and cash equivalents

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Cash and cash equivalents	**1,350**	1,591	**226**	16

15 Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Current				
Trade payables	**120**	238	**12**	37
Other taxes and social security	**562**	585	**—**	—
Accruals and deferred income	**820**	318	**72**	70
Other creditors	**59**	98	**—**	—
Deferred and contingent consideration	**4,901**	1,068	**4,901**	1,068
Amounts owed to Group undertakings	**—**	—	**672**	1,229
	6,462	2,307	**5,657**	2,404
Non-current				
Deferred and contingent consideration	**—**	4,281	**—**	4,281

16 Current portion of long-term borrowings

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Current				
Bank loans – term loan	**866**	692	**866**	692
	866	692	**866**	692

All amounts are short term and their carrying values are considered reasonable approximations of fair value.

17 Long-term borrowings

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Long term				
Bank loans – term loan	**5,578**	6,270	**5,578**	6,270
	5,578	6,270	**5,578**	6,270

Borrowings comprise £6,475,000 (2016: £7,000,000) secured on assets of the Group. The repayment profile of borrowings is as set out in note 18.

18 Maturity of borrowings and net debt – term loan

	2017 £'000	2016 £'000
Group and Company		
Repayable in less than six months	**615**	449
Repayable in seven to twelve months	**434**	444
Current portion of long-term borrowings	**1,049**	893
Repayable in years one to five	**5,938**	6,811
Total borrowings	**6,987**	7,704
Less: interest included	**(543)**	(742)
Total net debt	**6,444**	6,962

The bank loan is secured by a fixed and floating charge over the Group assets.

The term loan balance of £6,475,000 (2016: £7,000,000) is repayable in quarterly instalments of £350,000 in March 2018 followed by £175,000 thereafter with a final payment of £4,025,000 in March 2021 and bears interest at 2.5% over the LIBOR rate.

19 Called up share capital

	2017		2016	
	Number	£'000	Number	£'000
Group and Company				
Allotted, issued and fully paid				
Ordinary shares of 1p each	**34,938,606**	**349**	33,660,160	336

	Group and Company Number	Nominal share capital £'000	Share premium £'000
At 1 January 2016	30,546,763	305	7,379
Issue of shares during the year:			
11 May 2016 – share price 114p	818,754	8	925
7 June 2016 – share price 112p	2,294,643	23	2,279
At 31 December 2016	33,660,160	336	10,583
Issue of shares during the year:			
23 January 2017 – share price 117p	803,284	8	928
12 July 2017 – share price 105p	475,162	5	495
At 31 December 2017	**34,938,606**	**349**	**12,006**

20 Reconciliation of profit before taxation to cash generated from operations

Group

	2017 £'000	2016 £'000
Profit before taxation	**3,910**	2,409
Depreciation and amortisation charges (including impairment)	**619**	602
Share-based payment charge	**72**	25
Loss on disposal of corporate offices	**—**	302
Deemed interest charge	**134**	93
Adjustment to deferred consideration	**—**	(2)
Finance costs	**192**	139
Finance income	**(313)**	(291)
	4,614	3,277
Decrease/(increase) in trade and other receivables	**176**	(604)
(Decrease)/increase in trade and other payables	**(178)**	273
Cash generated from operations	**4,612**	2,946

Company

	2017 £'000	2016 £'000
Profit before taxation	**3,516**	1,065
Dividend received	**(4,445)**	(1,800)
Deemed interest	**134**	93
Adjustment to deferred consideration	**—**	(2)
Finance costs	**192**	121
Depreciation and amortisation charges	**10**	—
	(593)	(523)
Decrease in trade and other receivables	**3,356**	704
(Decrease)/increase in trade and other payables	**(580)**	1,150
Cash generated from operations	**2,183**	1,331

21 Operating lease commitments

	2017 £'000	2016 £'000
Operating lease payments expensed during the year:		
Land and property	**126**	276
Motor vehicles	**90**	130
Other	**19**	38
	235	444
Minimum operating lease commitments falling due:		
Within one year		
Land and property	**291**	410
Motor vehicles	**62**	119
Other	**24**	33
	377	562
Between one and five years		
Land and property	**638**	977
Motor vehicles	**15**	63
Other	**19**	46
	672	1,086
More than five years		
Land and property	**189**	338
Total commitment	**1,238**	1,986

22 Financial instruments

Capital management policy

The Group manages its capital to ensure its operations are adequately provided for as described below. The principal risks faced by the Group are detailed overleaf. The Group's objective when managing capital is to safeguard its ability to continue as a going concern and so provide increasing shareholder value. The Group is meeting this objective through a combination of underlying organic growth and targeted growth by acquisition, which will generate regular and increasing returns to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to the shareholder comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- interest rate risk;
- credit risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

22 Financial instruments continued

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are included in the summary below.

