



with
BELVOIR!

Lettings & Sales

Belvoir Lettings plc
Annual report and accounts 2015

2015

A YEAR OF STRONG GROWTH

Belvoir is one of the largest and most highly regarded franchised networks of lettings and estate agencies with over 200 outlets nationwide.

As a franchisor, Belvoir provides quality training and development support to establish its franchisees as local providers of reliable and trusted residential property-related services to landlords, tenants, vendors and buyers. Building on its market presence and professional reputation, Belvoir continues to grow its network across the UK.

Belvoir has made good progress with recruitment of new franchisees during 2015. Supporting the signing of new franchisees, the two acquisitions of Newton Fallowell adding 31 outlets and Goodchilds adding 14 outlets, have driven the rapid growth of the Group this year.

Michael Goddard
Executive Chairman and CEO

 Chairman's statement p10

 Our business model p04



2015 HIGHLIGHTS

Operational highlights

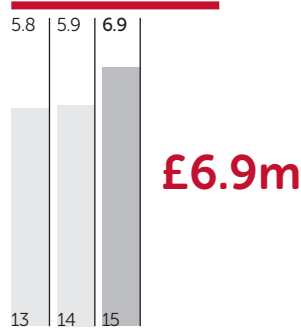
- Belvoir now a multi-brand Group following the acquisition of the Newton Fallowell and Goodchilds franchised networks
- UK coverage increased by 50 outlets (31%) to 212 (2014: 162) with the addition of new networks
- Recruitment of eleven (2014: 15) new Belvoir franchisees into seven new and four existing territories
- Record performance by two franchised offices whose turnover each exceeded £1.0m
- Networks account for around 37,000 (2014: 30,000) managed properties
- Secured "Gold Lettings Franchise of the Year Award" for the fifth time in six years

Financial highlights

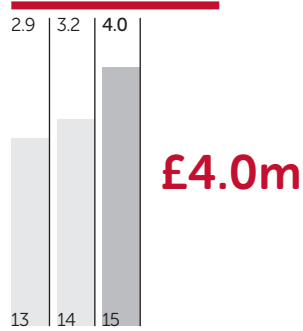
- Group revenue increased by 19% to £6.9m (2014: £5.9m)
- Growth in management service fee (MSF) of 25% to £4.0m (2014: £3.2m)
- Revenue from property sales grew by 60% to £1.4m (2014: £0.8m), primarily reflecting the increased service offering from the acquired businesses
- The Group remains predominantly lettings based with the ratio of lettings to sales revenue at 77:23 (2014: 84:16)
- Strong year-end cash position of £2.7m (2014: £1.5m) and bank debt of £1.0m (2014: £1.5m)

Key highlights

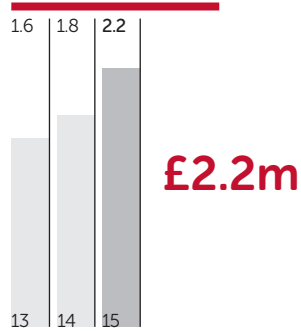
REVENUE £m



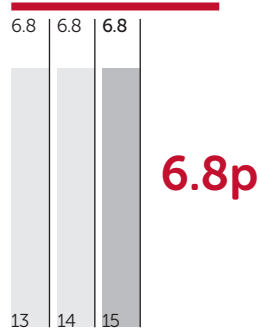
MANAGEMENT SERVICE FEE £m



PROFIT BEFORE TAX £m



TOTAL DIVIDEND FOR THE YEAR pence



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Find out more online at belvoirlettingsplc.com

AT A GLANCE

Our core values of delivering excellent customer care and a quality, professional service have been the key to our success throughout our 20-year history.

OUR BUSINESSES

Belvoir was founded in February 1995 as a specialist franchised lettings agent and within 20 years grew to over 160 outlets offering a highly professional service to both landlords and tenants.

In 2014 Belvoir extended its property services to include property sales. 2015 saw the beginning of the Group's multi-brand strategy with the acquisition of two franchised estate and lettings agency networks, Newton Fallowell in the East Midlands and Goodchilds in the West Midlands. This introduced a further 45 outlets to the Group and was an exciting milestone in Belvoir's growth, increasing its market share and geographic coverage.

**NEWTON
FALLOWELL**

+31
OUTLETS

Goodchilds
Estate Agents & Lettings

+14
OUTLETS

- Belvoir (167 outlets)
- Newton Fallowell (31 outlets)
- Goodchilds (14 outlets)

212
OUTLETS



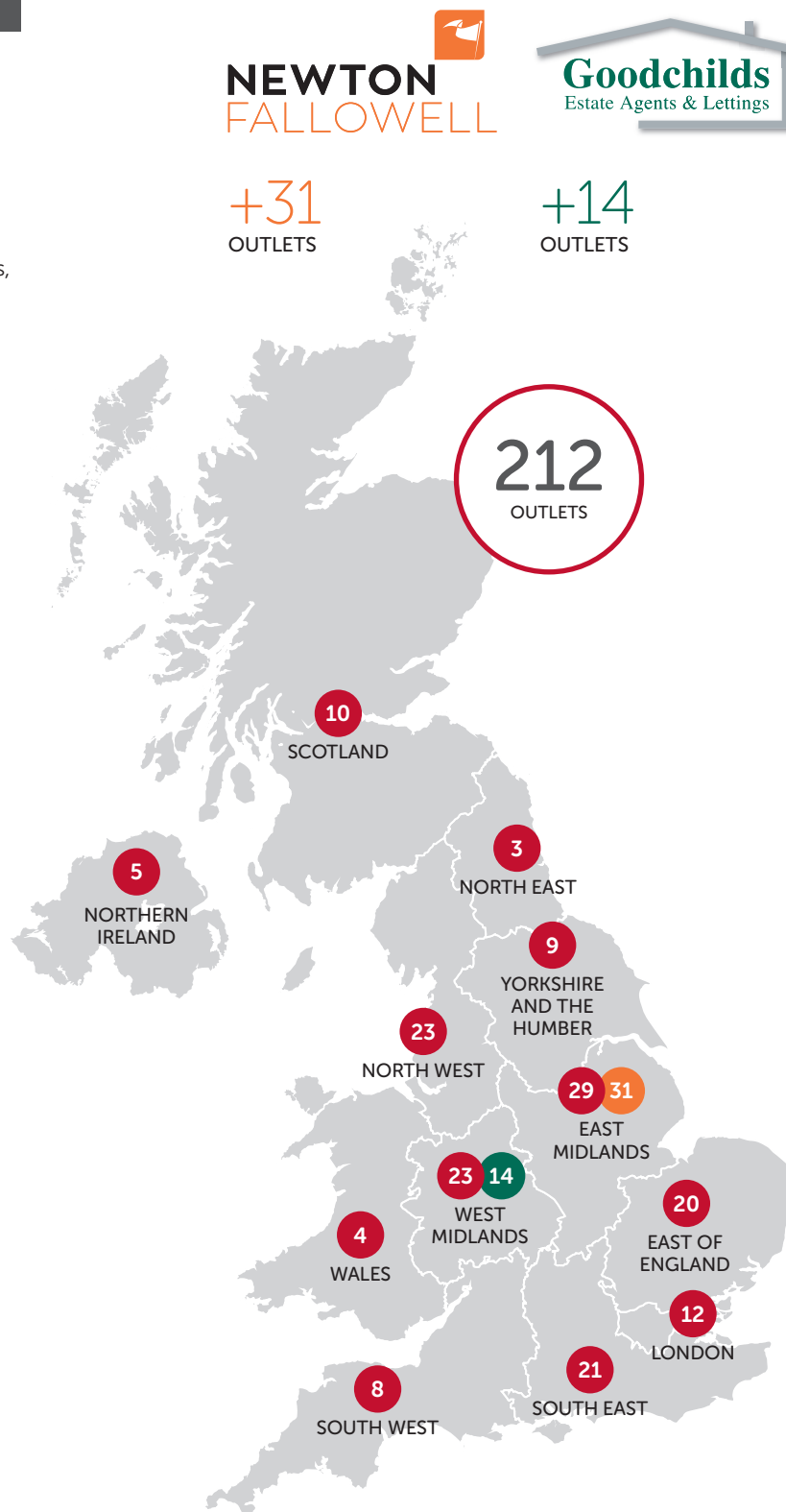
20+
YEARS OF EXPERIENCE



37,000*
MANAGED PROPERTIES



* approximately.



