BELVOIR!

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Belvoir Lettings PLC
04 April 2017

FOR IMMEDIATE RELEASE
4 April 2017

BELVOIR!

BELVOIR LETTINGS PLC
(the "Company", the "Group" or "Belvoir")

Preliminary results for the year ended 31 December 2016
Another year of significant growth

Belvoir Lettings plc (AIM: BLV), the UK's largest property franchise, is pleased to announce its preliminary results for the year ended 31 December 2016.

Financial highlights

- Group revenue up 43% to £9.9m (2015: £6.9m)
- Growth in Management Service Fees (MSF) was 59% to £6.4m (2015: £4.0m), consisting of 6% (2015: 12%) from the growth of the Belvoir network and 53% (2015: 13%) from the acquired networks
- The Group remains predominantly lettings-based with a ratio of lettings to sales revenue of 76:24 (2015: 77:23)
- Administrative expenses of £7.4m (2015: £5.0m) included exceptional costs of £0.5m relating mainly to legal and professional fees on the acquisition of the Northwood GB Ltd
- Profit before tax was £2.4m (2015: £2.2m) whilst adjusted profit before tax showed an increase of 28% to £3.1m (2015: £2.4m) reflecting the growth in the underlying business
- Year-end cash position of £1.6m (2015: £2.7m) and bank debt of £7.0m (2015: £1.0m) which was used to part-fund the Northwood acquisition
- Basic earnings per share (EPS) of 5.7p (2015: 6.5p); adjusted EPS of 7.7p (2015: 7.3p)
- Final dividend of 3.4p (2015: 3.4p) giving a total dividend for the year of 6.8p (2015: 6.8p)

Operational highlights

- Acquisition in June 2016 and integration of Northwood, with 87 outlets, the largest remaining independent property franchise network
- UK coverage increased by 90 outlets (42%) to 302 (2015: 212)
- Recruitment of twelve (2015: eleven) new franchise owners, eight into new and six into existing territories
- The Group now manages 55,756 (2015: 37,000) managed properties

- Belvoir secured "Gold Lettings Franchise of the Year Award" for the sixth time in seven years

Mike Goddard, Chief Executive Officer of Belvoir Lettings, commenting on the results, said:
"2016 was another good year for Belvoir as we continued to deliver on our promise to leverage our expertise as a property franchisor through our multi-brand strategy with the acquisition of Northwood. In addition, and against a background of uncertainty within the sector due to Brexit and regulatory changes in the buy-to-let market, we have seen further growth in our networks from organic growth, local franchisee-led portfolio acquisitions and new franchise owners. These have all contributed to broadening the base from which the Group can continue to develop and grow underpinned by highly professional franchisees and sound business ethics.

In 2017 the Board will be looking to take advantage of the opportunities anticipated from uncertainty caused by the proposed changes to tenant fees, further consolidating our recent acquisitions to extract additional efficiencies and leveraging our large managed property portfolio to further increase shareholder value."

For further details:

Belvoir Lettings PLC	01476 584900
Mike Goddard, Chairman and CEO	investorrelations@belvoirlettings.com
Louise George, Chief Financial Officer	
Cantor Fitzgerald Europe	0207 894 7000
Rick Thompson, Phil Davies, Michael Reynolds (Corporate Finance)	
Mark Westcott, David Banks (Sales)	
Buchanan	0207 466 5000
Charles Ryland, Vicky Hayns, Madeleine Seacombe	

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

About Belvoir Lettings PLC

Founded in 1995, Belvoir is the UK's largest property franchise group, with 302 outlets nationwide.

Since listing on AIM in February 2012 (BLV.L), Belvoir has continued to diversify its core business offer in lettings by broadening into property sales. Operating from its Central Office in Grantham, Lincolnshire, the Group now offers a range of specialist services in property rental, property management, residential lettings, buy to let and property sales.

Belvoir's core revenue is derived from Management Service Fees (MSF); a reliable recurring revenue model which allows the Group to offer franchisees significant support and advice.

In 2015 Belvoir launched its multi-brand franchising strategy; acquiring Newton Fallowell Limited, an East Midlands-based network of 30 outlets in July 2015 and Goodchilds Estate Agents and Lettings Limited, a West Midlands-based network of 14 outlets in October 2015. In June 2016 Belvoir acquired Northwood GB Limited, a network of 87 residential lettings and property sales agents operating across the UK, making Belvoir the largest property franchise group in the UK.

Belvoir continues to grow organically by delivering award winning service, prioritising franchisee recruitment and supporting franchisee acquisitions. In recognition, Belvoir was awarded the "Best Lettings Agency Franchise Award" at the 2016 Lettings Agency of the Year Awards for the sixth time since the awards started seven years ago.