Summary of financial assets and financial liabilities by category:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Financial assets				
Trade receivables	**1,149**	1,156	**2**	—
Other receivables	**298**	379	**4,902**	8,232
Loans to franchisees	**4,763**	4,921	**—**	—
Cash and cash equivalents	**1,350**	1,591	**226**	16
	7,560	8,047	**5,130**	8,248

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Financial liabilities				
Trade payables	**120**	238	**12**	37
Loans and borrowings	**6,987**	7,704	**6,987**	7,704
Accruals, deferred and other creditors	**879**	416	**72**	70
Contingent consideration	**4,955**	5,349	**4,955**	5,349
	12,941	13,707	**12,026**	13,160
Maturity analysis of financial liabilities				
In less than one year				
Trade payables	**120**	238	**12**	37
Loans and borrowings	**1,049**	893	**1,049**	893
Accruals, deferred and other creditors	**879**	416	**72**	70
Contingent consideration	**4,955**	937	**4,955**	937
	7,003	2,484	**6,088**	1,937
In more than one year				
Long-term borrowings	**5,938**	6,811	**5,938**	6,811
Contingent consideration	**—**	4,412	**—**	4,412
	5,938	11,223	**5,938**	11,223

All of the financial assets and liabilities above are carried in the statement of financial position at amortised cost. The above amounts reflect the contractual undiscounted cash flows, including future interest charges, which may differ from carrying values of the liabilities at the reporting date.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Interest rate risk

Interest rate risk arises from the Group's management of interest-bearing assets and liabilities.

The Group does not use hedging products to manage interest rate risk but uses treasury products for deposits until such time as required for acquisitions as part of the Group's acquisition strategy.

22 Financial instruments continued

Credit risk

Credit risk is the risk of financial loss to the Group if a franchisee or a counterparty to a financial instrument fails to meet its contractual obligations. It is Group policy to assess the credit risk of new franchisees before entering contracts.

The highest risk exposure is in relation to loans to franchises and their ability to service their debt. The Directors have established a credit policy under which each new franchisee is analysed individually for creditworthiness before a franchise is offered. The Company's review includes external ratings, when available, and in some cases bank references. The Group does not consider that it has significant concentration of credit risk.

The credit risk for liquid funds and other short-term financial assets is considered small. The substantial majority of these assets are deposited with NatWest.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group monitors forecast cash inflows and outflows on a monthly basis.

Fair values of financial instruments

Financial assets and liabilities are carried at amortised cost which equates to fair value.

23 Deferred taxation

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Balance at 1 January	**2,054**	1,001	**—**	—
Acquisition in the year – attributable to intangible assets	**—**	1,053	**—**	—
(Credited)/charged to the income statement	**(65)**	—	**8**	—
Balance at 31 December	**1,989**	2,054	**8**	—
Deferred taxation has been provided as follows:				
Attributable to intangible assets	**1,972**	1,972	**—**	—
Accelerated capital allowances	**17**	82	**8**	—
	1,989	2,054	**8**	—

Amounts provided in respect of deferred tax are computed at 17% (2016: 17%).

There are no temporary differences for which deferred tax balances are recognised.

24 Acquisitions

On 12 July 2017 the Company acquired 100% of the equity of Brook Financial Services Limited ("Brook"), which trades as an appointed representative of Mortgage Advice Bureau, one of the UK's leading networks for mortgage intermediaries. As part of the Belvoir Group, Brook will leverage its expertise to introduce new mortgage products and services across all Group networks, increasing the Group's presence in the franchised property sector and opening up additional growth opportunities. Total consideration was £2,236,000, satisfied by £1,736,000 from existing cash resources and the issue of 475,162 new ordinary shares in Belvoir to the sole shareholder in Brook.

The transaction met the definition of a business combination and is accounted for using the acquisition method under IFRS 3. The assets and liabilities overleaf are shown at their book values which were assessed as also being the fair values at acquisition.