What sets us apart

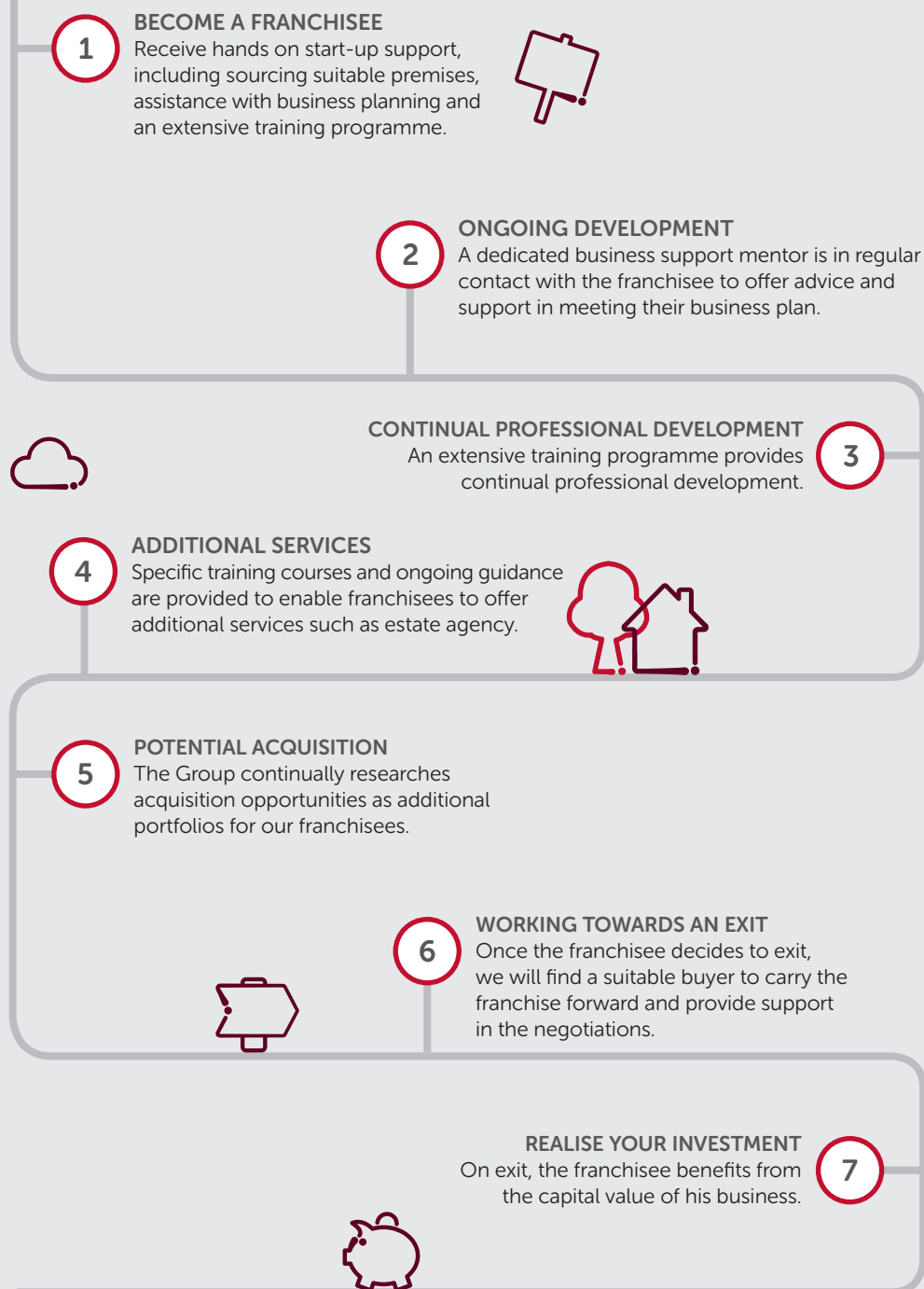
Our business success relies on the quality of our franchisees, the service they deliver to their clients and the support and guidance we give them to maximise their potential.

- An intensive induction course and subsequent training options equips our franchisees with the skills to succeed.
- Franchisees have access to a full range of support services giving them the best tools and advice.
- The compliance team audits every office once a year to ensure they are compliant with current legislation and meet the Group's high standards.
- Our model enables franchisees to build a capital asset which, unlike income-based franchise options, provides a financial return on exit.



"We bought the Brighton and Hove office as a resale in 2015. In order to grow the business, we immediately undertook the necessary training to enable us to expand our services to include property sales, and we also acquired a competitor's portfolio, doubling the size of our business. The support and services available from Belvoir Central Office was vital in enabling us to achieve such growth so quickly."

Nathan Crombie and
Wai Lam, Brighton and Hove

OUR BUSINESS LIFECYCLE

Our franchisees are supported to maximise their potential throughout their business lifecycle.

OUR BUSINESS MODEL

Our franchise model is built on over 20 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 have enabled us to stand out from the crowd and are key to the success of our Group.

GREATER FINANCIAL STABILITY

The combination of a strong lettings base with the addition of property sales provides our franchisees and the Group as a whole with greater financial stability than many typical estate agencies.

THE FRANCHISE NETWORK

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

OUR PROCESS

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 and assures our ongoing below-average failure rate.

Fees

New franchisees pay an upfront fee to cover our training and mentoring programme. An ongoing monthly management service fee, based on franchise revenue, contributes towards central office operations and further investment in the business.

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.

Support

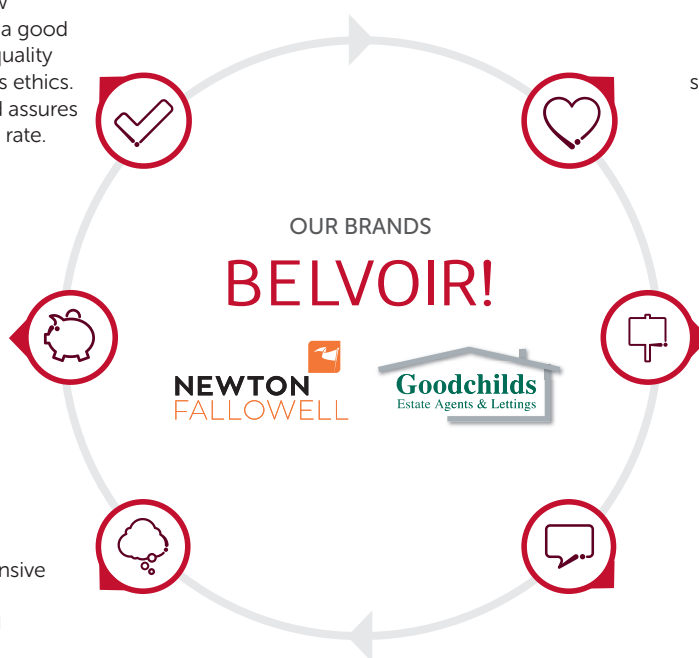
Each franchisee has a dedicated business mentor who helps them to develop their business. Advice and support is available from central office in specialist areas such as legal, IT, compliance and marketing.

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.



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.

➤ **Employees** – We recognise the need to attract, train, reward and retain highly motivated staff to deliver a professional service to our franchised networks.

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

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

OUR MARKETS

With an ever increasing population, both the private rented sector and the UK sales market are performing well with average rents and house prices rising year on year.

Ever increasing demand

The UK population is growing at an ever increasing rate, with forecasts predicting that the population will rise from 65 million in 2015, to 67 million in 2020, and more than 77 million by 2050. Although 142,890 new build homes were completed in 2015 and a further 400,000 are due to be built by 2020, there were 1,240,855 households on local authority waiting lists in 2015 alone, so current plans are unlikely to fully meet the housing needs of the UK population for the foreseeable future meaning that demand will remain high.

The Buy to Let (BTL) market

Over the past year the Government has introduced higher rates of Stamp Duty on BTL properties and reduced the level of tax relief on BTL mortgages in an attempt to level the playing field. Greater investment costs for landlords may lead to a decline in new BTL investors, potentially increasing pressure on the private rented sector (PRS). However, there is already a shortage of available rental properties, which is currently being plugged by institutions and property investors, many of which buy with cash and are looking for a long-term investment and therefore will not be encumbered by the aforementioned tax changes. The value of BTL in Britain is about to pass the £1 trillion mark and accounts for more than 20% of housing wealth, so the overall BTL market remains very strong.