The Company remains committed to diversifying its brand portfolio, utilising the Group's strong franchising expertise and infrastructure, in order to capitalise on a consolidating market.

Chairman's statement

I am pleased to report that 2016 has been another year of significant growth for the Belvoir Group.

Introduction

Opportunities continue to arise at all levels for the Group to increase its presence throughout the UK, despite the background of uncertainty due to Brexit, the Government's intervention in the BTL sector and continuing consolidation within our market. This has enabled the Group to significantly improve on all its key performance indicators and to meet market expectations.

Strategy

The Group continues to deliver growth through its multi-brand strategy, the acquisition of individual businesses at franchise owner level, organic growth through proactive marketing at local and national level, and the franchising of a number of corporately owned outlets.

In particular, the acquisition of Northwood GB Ltd, the largest remaining independent property franchise network, brought another strong and reputable brand to the Group and increased its high street presence across the whole of the UK to 302 offices, and the number of managed properties to 55,756 (2015: 37,000). The Group's stable of brands now stands at four: Belvoir, Northwood, Newton Fallowell and Goodchilds. The Board is continuing to look for economies of scale across the back office operations of the Group whilst maintaining investment in brand recognition and franchisee support.

The Assisted Acquisition programme, providing growth opportunities for our franchise owners, was extended to franchisees across all four brands. A total of £1.5m of acquisitions were completed under the programme in 2016, supported by group lending of £551,000, and will increase MSF to the Group by £243,000p.a. This strategy is particularly successful since it provides both the franchise owner and the franchisor with an instant uplift in fee income, with a relatively modest increase in overheads. Where the Group provides partial funding, this facilitates the deal as well as generating further interest income for the Group.

Organic growth, including the recruitment of new franchise owners, is a key element of our growth strategy and is facilitated through a strong Group marketing team as well as strong recruitment teams at brand level. This area is challenging and the Board continues to look for innovative and cost-effective ways to attract new franchise owners into the network through cold starts, enhanced starts where a new franchisee takes on a portfolio acquisition at the outset, and resales of existing territories to new franchisees.

Finally, the franchising out of certain under-performing corporately-owned outlets, which commenced in 2016 and will conclude in 2017, will allow the Central Office team to focus entirely on its franchising operations.

Growth

The Group achieved growth across all financial metrics with revenue up 43% to £9.9m (2015: £6.9m) underpinned by MSF growth of 59% to £6.4m (2015: £4.0m), adjusted profit before tax up by 28% to £3.1m (2015: £2.4m) and adjusted EPS up by 3% to 7.7p (2015: 7.3p).

The Belvoir Group has traditionally been a lettings-focused business (indeed it only entered the sales arena in 2014) and it continues to be so with a lettings to sales ratio of 76:24 in 2016. However, the potential for further growth from property sales is significant given the strong lettings background of most of our franchise owners. By the end of 2016, over two-thirds of our outlets were able to offer a sales service, and revenue from sales had increased by 58% to £2.1m (2015: £1.4m).

Outlook

I continue to see business format franchising as a unique and highly successful avenue to growth in the property service industry, with franchisees benefitting from the marketing, business support and cost-saving opportunities afforded by operating under the umbrella of a large national brand, whilst also building a business with a growing asset value. In 2016 our Peterborough and Cambridge franchise was sold to a new franchise owner for a figure in excess of £1.5 million. The franchise partnership thus created a compelling incentive to do well for the franchisee, and for the franchisor to deliver success for all stakeholders, franchise owners and shareholders.

The Belvoir Group will look to take advantage of the many further expansion opportunities that are apparent in 2017. As well as consolidating the current acquisitions with a view to further network efficiencies, the Group will look to leverage on its large managed property portfolio, grow property sales volume and adapt to the technology changes in our industry.

It is vital we have the right people to take the Belvoir Group into 2017 and beyond and I am delighted to report we have a dedicated and loyal team of directors, staff and franchise owners across the whole Group, and that they are the very best in the franchising and property industry. We are extremely lucky in this respect and I am confident that we enter 2017 with a bright future.

Michael Goddard

Chairman and Chief Executive Officer

Operating review

Franchising offers an unrivalled personal service and is ideally suited to an exciting and dynamic housing sector where renting is key to the future.

MSF growth

Growth in MSF of 59% to £6.4m (2015: £4.0m).

These fees are collected by each network as a royalty for providing a brand, a system and the know-how for a franchisee to operate a profitable business at local office level. The increase in MSF reflected organic growth across our network of offices, acquisitions of competing agencies by franchisees and the major acquisition of Northwood.