In addition Belvoir Yardley came under corporate ownership between 3 May 2017 and 1 November 2017 when it was resold to a new franchise owner, during which time it was operated as a corporate-owned outlet.

24 Acquisitions continued

	Belvoir Yardley £'000	Brook £'000	Total £'000
Intangible assets			
Customer relationships	74	—	74
Tangible assets	—	15	15
Trade and other receivables	—	257	257
Cash and cash equivalents	—	106	106
Deferred tax liabilities	(13)	—	(13)
Trade and other payables	—	(463)	(463)
Identifiable net assets/(liabilities) acquired	**61**	**(85)**	**(24)**
Goodwill on acquisition	38	2,321	2,359
Consideration	**99**	**2,236**	**2,335**
Consideration settled in cash	99	1,736	1,835
Consideration settled in shares	—	500	500
Total consideration	**99**	**2,236**	**2,335**

The goodwill represents the value attributable to the new businesses and the assembled and trained workforce. Deferred tax at 17% has been provided on the value of intangible assets defined as customer contracts. Acquisition costs of £87,000 were incurred and charged to exceptional items in the consolidated statement of comprehensive income.

	Brook £'000
Revenue	956
Profit before tax	215

If the acquisitions had completed on the first day of the financial year, Group revenues would have been £12.4m and Group profit before tax would have been £4.1m.

25 Related party disclosures

During the year the Group paid sponsorship fees of £1,600 (2016: £4,800) to James Goddard, son of Mike Goddard, Company Director.

During the year the Group paid fees of £20,364 (2016: £20,706) to The Property Ombudsman Limited, a company of which Dorian Gonsalves is a director. The balance outstanding as at 31 December 2017 was £nil (2016: £nil).

During the year, emoluments were paid to three persons each related to different Directors of £76,177 (2016: £73,452), £nil (2016: £2,874) and £170 (2016: £nil). The amounts paid were commensurate with other employees performing a similar role with a similar level of qualification and experience.

During the year the Directors received the following dividends from their shareholdings:

	27 October 2017	31 May 2017	21 October 2016
	2017 interim £'000	2016 final £'000	2016 interim £'000
Mike Goddard	189	247	245
Dorian Gonsalves	16	15	15
Louise George	2	1	1
Mark Newton	14	15	15
Nicholas Leeming	1	1	1
Andrew Borkowski	1	1	1
Total dividends	**223**	**280**	**278**

During the year Belvoir Lettings plc received a dividend of £4.4m (2016: £1.8m) from its subsidiary companies.

25 Related party disclosures continued

At the year end the Company was owed/(owing) the following amounts by subsidiary companies:

	2017 £'000	2016 £'000
Belvoir Property Solutions Limited	—	7,675
Belvoir Property Management (UK) Limited	4,743	(1,219)
Newton Fallowell Limited	(371)	431
Northwood GB Limited	159	—
Brook Financial Services Limited	(295)	—
Goodchilds Estate Agents & Lettings Limited	(6)	108

26 Share-based employee remuneration

The following share options issued were outstanding as at 31 December 2017:

Share option scheme	Date of issue	Quantity	Exercise price £	Vesting period	Expiry date
Enterprise management incentive	23/12/2015	80,000	1.16	3 years	23/12/2025
Enterprise management incentive	24/09/2014	60,000	1.32	3 years	24/09/2024
Enterprise management incentive	04/07/2014	495,000	1.32	3 years	04/07/2024
Enterprise management incentive	04/07/2014	60,000	1.32	3 years	04/07/2024
Unapproved scheme	16/02/2012	163,399	0.75	2 years	31/12/2018
Long term incentive plan	31/07/2017	972,000	0.01	3 years and 5 months	31/07/2027
		1,830,399			

Movement in the number of share options was as follows:

	2017 Number	2016 Number
Share option movement		
At 1 January	938,399	938,399
Options granted in the year	972,000	—
Options lapsed in the year	(80,000)	—
At 31 December	1,830,399	938,399
Exercisable at the end of the year	778,399	493,399

Options have been valued using the following inputs to the Black Scholes model:

Expected volatility (based on closing prices in the year prior to issue)	45%
Expected life	3.5 to 4 years
Risk-free rate	0.5%
Expected dividend yield	6.9%

The Group recognised the following expenses relating to equity-settled share-based transactions:

	2017 £'000	2016 £'000
Employee benefits (note 5)	72	25

27 Contingent liabilities

Belvoir Lettings plc and its subsidiaries have a cross-company guarantee, which creates a fixed and floating charge on the assets of each company. As at 31 December 2017 the outstanding contingent liability under this agreement amounted to £6,475,000 (2016: £7,000,000).