Change in priorities

Britain is becoming a nation of renters with people delaying the purchase of their first house or disregarding home ownership altogether. The ever increasing cost of homeownership, the level of deposit required and the wish for a more flexible lifestyle is leading many young professionals, young families and even pensioners to choose renting over buying as is the trend in the rest of Europe.

Increased standards

Increased regulation in the private rented sector is resulting in an improvement in industry standards. Belvoir is at the forefront of raising standards in the PRS, having self-regulated for many years, including auditing our offices annually. Increased regulation is likely to result in consolidation within the sector, providing our franchisees with opportunities to acquire local portfolios.

Property sales

In 2015 Newton Fallowell sold 3,800 properties and Belvoir sold 610, which represents a very small percentage of the overall 1,227,770 house sales in 2015. Property sales still remains a massive opportunity for our franchisees and their biggest potential area for growth in 2016.

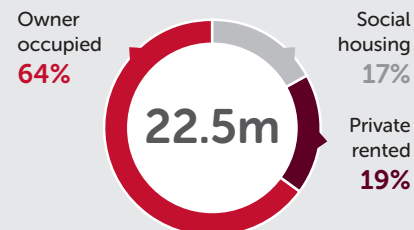
Future of franchising

According to the most recent survey on the franchise industry, carried out by the BFA and Natwest, franchising is going from strength to strength, despite the economic downturn.

Franchising contributed £15.1bn to the UK economy last year, an increase of 46% over the past ten years and up more than 10% since the last survey was published in 2013. According to the research, the sector now employs 621,000 people, of which 321,000 are in full-time employment. This represents an increase of 70% over the last ten years, reflecting an upward trend in employment with a third of franchise-owned businesses now employing ten or more staff.

Further findings show that the number of franchise-owned businesses increased by 14% in two years, reaching 44,200 in 2015, with over half reporting an annual turnover of more than £250,000.

NUMBER OF HOUSEHOLDS



OWNER OCCUPIED

14.3m

owner occupied properties

PRIVATE RENTED SECTOR

4.3m

households in the private sector

48%

mortgaged

52%

owned outright

50%

with letting agent

50%

without letting agent



OUR STRATEGY

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.

STRATEGIC PRIORITY		MILESTONES OF 2015
1	MULTI-BRAND STRATEGY <i>Accelerating business growth</i> through the acquisition of additional franchised lettings and estate agency networks to the Belvoir Group	<ul style="list-style-type: none"> Acquired Newton Fallowell Ltd in July 2015 adding a further 31 outlets to the Group Acquired Goodchilds Estate Agency and Lettings Ltd in October 2015 adding a further 14 outlets to the Group In 2015 these acquisitions contributed £611,000 to the Group operating profit before exceptional costs
2	FRANCHISE RECRUITMENT <i>Increasing Group coverage</i> with new franchised territories	<ul style="list-style-type: none"> Seven new territories added to the Belvoir network Four existing Belvoir outlets sold on to new Belvoir franchise owners Belvoir Sheffield, our third-largest office, resold for close to £1m
3	FRANCHISEE ACQUISITION <i>Supporting growth of our franchisees</i> through a proactive approach to finding them local acquisitions	<ul style="list-style-type: none"> Appointed an in-house acquisitions department responsible for researching and expediting acquisition opportunities for our franchisees Launched a new proactive acquisitions strategy designed to grow existing franchisees' businesses and to enhance the recruitment proposition for new territories Our franchisees completed on four acquisitions in 2015 adding revenue of over £0.5m in total to those businesses. Acquisitions accounted for 6% of Belvoir MSF growth in 2015
4	PROPERTY SALES <i>Continuing to expand our service offering</i> with more franchisees choosing to offer property sales	<ul style="list-style-type: none"> A total of 69 Belvoir franchisees had completed sales training by the end of 2015, meaning that over 40% of the Belvoir network are now able to offer an estate agency service to their clients. A further 42 Newton Fallowell and Goodchilds franchisees already offer property sales Property sales represented £1.4m of Group revenue in 2015 through MSF from franchised outlets and sales revenue from corporate outlets The ratio of lettings to sales revenue was at 77:23 in 2015
5	AWARD-WINNING SERVICE <i>Demonstrating our exceptional customer service</i> from both the franchisor and the franchisees	<ul style="list-style-type: none"> Belvoir won "Gold Lettings Franchise of the Year" at the Lettings Agency of the Year Awards for the fifth time in six years and silver for Best Franchisor at The Negotiator Awards Four of our franchisees won awards at the Estate Agency of the Year Awards (ESTAs), which are awarded purely on customer feedback We began monitoring the online customer reviews of the whole network and found that we have an overall online reputation score of 4.3 stars, 83% positive. Rating independently generated by reputation.com

FOCUS FOR THE FUTURE

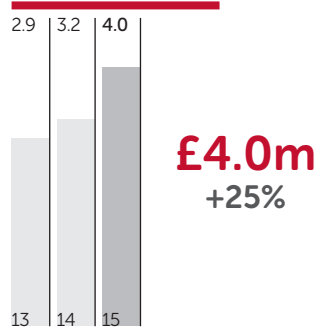
- Assimilation of the two new brands to deliver efficiencies and economies of scale
 - Mark Newton, founder of Newton Fallowell, appointed to the main Belvoir Board of Directors
 - Belvoir well placed to take advantage of further consolidation within the property franchising sector
-
- A target of ten new Belvoir territories to be sold in 2016
 - A target of five existing Belvoir outlets to be resold in 2016
 - A new focus of expanding the Newton Fallowell brand into new territories
-
- To work closely with third-party finance sources to maximise funding available to our franchisees for their acquisition growth plans
 - Matching new franchised territories with a bolt-on acquisition, where possible, to give new franchisees an established income from day one
 - Repayments against the existing franchise loan book of £4.5m provides further lending support for new franchise acquisitions. Belvoir has earmarked up to £1m in 2016 to fund franchisee acquisitions
-
- For 65% of Belvoir outlets to be offering an estate agency service
 - To build on positive reviews from vendors and gain from the estate agency expertise of Newton Fallowell to strengthen our reputation as delivering a first class sales service
 - To maximise revenue from property sales whilst building on the secure lettings base
-
- For Belvoir to secure the "Gold Lettings Franchise of the Year" for a sixth time and Gold for Best Franchisor at The Negotiator Awards
 - To promote a greater number of our offices to success at the ESTAs in 2016
 - Online brand reputation will be a key focus for 2016. We aim to improve our online ratings by building on our high quality customer service and by taking a proactive approach to gathering feedback from our clients

Key Performance Indicators (KPIs)

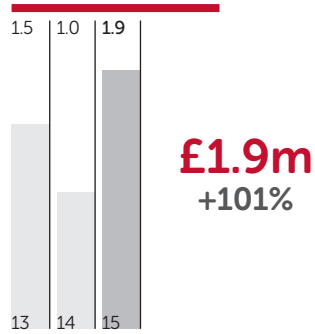
The Group tracks a series of financial and non-financial metrics that demonstrate the progress we are making. These have been discussed in further detail throughout the Strategic Report.

FINANCIAL

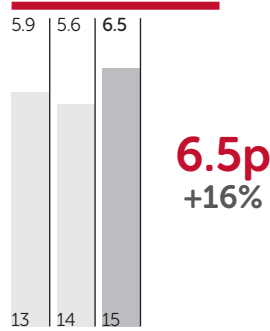
MANAGEMENT SERVICE FEE £m



OPERATING PROFIT £m

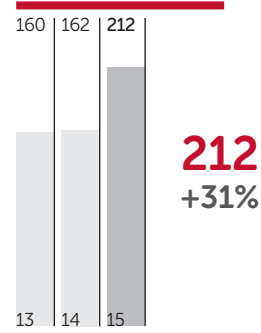


EARNINGS PER SHARE pence

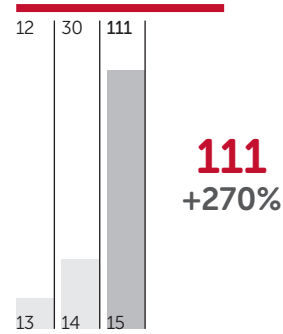


NON-FINANCIAL

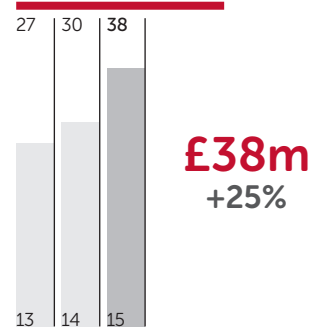
NUMBER OF OUTLETS



TAKE-UP OF PROPERTY SALES



NETWORK TURNOVER £m



OUR STRATEGY IN ACTION

1. Multi-brand strategy

BUILDING OUR BRANDS

2015 saw the beginning of our multi-brand strategy with the acquisitions of the Newton Fallowell and Goodchilds franchises bringing 45 additional offices to the Group.