Lettings

Lettings represents over three-quarters of our MSF income providing a predictable and stable core income from a nationwide portfolio of 55,576 rented properties.

Belvoir's rental index for the final quarter of 2016 confirms that rents are broadly rising in line with earnings - with the notable exception of London. Belvoir now has over 300 offices nationwide and data for those offices that have traded consistently over the last eight years in England, Wales and Scotland indicates rental increases of just over 1.25%, year on year, from £734 in Q4 2015 to £744 in Q4 2016 with average rents ranging from £598 per month in the North East, up to £717 in the South West, and through to £975 in the South East and £1,478 in London. When comparing the Q4 2016 average rent to the 2015 annual average of £722, this shows a 3% increase, which was exactly in line with our forecast at the end of 2015.

Property sales

Belvoir-branded offices doubled their MSF revenue from property sales in 2016 to £184,000 (2015: £91,000) and this growth is set to continue with over half of our franchise owners now able to offer a property sales service.

Like Belvoir, Northwood launched property sales in earnest to its network just a few years ago and saw growth of 30% from this additional revenue stream in 2016. In the seven months since joining the Group, property sales accounted for £158,000 (11%) of the Northwood MSF revenue.

Within Newton Fallowell and Goodchilds, where property sales is more established, MSF from property sales accounted for £579,000 (76%) and £104,000 (33%) of their respective total network MSF.

Typically, over 90% of landlords who wish to sell their property are being converted to a sales instruction for the franchise office. This also provides an opportunity to introduce a new landlord buyer rather than lose the ongoing management of a rented property. With 55,576 (2015: 37,000) properties currently under management, and new relationships with local and national housebuilders, property sales remains a very significant area of future growth.

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.

Acquisitions

In 2016, nine independent agencies were acquired by Belvoir franchisees, totalling a turnover of £1.5m and adding MSF of £243,000p.a.

Our strategy of providing financial support to our franchisees who want to accelerate growth through acquisition resulted in the successful completion of franchisee-led acquisitions in Hatfield, Bournemouth, Solihull, Rochester, Haydock, Portsmouth, Orkney, Derby and Cardiff. There are over 10,000 potential acquisition targets comprising small to medium-sized independent lettings and sales agencies in the UK and with our dedicated in-house acquisitions team there is an opportunity to significantly increase the number of franchisee-led acquisitions with financial support from the franchisor. This strategy is currently being rolled out across our other franchise networks.

A growing business

In 2016 our network increased in size by 42% to a total of 302 (2015: 212) fully branded outlets. The acquisition of Northwood extended our national reach by 87 franchised outlets. In addition, twelve new franchise owners were recruited to the Group, eight of which opened in new territories.

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 as they operate and grow their business and a capital value on exit. One franchisee sold his business to an incoming

Belvoir franchisee for over £1.5m demonstrating that our franchisees can not only develop their own sizeable local businesses, but can also exit from their franchise for a considerable sum. Our successful strategy of growing our network organically with single and multi-unit operators and by acquisition continues.

Corporate outlets

The move to operating a multi-brand franchised business over the last two years reflects the focus of the Group on its franchising operations. Accordingly, the Board has determined to implement a franchise solution for most of its corporate-owned offices, to enable the Group to further focus its resources on its franchise business, resulting in the sale, during the year, of four of the Group's ten corporate offices, out of the nationwide office network of 302. Subsequent to the year end a further two have been sold. Belvoir Lichfield and Belvoir Tadley have been sold to the respective branch managers and Belvoir Devizes has been sold to a new franchise owner, whilst Belvoir Basingstoke Sales and Belvoir London Central have been sold to franchisees operating in adjacent territories. This has been perceived by the Board as an opportunity to bring fresh impetus to these offices which will now fall within the remit of the Group's franchise support team and systems. Of the remaining four corporate offices, we intend to retain the two corporate Belvoir and Newton Fallowell offices in Grantham for system development purposes.

Compliance

Belvoir has consistently been recognised for its high standards of service and professionalism. Much of this can be attributed to our rigorous training programme, ongoing support of our network and most importantly our compliance procedures. Every office within the Group is audited annually by our audit and compliance team to ensure that our operational standards and current legislation are being strictly adhered to. This will become increasingly important as greater regulation and control are introduced into the PRS.

Market conditions

In 2015-16, the PRS accounted for 4.5 million or 20% of households. The social rented sector accounted for 3.9 million households or 17% of households.

According to official projections by the Office of National Statistics ("ONS"), the UK's population will pass 70 million in less than a decade, as demographers say the number of people living in the country is increasing steadily due to a combination of natural growth, ageing and the indirect impact of the expansion of the European Union.