Notice of Annual General Meeting

Belvoir Lettings plc

Notice is hereby given that the Annual General Meeting of Belvoir Lettings plc (the "Company") will be held at Belvoir Lettings' Central Office, The Old Courthouse, 60A London Road, Grantham, Lincolnshire NG31 6HR, at 11.30 am on 29 May 2018 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1–6 will be proposed as ordinary resolutions and resolutions 7–9 will be proposed as special resolutions.

Ordinary resolutions

1. To receive the Company's financial statements for the financial year ended 31 December 2017, together with the Directors' and the auditor's reports thereon.
2. To declare a final dividend for the financial year ended 31 December 2017 of 3.5p per ordinary share (as recommended by the Directors).
3. To re-appoint PwC LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which the Company's accounts are laid.
4. To authorise the Directors of the Company (the "Directors") to determine the auditor's remuneration.
5. To re-appoint Louise George, who retires by rotation and offers herself for re-election under Article 71 of the Company's Articles of Association, as Director.
6. To appoint Michael Stoop, who having been appointed by the Board since the last Annual General Meeting is required under Article 71 of the Company's Articles of Association to be re-elected, as Director.

Special resolutions

7. The Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (as amended) (the "Act") to exercise all the powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company being (such shares and such rights to subscribe for or to convert any security into shares in the Company being "equity securities") on such terms and in such manner as they shall think fit, provided that this authority shall be limited to the allotment of equity securities up to a maximum aggregate nominal amount of £116,462, being one-third of the nominal value of the Company's share capital, at any time (unless and to the extent previously renewed, revoked or varied by the Company in general meeting) during the period from the date hereof until the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), provided that the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted, offered or otherwise dealt with or disposed of after the expiry of such authority and the Directors of the Company may allot any equity securities after the expiry of such authority in pursuance of any such offer or agreement as if this authority had not expired.
8. The Directors of the Company be given power pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined by Section 560 of the Act) of the Company for cash pursuant to the authority conferred by resolution 7 as if Section 561 of the Act did not apply to any such allotment. This power is limited to the allotment of equity securities up to a maximum aggregate nominal amount of £34,939 (being equal to 10% of the Company's share capital) and otherwise to the allotment of equity securities for cash in connection with a rights issue or other pre-emptive offer to holders of ordinary shares where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any recognised stock exchange in, any territory, in each case at any time (unless the authority conferred by resolution 7 is previously renewed, revoked or varied) until the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), provided that before any such expiry the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors of the Company may allot equity securities after such expiry under this power in pursuance of any such offer or agreement as if this power had not expired.

   The power granted by this resolution applies in relation to any sale or shares which in an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by paragraph 7 of this resolution" were omitted.

   The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors pursuant to Sections 551, 570 and 573 of the Companies Act 2006, save for any existing authorities in respect of options granted to employees.
9. This resolution authorises the Company to purchase up to approximately 14.99% of its issued ordinary share capital at any time from the date this resolution is passed up to the date of the next Annual General Meeting or 15 months from the date this resolution is passed, whichever is the earlier. The Directors consider it desirable for the proposed general authority to be available. The Directors have no present intention to make such market purchases but consider it desirable to be given the flexibility to do so by shareholders.

By order of the Board

Louise George
Company Secretary

Notes:

1. Please arrive 15 minutes prior to the start of the meeting.
2. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
3. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she wish.
4. A form of proxy is available on the Company's website, www.belvoirlettingsplc.com, or by request from the Company Secretary and to be valid must be completed and returned so as to reach the registrar of the Company, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom, together with a letter or power of attorney or written authority, if any, under which it is signed or a notarially certified or office copy of such power (written authority) not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
5. As permitted by Regulation 41 of the Uncertified Securities Regulation 2001, members who hold shares in uncertified form must be entered on the Company's register of members by 6.00 pm on 24 May 2018 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of the Directors' service contracts will be available for inspection at the registered office of the Company during normal business hours.