Expanding the Group with additional brands enables us to leverage our expertise as a property franchisor and increase our market share.



2. Franchisee recruitment

MEETING THE CHALLENGE

Recruitment in the second half of the year was much stronger, reflecting renewed stability within the market following the General Election. In addition, mid-year we launched our new recruitment website and invested further in the recruitment team.

CREATING VALUE

Belvoir Sheffield was resold for close to £1m creating value for the franchisee on exit. Belvoir earns commission on resales in addition to the upfront fee from the incoming franchisee.



11

NEW FRANCHISEES
BROUGHT INTO THE
BELVOIR NETWORK

7

NEW TERRITORIES
ADDED TO THE GROUP

4

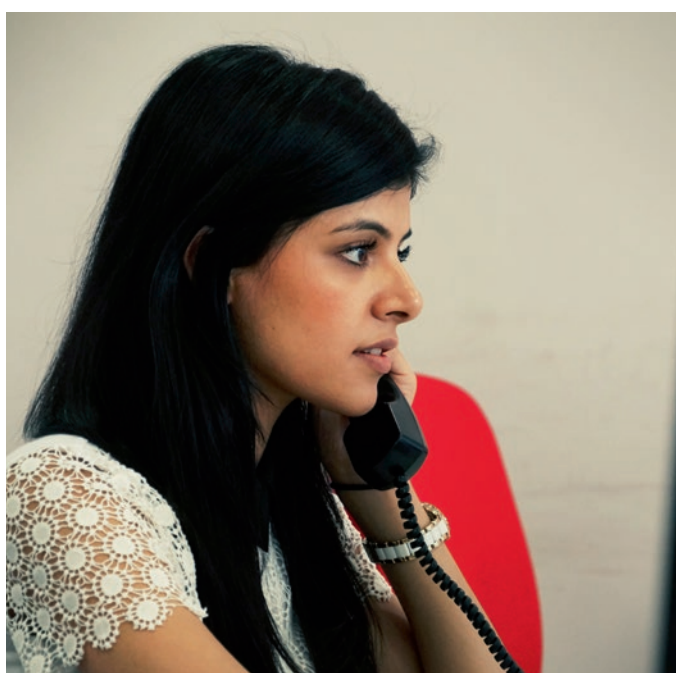
OFFICES RESOLD
TO NEW OWNERS





3. Franchisee acquisitions GROWING WITH CONFIDENCE

During 2015 we appointed an in-house acquisitions team whose role is to identify suitable acquisition targets for our network, support franchisees throughout the acquisitions process and, where necessary, provide up to 30% of the funding required. Four acquisitions were completed during the year and, in total, acquisitions accounted for 6% of MSF growth in 2015.



4. Property sales ON TARGET

Following the launch of estate agency in 2014, 40% of the Belvoir network now includes property sales within their service offering. In addition the acquisitions of Newton Fallowell and Goodchilds have significantly increased the revenue stream from estate agency to the Group. Property sales accounted for £0.4m of MSF and £1m of corporate sales in 2015.



5. Award-winning services CONTINUING WITH WINNING WAYS

2015 saw Belvoir win the Lettings Franchise of the Year Award in association with The Times and The Sunday Times for the fifth time in six years. The judges' report attributes our perpetual success to the continued investment in keeping standards high through our audits procedure and the training and support offered to franchisees throughout their journey with Belvoir.

Our franchisees are equally successful, with four of our franchisees picking up top awards at the Estate Agency of the Year Awards (ESTAs), which are awarded purely on customer feedback.

CHAIRMAN'S STATEMENT

with Michael Goddard

HIGHLIGHTS

- First steps as a multi-brand operation as sector consolidates
- Network growth from increasing property sales underpinned by recurring lettings revenue
- Board strengthened with appointment of Mark Newton

A responsible business

Belvoir acknowledges the importance of recognising the expectations of our stakeholders and reflecting these within our business values and operations. Belvoir's core principles of excellent customer service and expertise ensures that the Group attracts highly talented professionals to both its employment and to its franchise network, and that as a Group we together operate in a responsible and conscientious manner.



Find out more online at belvoirlettingsplc.com/governance/corporate-social-responsibility/

Introduction

2015 was a pivotal year for Belvoir. The Company commenced its strategic vision of a multi-brand operation, so as to further expand the network reach across the UK, whilst continuing to support and develop the strong organic growth of our existing Belvoir network. The Board appreciated the support of our shareholders in funding the mid-year acquisitions and I am confident that the coming year will see the full impact of our successful multi-brand strategy as the new brands become further incorporated into the Group.

Multi-brand franchising strategy

The Company purchased the Newton Fallowell network of 31 outlets in July and the Goodchilds network of 14 outlets in October. As a result of these two major acquisitions a number of key indicators have risen significantly compared to last year. Profits before tax have increased by 25% to £2.2m, while MSF increased by 25% to £4.0m. The total size of the network increased by 31% to 212 outlets reflecting the acquisitions and the recruitment of eleven new Belvoir franchises, seven of which were new territories and four were resales of existing Belvoir outlets.

Growth strategy

The Group's estate agency business which was introduced in 2014, continues to accelerate, with 111 (2014: 30) franchise owners trained to offer a property sales service by the end of 2015. Growth has been achieved due to both organic growth within the pre-existing Belvoir network and the acquisitions of the Newton Fallowell and Goodchilds networks already offering this service. We expect this number to increase by a further 41 offices in 2016. Revenue from property sales grew by 60% to £1.4m (2014: £0.8m), primarily reflecting the increased service offering from the acquired businesses.

The ratio of revenue from lettings to sales now stands at 77:23 (2014: 84:16). It is, however, our intention to remain a lettings dominant business so as to ensure that we have greater certainty of recurring revenues from this market. We will continue to look at ways to increase our market share from our current portfolio of some 37,000 (2014: 30,000) managed properties.

Growth at individual franchisee level is an important strategic focus and we are continuing to invest in a comprehensive marketing strategy, consisting of both traditional measures and through social media, as well as providing acquisition opportunities for our franchise owners. Our strategy has proved successful, with revenue growth for the Belvoir network continuing to accelerate in 2015 exceeding 12% growth during the period.

The team

Following his recent appointment, I am delighted to welcome Mark Newton to the Board. As Managing Director of Newton Fallowell, Mark will be taking Board level responsibility for management of both the Newton Fallowell and Goodchilds networks. Mark has a deep understanding of estate agency and franchising, which will both strengthen and complement the expertise of the Belvoir Board in delivering on its multi brand strategy and value creation for shareholders.

The Board greatly appreciates the considerable efforts made by our staff to meet the challenges of the past year, so I would like to take this opportunity to personally thank everyone for their continued commitment to the Company.

The future

Looking to the future I anticipate further consolidation within the property franchising industry as the benefits of centralised franchising expertise and economies of scale become more attractive. I expect the Belvoir Group to be at the forefront of this exciting opportunity.

Michael Goddard
Chairman and Chief Executive



Michael Goddard

"2015 has been a pivotal year with Belvoir at the forefront of consolidation within the property franchising industry."



"Newton Fallowell and Goodchilds added net profit of £0.6m in 2015."

OPERATING REVIEW

with Dorian Gonsalves

HIGHLIGHTS

- Strong organic growth within the existing Belvoir network
- Approximately 37,000 properties under management
- UK franchise industry up from £5bn to £15.1bn in 20 years

MSF growth

MSF for the Group increased by 25% to £4.0m. These fees are collected by Belvoir 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 acquisition of two chains of lettings and sales agencies by the franchisor.

Lettings

Lettings represents over three quarters of our MSF and corporate revenue reflecting that Belvoir continues to operate predominantly as a lettings franchise model with lettings activity providing a predictable and stable core income. With the additional burden of regulation across the private rented sector more landlords are utilising the services of a letting agent and this is reflected in our underlying growth in MSF. Rents continue to rise, broadly in line with growth in wages, and according to the Office for National Statistics private rental prices paid by tenants in the UK rose by 2.5% in the year to December 2015 with rents increasing by 2.7% in England, 0.7% in Wales and 0.9% in Scotland. Rents increased in London by 3.9% in the same period. By comparison, Belvoir like-for-like growth was 4.2% when comparing outlets in existence for both full year periods and eliminating the impact of acquisitions.