Pressure on UK housing stock, especially in the PRS, has driven rents steadily upwards and increased the size of our market significantly. With rising house prices making home ownership increasingly unaffordable, it is predicted that by 2025 1.8 million more households will be looking to rent, rather than buy, according to a report by RICS in October 2016.

In 2015-16, the greatest number of household moves occurred within, into or out of the PRS. In total, 787,000 households moved within the tenure (i.e. from one privately rented home to another) and 196,000 new households were created.

Some of these new rental properties are being provided by private landlords, which is ideal for Belvoir's network of offices, and some new homes will be provided by build-to-rent schemes which are typically high density and high rise housing developments in major town and city centres.

Whilst some potential private landlords will be affected by recent changes in taxation, which include higher stamp duty and a reduction in mortgage interest tax relief, landlords who do not require a mortgage or who have incorporated remain broadly unaffected by these changes apart from the increase in upfront acquisition costs due to a rise in stamp duty. Buy to let remains an attractive method for a landlord to increase their wealth and confidence amongst new and existing landlords remains high.

From a tenant's perspective, renting from a private landlord offers the most choice and flexibility of accommodation when compared with other housing tenures. The Government's recent move away from solely promoting the benefits of home ownership in support of the PRS is a positive step with some economists forecasting that the ratio of home ownership versus renting will eventually move towards a more balanced 50:50 ratio.

Franchising in the UK

According to the most recent survey carried out by the British Franchising Association and NatWest, the franchise industry in the UK contributes over £15.1bn to the UK economy and employs 621,000 people. This has grown from an industry that 20 years ago had a turnover of just over £5bn, had 379 different brands and represented 18,300 franchised outlets. There are now 44,200 franchised units across 901 different brands. 97% of these units are profitable. Franchising represents an attractive alternative to employment with potential franchise owners being drawn by low risks, a proven business model and a recognisable brand.

Brexit

The Belvoir Group has not suffered any negative effects as a result of the EU referendum result. Housing is a necessity and whilst a small minority of landlords, vendors, tenants and buyers delay their transactions during periods of uncertainty, such as immediately after the decision to leave the EU, the vast majority have continued with their transactions in a normal way. We see no reason for this not to continue.
At this stage in Brexit planning by the Government, it appears the 3.3m EU nationals currently living in the UK will have the same residency rights after Brexit, in return for the same benefits for UK nationals living across the continent. As such there is no foreseeable reduction in the current level of demand for housing.

Current trading and outlook

Early signs for 2017 are positive with a reasonable pipeline of potential franchise owners and an increased pipeline of potential acquisitions. Franchisees are now beginning to reap the benefits of utilising property sales to not only increase their turnover but, more importantly, as a tool to fuel the underlying growth of their managed lettings portfolios, which in turn translates into MSF growth for the franchisor. With demand for rental properties increasing, a nationwide drive to increase housebuilding and a renewed interest in franchising, the key drivers behind our successful business model remain unchanged.

Dorian Gonsalves

Chief Operating Officer

Financial review

Revenue

In 2016 Group revenue increased by 43% to £9.9m (2015: £6.9m) reflecting the full year's impact of our 2015 acquisitions of Newton Fallowell and Goodchilds and a contribution of £1.5m from the seven-month ownership of Northwood. Similarly, the MSF increase of 59% to £6.4m (2015: £4.0m) can be analysed as follows:

The Belvoir brand MSF increased by 5.9%. Like-for-like growth from lettings of 3.2% was impacted by the change in tax relief on mortgage interest for many buy-to-let landlords reducing the number of new private landlords coming into the sector and the trend towards longer tenancies reducing the fee income from tenant changeover. Belvoir mitigated this by continuing to drive property sales within its network which accounted for 2.5% of MSF growth and through its portfolio acquisition strategy which added a further 1.3%. Meanwhile the change in mix of corporate and franchise outlets reduced the income from MSF by 1.1%.

The full year impact of the ownership of the Newton Fallowell and Goodchilds networks compared to 2015 and the addition of the Northwood network for the final seven months of the year collectively added £2.2m to Group MSF income and represented the remaining 53% of MSF growth.

Income from corporate-owned offices increased by 22% which, as always, reflects a changing mix but in particular was affected by the full year impact of the ownership of the Newton Fallowell Grantham estate agency which contributed £580,000 (2015: £407,000). Under the Belvoir brand, income from corporate outlets increased by £209,000 reflecting the net impact of the acquisitions of the Grantham and Devizes outlets mid-2015 and the Spalding outlet in early 2016, and the disposal of the Belvoir corporate outlets in Lichfield, Tadley, London Central and Basingstoke Sales in the second half of 2016.