Corporate information

Board of Directors

Mike Goddard	Chairman
Dorian Gonsalves	Chief Executive Officer
Louise George	Chief Financial Officer
Mark Newton	Executive Director
Andrew Borkowski	Non-Executive Director
Michael Stoop	Non-Executive Director

Company Secretary
Louise George, FCA, ACIS

Registered office
The Old Courthouse
60A London Road
Grantham
Lincolnshire
NG31 6HR

Registered number
07848163

Country of incorporation
England and Wales

Website
www.belvoirlettingsplc.com

Nominated advisor and broker
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RB

Independent auditor
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Donington Court
Pegasus Business Park
Herald Way
East Midlands
DE74 2UZ

Principal banker
HSBC UK plc
26 Clumber Street
Nottingham
NG1 3GA

Registrar and transfer office
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Lawyers
Browne Jacobson
Mowbray House
Castle Meadow Road
Nottingham
NG2 1BJ

Hamilton Pratt
Franchise House
3a Tournament Court
Tournament Fields
Warwick
CV34 6LG

Corporate calendar

Half year results announced:
5 September 2017

Preliminary announcement of full year results:
10 April 2018

Final dividend ex-dividend date:
19 April 2018

Annual General Meeting:
29 May 2018

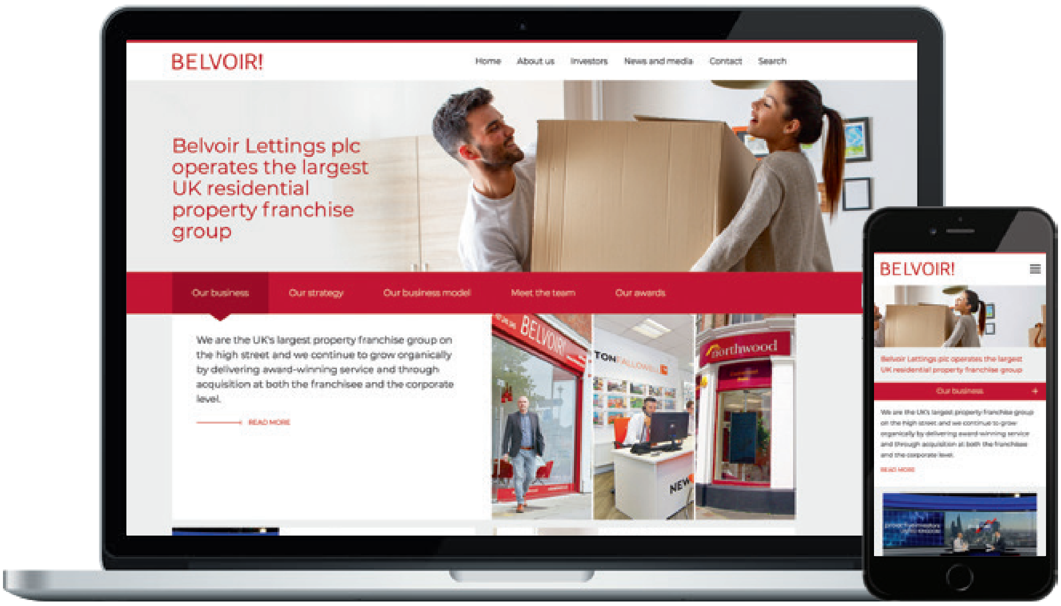
Final dividend payment date:
31 May 2018

Produced by
designportfolio

Keep up to date

For more information on our business and all our latest news and press releases simply visit us at

www.belvoirlettingsplc.com



Our awards

BELVOIR!

The Negotiator Awards
Gold Franchise or Network Group of the Year

Estate Agency of the Year Awards[1]
Silver Best Large Agency Group

Six awards won by individual Belvoir offices

Group

EA Masters Awards
87 offices across the Group featured in the Best Estate Agents Guide 2017 with three offices appearing in the top 100

northwood

allAgents Awards
Gold Best Franchise in the UK

Gold Best Lettings Agent in the UK

Silver Best Overall Large Chain in the UK

Bronze Best Overall Agent in the UK

144 awards won by individual Northwood offices in their local area[2]

1. The Estate Agency of the Year Awards (ESTAS) are determined purely on customer feedback.
2. allAgents Awards for their local areas, which are also determined based on customer feedback.

BELVOIR!

Belvoir Lettings plc
07848163

The Old Courthouse
60A London Road
Grantham
Lincolnshire
NG31 6HR

www.belvoirlettingsplc.com