Property sales

Following the introduction of estate agency in 2014, primarily to offer a full property service to our landlord clients, and the acquisition of the Newton Fallowell and Goodchilds networks in 2015, over half of our franchise owners are now able to offer a property sales service. Typically, over 90% of the 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 over 37,000 (2014: 30,000) properties currently under management, and new relationships with local and national housebuilders, property sales remains a significant area of future growth.

Acquisitions

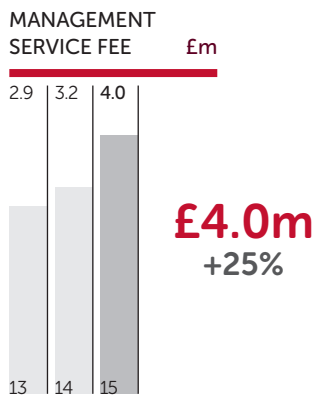
Our strategy of providing financial support to our franchisees who want to accelerate growth through acquisition resulted in the successful completion on franchisee-led acquisitions in Bury, Brighton, Southampton and Aldershot. There are over 10,000 potential acquisition targets comprising small to medium-sized independent lettings and sales agencies in the UK and in late 2015 we invested in an in-house acquisition sourcing service with two full-time members of staff. This investment resulted in a stronger pipeline of acquisitions in progress at the end of 2015.

Corporate outlets

During the year we operated from company-owned outlets in Pimlico, Lichfield, Burton upon Trent, Cumbria, Basingstoke, Tadley, Grantham and Devizes, the latter two having been bought back during the year due to exceptional personal circumstances of the respective franchisees. It is the Company's strategic objective to re-franchise these outlets when the opportunity arises so as to bring them in line with our core franchising expertise.

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.



Dorian Gonsalves

"MSF growth of 25% underpinned by both strong organic performance and acquisitions."



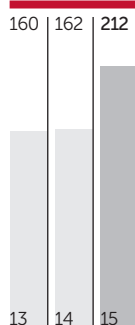
OPERATING REVIEW continued

with Dorian Gonsalves



"With increasing demand for rental properties, a nationwide drive in housebuilding and a renewed interest in franchising, the key drivers behind our successful business model remain unchanged."

OUTLETS



212
+31%

Compliance continued

Every office 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 is introduced into the private rented sector.

A growing business

In 2015 our network increased in size by almost a third to a total of 212 (2014: 162) outlets. Eleven new franchisees were recruited to the Belvoir network, seven of which opened in new territories, and the acquisitions of Newton Fallowell and Goodchilds extended our national reach by 44 franchised outlets and one corporate outlet.

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. Two outlets achieved record performance in the year generating more than £1.0m of fee income for their respective franchise owners and one franchisee sold his business to an incoming Belvoir franchisee for close to £1.0m.

Our successful strategy of growing our network organically with single office operators, multi-unit operators and by acquisition continues.

Market conditions

In recent years there has been a rapid growth in the residential lettings market and the outlook is set to continue. In 2014/15, among the total housing stock in the UK, there were 14.3 million owner occupiers, 4.3 million (19%) privately rented, and 3.9 million (17%) rented in the social housing sector. Of the four million households in the private rented sector, around 50% of private landlords use the services of a letting agent. Over 37,000 residential properties across the UK are managed by our three brands; this represents less than 1% of a rapidly increasing target market. The percentage of landlords who use a letting agent to provide specialist advice and expertise is set to increase, as is the number of dwellings within the private rented sector.

An increased supply of properties for homeownership, and within the rented sector, is needed to satisfy current housing needs in the UK. The Government has reacted to this demand by announcing a number of new initiatives in 2015.

These include doubling the current housing budget to £2bn to fund the building of new houses, 400,000 more new homes by 2020 and extending the Right to Buy scheme to housing associations. In addition to increasing supply of new builds, changes to Stamp Duty for landlords and second-home buyers was announced along with changes to mortgage interest tax relief, both of which will result in higher acquisition costs and operating costs for landlords. According to the Treasury, the changes to tax relief will impact one in five landlords. Apart from a rush to beat changes in stamp duty, these changes do not appear to have had any negative impact on the housing market. Demand for rented properties remains high, landlords are continuing to acquire new properties and it is clear that privately renting remains the tenure of choice for a mobile and flexible workforce, and for those who do not wish to be tied to homeownership. Housing in the UK is moving more towards its European counterparts where in Germany, for example, over half of the population chooses to rent rather than own a property.

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.

Current trading and outlook

Early signs for 2016 are positive, with a strong 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
Managing Director Belvoir

FINANCIAL REVIEW

with Louise George

Revenue

Group revenue for the financial year ended 31 December 2015 increased by 19% to £6.9m (2014: £5.9m). This was underpinned by strong growth of 25% in management service fees (MSF) to £4.0m (2014: £3.2m), reflecting organic growth of 12.5% from the Belvoir network and a further 12.5% growth from the two franchised networks acquired in the second half of the year.

Initial franchise fees and resale commissions were down 17% after a challenging first half for franchise recruitment caused by the uncertainty surrounding the General Election. In total these contributed revenue of £0.36m (2014: £0.43m) with four new franchise owners joining in the first half of the year compared to seven in the second half when confidence was restored.

Corporate owned outlets contributed £1.9m (2014: £2.0m) reflecting a changing mix during the period. At the year end the Group owned eight Belvoir and one Newton Fallowell outlet.

The Directors have decided to restate the 2014 statement of comprehensive income by £0.7m to account for the sale of two corporate outlets in 2014 as a profit on disposal rather than revenue, as this better represents the underlying trading of the Group but has no impact on the profit for the prior year.

The two network acquisitions during the year introduced a greater proportion of revenue from estate agency into the Group with MSF from property sales contributing £0.4m (2014: £0.02m) and corporate revenue of £1.0m (2014: £0.8m).

Operating profit before exceptional items

Operating profit before exceptional costs was £2.1m (2014: £1.0m) for the year ended 31 December 2015.

Non-exceptional administrative expenses for the year were down 2% to £4.8m (2014: £4.9m) with the reduction of £0.4m in the costs of operating the corporate outlets during 2015 and the one-off costs of £0.3m in 2014 being offset by the £0.5m associated with the increased overheads of the two mid-year acquisitions.

Within administrative expenses there is a charge of £0.02m (2014: £0.03m) associated with the share options issued to Directors and certain staff in 2014 and 2015. Full disclosure is in note 26 to the accounts.

Exceptional items

The exceptional costs of £0.2m (2014: £nil) all related to legal and professional fees on the acquisitions of the Newton Fallowell and Goodchilds networks.

Finance income

Interest receivable on franchisee loans of £0.3m (2014: £0.3m) is regarded by the Group as part of its ongoing operations to extend the network reach.

Profit before taxation

Profit before taxation was £2.2m (2014: £1.8m), an increase of 25% over the prior year.

Taxation

The effective rate of corporate tax for the year was 22.9% (2014: 24.4%) due to the exceptional costs of the acquisitions not being an allowable deduction from profits for tax purposes.

HIGHLIGHTS

- ✔ Group revenue up 19% to £6.9m
- ✔ Two new networks contribute £1.1m of revenue and £0.6m of net profit
- ✔ Adjusted earnings per share increased by 30% from 5.6p to 7.3p



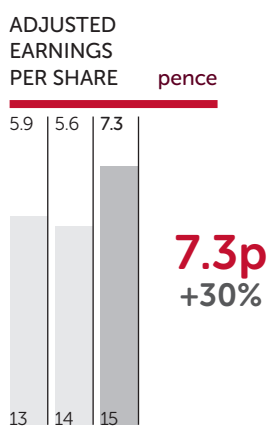
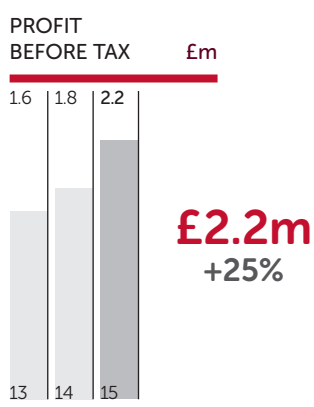
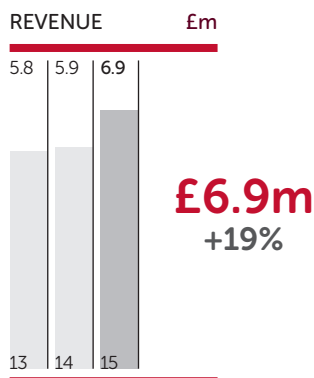
Louise George

"The acquisition of two new networks provides a broader base from which the Group can deliver on creating shareholder value"



FINANCIAL REVIEW continued

with Louise George



Earnings per share

Basic earnings per share was 6.5p (2014: 5.6p) based on an average number of shares in issue in the period of 26,197,089 (2014: 24,010,417), an increase of 2,186,672 arising from the share issue in July and October 2015. This compared to adjusted earnings per share of 7.3p (2014: 5.6p). The profit attributable to owners was £1.7m (2014: £1.3m).