The uncertainty within the sector arising from the general election in 2015 continued with the EU referendum and Brexit in 2016, and made the recruitment of new franchisees challenging in both years.
However, with strong recognised brands, the Group attracted twelve new franchise owners opening in four new Belvoir, three new Newton Fallowell territories and one new Northwood territory, and achieved six resales of existing territories. As a result, revenue from franchise sales in 2016 was consistent at £0.4m (2015: £0.4m).

Other income of £0.8m (2015: £0.7m) reflected additional revenue arising from financial services with the Newton Fallowell network, an area on which the Board intends to focus across all networks in the coming year.

Operating profit before exceptional items

Non-exceptional administrative expenses for the year were up 46% to £7.0m (2015: £4.8m) with £1.6m of the increase arising from the full year impact of operating the acquired networks, an incremental amortisation charge of £0.3m against those acquired networks and £0.1m due to the changes in the mix of corporate outlets.

Within administrative expenses there is a charge of £25,000 (2015: £18,000) associated with the share options issued to Directors and certain staff in 2014 and 2015. Full disclosure is in note [26] to the accounts.

Operating profit before exceptional items was £2.9m (2015: £2.1m), an increase of 37% over the prior year.

Exceptional items

Exceptional items totalled £0.7m (2015: £0.2m), of which £0.3m related to legal and professional fees on the acquisitions, £0.3m related to the loss on sale of certain corporate offices and the impairment against the remaining corporate offices and £0.1m arose from the deemed interest associated with the deferred contingent consideration estimated at £5.0m payable by May 2018 on the acquisition of Northwood GB Limited.

Profit before taxation

Profit before taxation of £2.4m (2015: £2.2m) is after interest receivable on franchisee loans of £0.3m (2015: £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 23.9% (2015: 22.5%) due to the £0.3m exceptional legal and professional costs of the acquisition not being an allowable deduction from profits for tax purposes.

Earnings per share

Basic earnings per share was 5.7p (2015: 6.5p) based on an average number of shares in issue in the period of 32,375,694 (2015: 26,197,089), an increase arising from the issue of 818,754 shares in May against the Newton Fallowell earn out and 2,294,643 shares in June 2016 against the Northwood acquisition. When diluted to incorporate 938,399 share options, the earnings per share was 5.5p (2015: 6.4p).

Adjusted basic earnings per share of 7.7p (2015: 7.3p) reflects adjustments for exceptional administrative costs, loss on disposal of corporate outlets and deemed interest on contingent consideration totalling £0.7m. The adjusted diluted earnings per share was 7.4p (2015: 7.1p).

The profit attributable to owners was £1.8m (2015: £1.7m).

Dividends

The Board is proposing a final dividend for 2016 of 3.4p per share (2015: 3.4p). Together with the interim dividend of 3.4p paid to shareholders on 21 October 2016, this equates to a total dividend for the year of 6.8p per share (2015: 6.8p).

Subject to shareholders' approval at the AGM on 25 May 2017, the dividend will be paid on 31 May 2017 based upon the register on 18 April 2017. The ex-dividend date will be 13 April 2017.

Cash flow

The net cash inflow from operations was £2.9m (2015: £2.4m) reflecting the enlarged Group. The net cash used in investing activities was £9.4m (2015: £5.7m):

- On 7 June 2016 the Group acquired the entire share capital of Northwood GB Ltd, a network of 87 franchised offices, for initial consideration of £8.0m.
- Part of the Newton Fallowell earn out in 2016 was settled in cash for £1.5m.
- During the year the net inflow from the franchise loan book was £0.4m (2015: £0.7m).

The corporate acquisition of Northwood GB Ltd was part-funded by increased bank lending of £6.0m and part-funded by an issue of shares which raised £2.3m net of share placing costs. These accounted for £8.3m cash inflow from financing activities out of which the Northwood acquisition was funded. Loans repaid to the bank in the year were £1.0m (2015: £0.5m) and dividend payments totalled £2.2m (2015: £1.7m). As a result, net cash from financing activities totalled £5.9m (2015: £5.1m).

Liquidity and capital resources

At the year end the Group had cash balances of £1.6m (2015: £2.7m) and a term loan of £7.0m (2015: £1.0m) repayable in quarterly instalments of £175,000 and a final repayment of £4,025,000 in March 2021.

Financial position

The Group continues to operate from a sound financial platform and is strongly cash generative. This, together with the £1.6m opening cash balance, will enable the Company to meet the bank loan repayment of £0.7m in 2017. 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 key financial indicators are as follows:

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

These have been discussed in further detail above.

The key non-financial indicators are as follows:

- number of outlets;
- managed properties; and
- outlets offering property sales

These have been discussed in further detail throughout the Strategic report and are illustrated on page 08.