Dividends

The Board is proposing a final dividend for 2015 of 3.4p per share (2014: 3.4p). Together with the interim dividend of 3.4p paid to shareholders on 15 October 2015, this equates to a total dividend for the year of 6.8p per share (2014: 6.8p).

Subject to shareholders' approval at the AGM on 26 May 2016, the dividend will be paid on 31 May 2016 based upon the register on 22 April 2016. The ex-dividend date will be 21 April 2016.

Cash flow

The net cash inflow from operations was £2.4m (2014: £0.05m) with good cash inflows from the enlarged Group.

The net cash used in investing activities was £5.7m (2014: £0.6m):

- ✓ On 29 July 2015 the Group acquired the entire share capital of Newton Fallowell Ltd, a network of 30 franchised and one corporate office, for initial consideration of £4.0m.
- ✓ On 6 October 2015 the Group acquired the entire share capital of Goodchilds Estate Agents and Lettings Ltd, a network of 14 franchised offices, for initial consideration of £2.4m.
- ✓ The Group bought back two franchised outlets at a cost of £0.5m and these form part of the portfolio of corporate outlets.
- ✓ During the year the net inflow from the franchise loan book was £0.7m (2014: net outflow £2.4m).

Two significant share issues net of share placing costs accounted for £7.4m cash inflow from financing activities out of which the corporate acquisitions were funded. Loans repaid to the bank in the year were £0.5m (2014: £0.8m) and dividend payments totalled £1.7m (2014: £1.6m). As a result, net cash generated from financing activities totalled £5.1m (2014: net cash used £2.5m).

Liquidity and capital resources

At the year end the Group had cash balances of £2.7m (2014: £1.5m) and a term loan of £1.0m (2014: £1.5m) repayable in quarterly instalments by December 2017.

Financial position

The Group continues to operate from a sound financial platform and is strongly cash generative. This, together with the £2.7m opening cash balance, will enable the Company to settle in cash the anticipated £1.5m year one earn-out under the Newton Fallowell acquisition and the £0.8m deferred payment under the Goodchilds acquisition both due to be paid within the current year. 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 rate 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 fees;
- ✓ operating profit; and
- ✓ earnings per share.

The key non-financial indicators are as follows:

- ✓ number of outlets;
- ✓ recruitment of new franchise owners;
- ✓ compliance of franchised outlets;
- ✓ level of Belvoir-assisted franchisee acquisitions;
- ✓ take-up of property sales;
- ✓ number of managed properties with the group;
- ✓ property sector awards; and
- ✓ network turnover.






Louise George
Chief Financial Officer

RISK MANAGEMENT

As with all businesses, we are affected by a number of risks and uncertainties.

Principal risks and uncertainties

The Board considers that the risks set out below are the most significant risks in achieving the Group's business goals. 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.

Nature of risk and impact	Mitigation	Change
1. Ability to generate planned revenue and profit growth		
There is no certainty that the Group will continue to expand its share of the residential property market. Belvoir derives its main source of income from its management service fee chargeable at 12% of franchise income. Network revenue depends upon market conditions, including rents remaining at or increasing from current levels, and for landlords to be willing to pay commission to lettings agents in the upper quartile of rates charged for such services. Our forecast growth relies on the continued commercial success of our franchisees in a competitive residential lettings market growing their business in excess of the underlying market growth.	The risks are mitigated by the Board constantly monitoring the revenue from the management service fee 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.	 No change
2. Ability to recruit and retain skilled franchisees		
The ability of the Group to attract new franchisees with the appropriate expertise and skills, in available and suitable locations, cannot be guaranteed. The Group may experience difficulties in finding appropriate franchisees and the failure to do so would have a detrimental effect upon trading performance.	The Board continually monitors the performance of the recruitment team and ensures that its marketing of the brand is fresh and appealing to new franchisees.	 Risk decreased
3. Reputational risk to the franchise model		
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 and tenants may have a material impact on the reputation of the brand.	The Franchisee join subject to a rigorous three-week training programme and subsequent monitoring and support from a dedicated business development mentor. The Group also offers ongoing training course to ensure continuing professional development.	 No change
4. Ability to execute the Belvoir acquisitions programme		
The Group needs to continue to identify suitable acquisition targets for its franchisees through its research programme and to be able to support the franchisee to fund the acquisition through both bank lending and Belvoir financial assistance. The competitive process in the market place might increase the acquisition price and the tight lending criteria by major banks might limit resources available to our network.	The Board monitors its acquisitions programme to target a return on investment in excess of 25%. Belvoir has a strong pipeline of potential acquisitions for 2016.	 Risk increased
The Group also needs to position itself as the partner of choice amongst the larger franchised networks if it is to take advantage of further consolidation in the sector.	Our Chairman continues to forge strong relationships with all franchised network owners, sharing the vision of a consolidation strategy that meets the needs of the shareholders and the franchise owners alike.	
5. Legislative changes		
Whilst there was no change in Government in 2015 that might have seen the introduction of a ban on tenant fees, recent tax changes on interest relief against buy-to-let mortgages and higher Stamp Duty on second homes have cooled activity in this market.	The Board continues to lobby against the change in legislation that adversely affect the stability of the property market and to promote the arguments for high industry standards of operation, whilst supporting the network in expanding their service offering, including the launch of property sales within the network in 2014.	 Risk increased

The Strategic Report set out on pages 01 to 15 has been approved by the Board on 1 April 2016 and signed on its behalf by:

Louise George
Finance Director

INTRODUCTION TO GOVERNANCE



The Belvoir Lettings Board of Directors

At Belvoir we recognise that good standards of corporate governance underpin our continuing success. We regularly 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 31st December 2015.

Michael Goddard

Executive Chairman and Chief Executive Officer

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditors are 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 auditors are 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.

The Directors who served during the year, unless otherwise stated, are shown below:

Executive

Michael Goddard
Dorian Gonsalves
Louise George
Mark Newton (appointed 10 March 2016)

Non-Executive

Nick Leeming
Andrew Borkowski

BOARD OF DIRECTORS

Belvoir Lettings has a highly experienced Board of Directors with a commitment to driving profitability and long-term shareholder value.



Michael Goddard
Executive Chairman and Chief Executive Officer

Appointment
1995

Committee membership



Skills and 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, director of the National Approved Lettings Scheme and The Property Ombudsman, and served on the World Franchise Council. His key skills are team building and strategic business planning. Mike is a member of the Remuneration Committee.



Dorian Gonsalves
Managing Director Belvoir

Appointment
2005

Committee membership
None

Skills and 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 Managing Director, Dorian's key skills include people management and business development and he has a deep understanding of successful franchising. Dorian is also a director of The Property Ombudsman.



Louise George
Chief Financial Officer

Appointment
June 2014

Committee membership
None

Skills and experience

Louise is a Chartered Accountant and Chartered Secretary, having qualified with EY in 1991. She has over 13 years' board-level experience with AIM-listed companies and has built up good relations with institutional investors. Louise has established a reliable finance function capable of supporting business growth and over the past year has overseen two significant acquisitions for the Group. Louise also serves as Company Secretary to the Group.



Nick Leeming
Non-Executive Director

Appointment
February 2012

Committee membership



Skills and experience

Nick, a Chartered Surveyor, was a partner in Humberts and a joint founder of Propertyfinder, the UK's first national property portal, before becoming commercial director of Zoopla. Since 2012 Nick has built a portfolio of business interests involving key estate agency firms nationwide giving him a deep insight into the UK property industry. Nick serves on the Audit Committee and is Chairman of the Remuneration Committee.



Andrew Borkowski
Non-Executive Director

Appointment
March 2014

Committee membership



Skills and experience

Andrew has over 25 years' experience as a corporate lawyer having been a partner at Geldards LLP until 2015 leading its corporate and banking team. Andrew is now chief executive of a private family investment fund, Fullbrook Thorpe Investments LLP, a consultant to Geldards LLP and a non-executive director to a number of privately held concerns. Andrew serves on the Remuneration Committee and is Chairman of the Audit Committee.



Mark Newton
Managing Director Newton Fallowell

Appointment
March 2016

Committee membership
None

Skills and 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 31 mostly franchised outlets before selling to Belvoir in July 2015. Mark is responsible for the management and growth of the Newton Fallowell and the Goodchilds networks.

Key: Audit Committee Remuneration Committee Chair of Committee

STATEMENT OF CORPORATE GOVERNANCE

BOARD COMPOSITION

5

Board members as of 31 December 2015



- Chairman (1)
- Non-Executive Directors (2)
- Executive Directors (2)

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.

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 Corporate Governance Code for small and mid-size quoted companies published by the Quoted Companies Alliance 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 2015 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 an Executive Chairman, two Executive Directors and two Non-Executive Directors. 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.

Since May 2014 the posts of Chairman and Chief Executive Officer have been held by the same individual, namely Michael Goddard. The Board believes that to separate the roles would be detrimental to the Company at this stage. At every AGM one-third of Directors must retire by rotation.

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.

The Board reserves for itself a range of key decisions to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Directors who are responsible for the day-to-day management of the business.

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 meets at least once a year and is responsible for determining the contractual terms, remuneration and other benefits of the Executive Directors. The Remuneration Committee comprises Michael Goddard, Andrew Borkowski and Nick Leeming, who acts as the Chairman.

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 20 and 21.

Audit Committee

The Audit Committee has two scheduled meetings a year. The Audit Committee comprises Nick Leeming and Andrew Borkowski, who acts as the Chairman. Andrew Borkowski is considered to have recent and relevant financial and legal knowledge and experience.

The Audit Committee is responsible for ensuring the integrity of the financial statements of the Group and for regularly reviewing the effectiveness of the Group's 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.

During the year the Audit Committee conducted a review of the expertise and effectiveness of the external auditor and services offered by alternate audit firms. As a result of that process, the Audit Committee recommended to the Board the appointment of PwC LLP who was duly appointed on 11 January 2016.

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 Department 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

The Company gives high priority to communications with current and potential future shareholders by means of an active investor relations programme. The Chairman makes himself available to major shareholders on request and periodically attends meetings with and gives presentations to shareholders.

The principal communication with private investors is through the website, www.belvoirlettingsplc.com, and the provision of annual and interim reports.

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.



The principal communication with private investors is through the website, belvoirlettingsplc.com, and the provision of annual and interim reports.

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' Remuneration Report for the year ended 31 December 2015.

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.

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 2015, a total bonus of £117,000 (2014: £29,000) was awarded to the Directors.

Pension

During the year pension contributions of £9,000 (2014: £4,000) were paid to Executive Directors.

Taxable benefits

The Directors' taxable benefits are tabled opposite.

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 2015 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	Over three years ¹	04/07/2024
Louise George	EMI scheme	175,000	£1.32	04/07/2014	Over three years ¹	04/07/2024

¹ Of the share options issued one-third vested on date of grant, one-third vests at the second anniversary and the remaining third vests at the third anniversary of date of grant.

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 contract. Their service contract contains no provisions for predetermined compensation on termination, which exceeds 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

Michael Goddard
Dorian Gonsalves
Louise George
Mark Newton
Nick Leeming
Andrew Borkowski

Notice period

Six months' notice
Twelve months' notice
Twelve months' notice
Three months' notice
Three months' notice
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. Nick Leeming has extensive experience of the property market but was appointed to the Board mainly for his knowledge of internet-based business. Nick's 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 2015, disclosed below, have been audited by the Group's external auditor.

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	Share-based payment £'000	Total 2015 £'000	Total 2014 £'000
Executive Directors							
Michael Goddard	113	39	—	7	—	159	106
Dorian Gonsalves	123	41	—	—	5	169	137
Louise George (appointed 16 June 2014)	99	37	9	3	5	153	59
Carl Chadwick (resigned 16 June 2014)	—	—	—	—	—	—	168
	335	117	9	10	10	481	470
Non-Executive Directors							
Nick Leeming	28	—	—	—	—	28	28
Andrew Borkowski (appointed 21 March 2014)	25	—	—	—	—	25	19
Karen Bach (resigned 21 March 2014)	—	—	—	—	—	—	6
	53	—	—	—	—	53	53
Total remuneration	388	117	9	10	10	534	523

Directors' interests

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

Directors' interests	31 December 2015		31 December 2014 (or date of appointment if later)	
	Shares	Options	Shares	Options
Michael Goddard	7,753,922	—	8,973,922	—
Dorian Gonsalves	463,595	363,399	453,595	363,399
Louise George	17,250	175,000	—	175,000
Andrew Borkowski	15,615	—	15,615	—
Nick Leeming	15,500	—	15,500	—
Mark Newton (appointed 10 March 2016)	10,000	—	—	—

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

Nick Leeming
Non-Executive Director
1 April 2016

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements of the group for the financial year ended 31 December 2015.

Dividends

The Company paid its interim dividend for the financial year ended 31 December 2015 of 3.4p per ordinary share on 15 October 2015.

The Board recommends a final dividend for the financial year ended 31 December 2015 of 3.4p (2014: 3.4p) per share to be paid on 31 May 2016, to all shareholders on the register at the close of business on 22 April 2016 subject to shareholders' approval on 26 May 2016. The ex-dividend date will be on 21 April 2016.

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.

Directors' indemnity

The Group maintains 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 Company's financial statements have been prepared on a going concern basis. 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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' 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 elected to prepare the 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 and profit or loss of the Company and Group for that period.

In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors

On January 11 2016 the Directors appointed PwC LLP as auditor, replacing Grant Thornton UK LLP, and a resolution will be proposed for its re-appointment at the forthcoming Annual General Meeting in accordance with Section 489 of the Companies Act 2006.

On behalf of the Board

Louise George
Chief Financial Officer
1 April 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of Belvoir Lettings plc

Report on the financial statements

Our opinion

In our opinion:

- ✔ Belvoir Lettings PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- ✔ the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- ✔ the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- ✔ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the annual report, comprise:

- ✔ the statement of financial position as at 31 December 2015;
- ✔ the Group statement of comprehensive income for the year then ended;
- ✔ the statement of cash flows for the year then ended;
- ✔ the statement of changes in equity for the year then ended; and
- ✔ the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- ✔ the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- ▀ whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- ▀ the reasonableness of significant accounting estimates made by the Directors; and
- ▀ the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Norbury (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

1 April 2016

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Notes	2015 £'000	Restated 2014 £'000
Continuing operations			
Revenue	2	6,947	5,856
Administrative expenses			
Non exceptional		(4,799)	(4,887)
Exceptional – acquisition costs	4	(201)	–
		(5,000)	(4,887)
Operating profit		1,947	969
Profit on disposal of corporate outlets	1	–	651
Finance costs	6	(61)	(111)
Finance income	6	338	269
Profit before taxation		2,224	1,778
Taxation	7	(510)	(434)
Profit and total comprehensive income for the financial year		1,714	1,344
Profit for the year attributable to the equity holders of the parent company		1,714	1,344
Basic earnings per share from continuing operations	9	6.5p	5.6p
Adjusted basic earnings per share from continuing operations	9	7.3p	5.6p
Diluted earnings per share from continuing operations	9	6.4p	5.6p

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 2015

	Notes	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Assets					
Non-current assets					
Intangible assets	10	11,854	1,477	—	—
Investments in subsidiaries	11	—	—	22,039	12,483
Property, plant and equipment	12	649	648	—	—
Trade and other receivables	13	3,656	4,288	—	—
		16,159	6,413	22,039	12,483
Current assets					
Trade and other receivables	13	2,090	1,638	8,990	7,297
Cash and cash equivalents	14	2,679	1,486	130	1,029
		4,769	3,124	9,120	8,326
Total assets		20,928	9,537	31,159	20,809
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	17	500	1,500	—	—
Deferred tax	23	1,001	141	—	—
		1,501	1,641	—	—
Current liabilities					
Trade and other payables	15	4,149	725	3,329	37
Interest-bearing loans and borrowings	16	500	21	—	—
Tax payable		357	156	—	—
		5,006	902	3,329	37
Total liabilities		6,507	2,543	3,329	37
Total net assets		14,421	6,994	27,830	20,772
Equity					
Shareholders' equity					
Share capital	19	305	240	305	240
Share premium		7,379	—	7,379	—
Share-based payments reserve		51	33	51	33
Revaluation reserve		162	162	(50)	(50)
Merger reserve		(5,774)	(5,774)	8,101	8,101
Retained earnings		12,298	12,333	12,044	12,448
Total equity		14,421	6,994	27,830	20,772