Louise George

Chief Financial Officer

Group statement of comprehensive income

For the financial year ended 31 December 2016

	Notes	**2016 £'000**	2015 £'000
Continuing operations			
Revenue	3	**9,940**	6,947
Administrative expenses			
Non exceptional	4	**(6,948)**	(4,799)
Exceptional	6	**(482)**	(201)
		(7,430)	(5,000)
Operating profit		**2,510**	1,947
Loss on disposal of corporate outlets	6	**(160)**	-
Exceptional deemed interest on contingent consideration	6	**(93)**	-
Finance costs		**(139)**	(61)
Finance income		**291**	338
Profit before taxation		**2,409**	2,224
Taxation		**(576)**	(510)
Profit and total comprehensive income for the financial year		**1,833**	1,714
Profit for the year attributable to the equity holders of the parent company		**1,833**	1,714
Basic earnings per share from continuing operations	8	**5.7p**	6.5p
Adjusted basic earnings per share from continuing operations	8	**7.7p**	7.3p
Adjusted diluted earnings per share from continuing operations	8	**7.4p**	6.4p

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

Statements of financial position

As at 31 December 2016

		Group		Company	
	Notes	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Assets					
Non-current assets					
Intangible assets		**24,772**	11,854	-	-
Investments in subsidiaries		-	-	**35,314**	22,039
Property, plant and equipment		**657**	649	-	-
Trade and other receivables		**4,024**	3,656	-	-
		29,453	16,159	**35,314**	22,039

Current assets					
Trade and other receivables		**2,740**	2,090	**8,287**	8,990
Cash and cash equivalents		**1,591**	2,679	**16**	130
		4,331	4,769	**8,303**	9,120
Total assets		**33,784**	20,928	**43,617**	31,159
Liabilities					
Non-current liabilities					
Trade and other payables		4,281	-	4,281	-
Interest-bearing loans and borrowings	9	6,270	500	6,270	-
Deferred tax		2,054	1,001	-	-
		12,605	1,501	**10,551**	-
Current liabilities					
Trade and other payables		**2,307**	4,149	**2,404**	3,329
Interest-bearing loans and borrowings	9	**692**	500	**692**	-
Tax payable		**849**	357	-	-
		3,848	5,006	**3,096**	3,329
Total liabilities		**16,453**	6,507	**13,647**	3,329
Total net assets		**17,331**	14,421	**29,970**	27,830
Equity					
Shareholders' equity					
Share capital	10	**336**	305	**336**	305
Share premium	10	**10,583**	7,379	**10,583**	7,379
Share-based payments reserve		**76**	51	**76**	51
Revaluation reserve		**162**	162	**(50)**	(50)
Merger reserve		**(5,774)**	(5,774)	**8,101**	8,101
Retained earnings		**11,948**	12,298	**10,924**	12,044
Total equity		**17,331**	14,421	**29,970**	27,830

The financial statements were approved and authorised for issue by the Board on 4 April 2017 and signed on its behalf by:

Michael Goddard
Executive Chairman and Chief Executive Officer

Registered number 07848163

Statements of changes in shareholders' equity

For the financial year ended 31 December 2016

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 2015		240	-	33	162	(5,774)	12,333	6,994
Changes in equity								
Issue of equity share capital	10	65	7,379	-	-	-	-	7,444
Share-based payments	5	-	-	18	-	-	-	18
Dividends	7	-	-	-	-	-	(1,749)	(1,749)
Transactions with owners		65	7,379	18	-	-	(1,749)	5,713
Profit and total comprehensive income for the financial year		-	-	-	-	-	1,714	1,714
Balance at 31 December 2015		305	7,379	51	162	(5,774)	12,298	14,421
Issue of equity share capital	10	31	3,204	-	-	-	-	3,235
Share-based payments	5	-	-	25	-	-	-	25

Dividends	7	-	-	-	-	-	(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**

Statements of cash flows

For the financial year ended 31 December 2016

		Group		Company	
	Notes	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Operating activities					
Cash generated from/(used in) operating activities	11	**2,946**	2,364	**1,331**	(1,901)
Tax paid		**(597)**	(572)	-	-
Net cash flows generated from/(used in) operating activities		**2,349**	1,792	**1,331**	(1,901)
Investing activities					
Dividends received		-	-	**1,800**	1,700
Acquisitions		**(8,005)**	(6,892)	**(8,000)**	(6,395)
Working capital and cash introduced by companies acquired		**243**	241	-	-
Capital expenditure on property, plant and equipment		**(80)**	(102)	-	-
Disposal of assets		**797**	14	-	-
Deferred contingent consideration		**(2,202)**	-	**(2,202)**	-
Franchisee loans granted		**(1,352)**	(449)	-	-
Loans repaid by franchisees		**938**	1,138	-	-
Finance income		**291**	338	-	2
Net cash flows used in from investing activities		**(9,370)**	(5,712)	**(8,402)**	(4,693)
Financing activities					
Finance costs		**(185)**	(61)	**(161)**	-
Loan repayments in the year		**(1,000)**	(521)	-	-
Proceeds from share issue		**2,570**	7,890	**2,570**	7,890
Bank loan advance		**7,000**	-	**7,000**	-
Share placing costs		**(269)**	(446)	**(269)**	(446)
Equity dividends paid		**(2,183)**	(1,749)	**(2,183)**	(1,749)
Net cash generated from financing activities		**5,933**	5,113	**6,957**	5,695
Net change in cash and cash equivalents		**(1,088)**	1,193	**(114)**	(899)
Cash and cash equivalents at the beginning of the financial year		**2,679**	1,486	**130**	1,029
Cash and cash equivalents at the end of the financial year		**1,591**	2,679	**16**	130

Notes to the preliminary statement

1 Approval

This announcement was approved by the Board of Directors on 4 April 2017.

2 Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

For the year ended 31 December 2016 the Group has prepared its annual report and accounts in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards).

3 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 2016 the Board identified a single operating segment, that of property lettings, estate agency and franchising.

The segmental information is, therefore, the same as that set out in the consolidated statement of comprehensive income. The Directors do not consider the presentation of gross profit within the Group statement of comprehensive income to reflect a true position of the Group's activities and core operations, which is that of a property letting and sales franchisor. Therefore, the Directors disclose 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 three material income streams, which are management service fees, revenue from corporate-owned outlets and fees on the sale or resale of franchise territory fees and are split as follows:

	Lettings		Property sales		Total revenue	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Management service fees	**5,405**	3,669	**1,026**	375	**6,431**	4,044
Corporate-owned outlets	**1,205**	913	**1,110**	980	**2,315**	1,893
	6,610	4,582	**2,136**	1,355	**8,746**	5,937
Initial franchise fees and other resale commissions					**368**	356
Other income					**826**	654
					9,940	6,947

4 Expenses

Administrative expenses (non-exceptional) by nature:

	2016 £'000	2015 £'000
Staff costs	**3,764**	2,605
Depreciation and amortisation	**592**	397
Marketing	**459**	391
Auditors' remuneration		
- Fees payable to the Company's auditors for the audit of the Company's annual accounts	**46**	46
- Tax compliance services	**37**	19
- Statutory audit of subsidiaries	**27**	15
- Non-recurring financial due diligence fees	**93**	-
Operating lease expenditure	**444**	441
Other administrative expenses	**1,536**	885
	6,998	4,799

5 Share-based payments

Administrative expenses includes a charge of £25,000 (2015: £18,000) after valuation of the Company's employee share options schemes in accordance with IFRS 2 'Share-based payments'. Under this standard, the fair value of the options at the grant date is spread over the vesting period. These items have been added back in the statement of changes in equity.

6 Exceptional items

A total charge of £735,000 (2015: £201,000) in relation to exceptional items in the year arose from:

	2016 £'000	2015 £'000
Transaction costs on acquisitions	**290**	201
Impairment of goodwill	**142**	-
Write off of goodwill on disposal of corporate-owned outlets	**160**	-
Deemed interest on deferred consideration	**93**	-
Tax provision from prior year	**50**	-
	735	201

7 Dividends

	2016	2015

	£'000	£'000
Final dividend for 2015		
3.4p per share paid 31 May 2016 (2014: 3.4p per share paid 1 June 2015)	**1,039**	816
Interim dividends for 2016		
3.4p per share paid 21 October 2016 (2015: 3.4p per share paid 15 October 2015)	**1,144**	933
Total dividend paid	**2,183**	1,749

The Directors propose a final dividend of 3.4p per share totalling £1,172,000 payable on 31 May 2017. As this remains conditional on shareholders' approval, provision has not been made in these financial statements.

8 Earnings per share

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.

	2016	2015
Profit for the financial year	**£1,833,000**	£1,714,000
Exceptional items	**735,000**	201,000
Tax on deductible exceptional items	**(89,000)**	-
Adjusted profit for the financial year	**£2,479,000**	£1,915,000
Weighted average number of ordinary shares - basic	**32,375,694**	26,197,089
Weighted average number of ordinary shares - diluted	**33,314,093**	26,914,453
Basic earnings per share	**5.7p**	6.5p
Diluted earnings per share	**5.5p**	6.4p
Adjusted basic earnings per share	**7.7p**	7.3p
Adjusted diluted earnings per share	**7.4p**	7.1p

9 Maturity of borrowings and net debt - term loan

	2016 £'000	2015 £'000
Group and Company		
Repayable in less than six months	**449**	273
Repayable in seven to twelve months	**444**	267
Current portion of long-term borrowings	**893**	540
Repayable in years one to five	**6,811**	517
Total borrowings	**7,704**	1,057
Less: interest included	**(742)**	(57)
Total net debt	**6,962**	1,000

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

The term loan balance of £7,000,000 (2015: £1,000,000) is repayable in quarterly instalments of £175,000 to March 2021 plus a final payment of £4,025,000 and bears interest at 2.5% over the LIBOR rate.

10 Called up share capital

	2016		2015	
	Number	£'000	Number	£'000
Group and Company				
Allotted, issued and fully paid				
Ordinary shares of 1p each	**33,660,160**	**337**	30,546,763	305

	Group and Company Number	Nominal share capital £	Share premium £
At 1 January 2015	24,010,417	240	-
Issue of shares during the year:			
28 July 2015 - share price 125p	3,424,000	34	4,013
6 October 2015 - share price 116p	1,667,346	17	1,704
7 October 2015 - share price 116p	693,695	7	798
7 October 2015 - share price 116p	40,000	-	46
23 October 2015 - share price 116p	711,305	7	818
At 31 December 2015	30,546,763	305	7,379
Issue of shares during the year:			
11 May 2016 - share price 114p	818,754	8	925
07 June 2016 - share price 112p	2,294,643	23	2,279
At 31 December 2016	**33,660,160**	**336**	**10,583**

11 Reconciliation of profit before taxation to cash generated from operations

	2016 £'000	2015 £'000
Profit before taxation	**2,409**	2,224
Depreciation and amortisation charges (including impairment)	**602**	397
Share-based payment charge	**25**	18
Loss on disposal of corporate outlets	**302**	-
Deemed interest charge	**93**	-
Adjustment to deferred consideration	**(2)**	-
Finance costs	**139**	61
Finance income	**(291)**	(338)
	3,277	2,362
Increase in trade and other receivables	**(604)**	(278)
Increase in trade and other payables	**273**	280
Cash generated from/(used in) operations	**2,946**	2,364

12 Acquisitions

On 7 June 2016 the Company acquired 100% of the equity of Northwood GB Ltd, a company comprising a network of 87 franchised estate and lettings agents, as part of the Group's multi-brand franchising strategy with the aim of increasing the Group's presence in the franchised property sector and opening up additional growth opportunities. Initial consideration was £8,000,000 in cash on completion and deferred contingent consideration estimated at £5,500,000 through a two-year earn out based on a multiple of 8 times annual EBITDA. The fair value of the deferred contingent consideration at the time of acquisition was deemed to be £5,218,000. The difference of £282,000 is being accounted for as deemed interest and will be charged against the profit and loss account in line with the expected timing of the consideration payments.

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

In addition the Group acquired Belvoir Spalding from the franchise owner due to exceptional personal circumstances. This outlet will be operated as a corporate-owned outlet until a suitable new franchise owner can be identified.

	Belvoir Spalding £'000	Northwood £'000	Total £'000
Intangible assets			
Trade names	-	454	454
Master franchise agreements	-	5,481	5,481
Customer relationships	24	-	24
Tangible assets	-	370	370
Trade and other receivables	-	592	592
Cash and cash equivalents	-	221	221
Deferred tax liabilities	(4)	(1,102)	(1,106)
Trade and other payables	-	(1,171)	(1,171)
Identifiable net assets acquired	**20**	**4,845**	**4,865**
Goodwill on acquisition	12	8,373	8,385
Consideration	**32**	**13,218**	**13,250**
Consideration settled in cash	32	8,000	8,032
Contingent consideration	-	5,218	5,218
Total consideration	**32**	**13,218**	**13,250**

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 brand names and master franchise agreements. Acquisition costs of £290,000 were incurred and charged to exceptional items in the consolidated statement of comprehensive income.

	Northwood £'000
Revenue	1,553
Profit and loss	542

If the acquisitions had completed on the first day of the financial year, Group revenues would have been £11.1m and Group profit before tax would have been £2.8m.

13 Posting of accounts

It is intended that the financial statements for the year ended 31 December 2016 will be made available to shareholders on the company's website www.belvoirlettingsplc.com by 24 April 2016 and will also be available thereafter at the registered office, The Old Courthouse, 61a London Road, Grantham, NG31 6HR.

14 Annual General Meeting

The Annual General Meeting will be held at 10.00am on Thursday 25 May 2017 at the registered office, The Old Courthouse, 61a London Road, Grantham, NG31 6HR

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