The financial statements on pages 26 to 49 were approved and authorised for issue by the Board on 1 April 2016 and signed on its behalf by:

Michael Goddard
Executive Chairman and Chief Executive Officer

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 2015

Group

	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 2014	240	11,742	—	162	(5,774)	880	7,250
Changes in equity							
Cancellation of share premium	—	(11,742)	—	—	—	11,742	—
Share-based payments	—	—	33	—	—	—	33
Dividends	—	—	—	—	—	(1,633)	(1,633)
Transactions with owners	—	(11,742)	33	—	—	10,109	(1,600)
Profit and total comprehensive income for the financial year	—	—	—	—	—	1,344	1,344
Balance at 31 December 2014	240	—	33	162	(5,774)	12,333	6,994
Issue of equity share capital	65	7,379	—	—	—	—	7,444
Share-based payments	—	—	18	—	—	—	18
Dividends	—	—	—	—	—	(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

Company

	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 2014	240	11,742	—	(50)	8,101	860	20,893
Changes in equity							
Cancellation of share premium	—	(11,742)	—	—	—	11,742	—
Share-based payments	—	—	33	—	—	—	33
Dividends	—	—	—	—	—	(1,633)	(1,633)
Transactions with owners	—	(11,742)	33	—	—	10,109	(1,600)
Profit and total comprehensive income for the financial year	—	—	—	—	—	1,479	1,479
Balance at 31 December 2014	240	—	33	(50)	8,101	12,448	20,772
Issue of equity share capital	65	7,379	—	—	—	—	7,444
Share-based payments	—	—	18	—	—	—	18
Dividends	—	—	—	—	—	(1,749)	(1,749)
Transactions with owners	65	7,379	18	—	—	(1,749)	5,713
Profit and total comprehensive income for the financial year	—	—	—	—	—	1,345	1,345
Balance at 31 December 2015	305	7,379	51	(50)	8,101	12,044	27,830

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2015

	Notes	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating activities					
Cash generated from/(used in) operating activities	20	2,364	50	(1,901)	(3,245)
Tax paid		(572)	(454)	—	—
Net cash flows generated from/(used in) operating activities		1,792	(404)	(1,901)	(3,245)
Investing activities					
Dividends received		—	—	1,700	1,800
Acquisitions		(6,892)	—	(6,395)	—
Working capital and cash introduced by companies acquired		241	—	—	—
Capital expenditure on property, plant and equipment		(102)	(92)	—	—
Disposal of assets		14	—	—	—
Capital expenditure on intangibles		—	(20)	—	—
Disposal of corporate outlets		—	1,798	—	—
Deferred consideration		—	(206)	—	—
Franchisee loans granted		(449)	(3,110)	—	—
Loans repaid by franchisees		1,138	738	—	—
Finance income		338	269	2	12
Net cash flows (used in)/generated from investing activities		(5,712)	(623)	(4,693)	1,812
Financing activities					
Finance costs		(61)	(111)	—	—
Loan repayments in the year		(521)	(790)	—	—
Proceeds from share issue		7,890	—	7,890	—
Share placing costs		(446)	—	(446)	—
Equity dividends paid		(1,749)	(1,633)	(1,749)	(1,633)
Net cash generated from/(used in) financing activities		5,113	(2,534)	5,695	(1,633)
Net change in cash and cash equivalents		1,193	(3,561)	(899)	(3,066)
Cash and cash equivalents at the beginning of the financial year		1,486	5,047	1,029	4,095
Cash and cash equivalents at the end of the financial year		2,679	1,486	130	1,029

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

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) as adopted by the European Union. Accordingly, these financial statements have been prepared in accordance with the accounting policies set out below which are based on the IFRS in issue as adopted by the European Union (EU) and in effect at 31 December 2015.

Change of prior year presentation

The Directors have decided to restate the 2014 statement of comprehensive income by £0.7m to account for the sale of two corporate outlets in 2014 as a profit on disposal rather than revenue, as this better represents the underlying trading of the Group. Whilst this reduces the operating profit by £0.7m in the prior year, it has no impact on the profit before taxation for that year.

Going concern

After consideration of forecasts and making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence, and execute its 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 2015. 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

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements listed below will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. None of these new standards, amendments and interpretations are expected to have a significant impact on the Group's financial statements:

IFRS 9 Financial Instruments (EU effective date 1 January 2018)

IFRS 15 Revenues from Contracts with Customers (EU effective date 1 January 2017)

IFRS 16 On the recognition, measurement, presentation and disclosure of leases (EU effective date 1 January 2019)

Basis of consolidation

The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2015. 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.

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 Solutions Limited and the investment by Belvoir Property Solutions Limited in Belvoir Property Management (UK) Limited were 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.

1 Accounting policies continued

Basis of consolidation continued

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 outlets, provision of training, and ongoing support of the franchisees.

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.

Revenue also includes fees generated by outlets operated by the Group that are not franchises. These corporate outlets 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.

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	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 re-assessed 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 shows 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.

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

1 Accounting policies continued

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.

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.

1 Accounting policies continued

Taxation continued

During the year the Group made two acquisitions of franchised outlets for which the deferred tax treatment differs due to changes in the Finance Act (no.2) 2015:

- Belvoir Devizes was acquired on 18 May 2015. Goodwill will be subject to an annual impairment review and the value of the acquired customer lists will be written off over 15 years. Any amounts written off or impaired will be treated as being tax deductible. Therefore, no temporary differences and accordingly no deferred tax would arise.
- Belvoir Grantham was acquired on 3 August 2015. 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 fully or 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.

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. 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 historic average share price volatility.

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

1 Accounting policies continued

Share-based employee remuneration continued

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 accounts following the application of merger accounting in the treatment of the reorganisation and flotation of the Group; 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 31 and the movement on intangible assets is presented in note 10.

Revenue recognition

Initial franchise fees are recognised upon signing of the contract as it is at this point 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 of the new office. The Directors therefore believe that the benefits are transferred upon signing the contract and so revenue is recognised at this point. Future benefits from the contract are dealt with in the continued monthly MSF which are charged throughout the term of the franchise agreement.

Revenue from fees in the estate agency business is recognised by reference to the legal exchange date of the housing transaction as the Group has fulfilled all obligations at that point.

Basis of consolidation

The acquisition of its principal subsidiaries by the Group 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 interest 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.

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 2015 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 split as follows:

	Lettings		Property sales		Total revenue	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Management service fees	3,669	3,222	375	16	4,044	3,238
Corporate owned outlets	913	1,145	980	831	1,893	1,976
	4,582	4,367	1,355	847	5,937	5,214
Initial franchise fees and other resale commissions					356	432
Other income					654	210
					6,947	5,856

3 Operating profit

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Depreciation – owned assets	136	74
Amortisation of customer relationships and brand	142	60
Impairment of goodwill	119	90
Auditors' remuneration		
– Fees payable to the Company's auditors for the audit of Company's annual accounts	46	13
– Tax compliance services	19	14
– Statutory audit of subsidiaries	15	25
Operating lease expenditure		
– Land and property	303	148
– Other	138	71

4 Exceptional Items

Transaction costs associated with the acquisitions of Newton Fallowell Ltd and Goodchilds Estate Agents and Lettings Ltd of £201,000 were incurred during the year. This amount was paid during the year and was not allowable for tax purposes.

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 £1,345,000 (2014: £1,479,000).

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

5 Directors and employees

Staff costs (including Directors)

	Group	
	2015 £'000	2014 £'000
Wages and salaries	2,329	2,033
Compensation for loss of office	—	120
Social security costs	224	196
Pension costs	34	4
Share-based payment charge	18	33
	2,605	2,386
The average monthly number of employees during the year was as follows:		
Management and administration	84	78

Key management personnel is defined as Directors of the Group.

Directors' remuneration

	2015 £'000	2014 £'000
Directors' emoluments	515	376
Social security costs	61	27
Share-based payment charge	10	23
Compensation for loss of office	—	120
Pension costs	9	4
	595	550
	2015 £'000	2014 £'000
Executive Directors	539	497
Non-Executive Directors	56	53
	595	550

Directors' remuneration for 2014 includes compensation for loss of office payable to Carl Chadwick of £120,000.

During the year no options (2014: 375,000) over ordinary shares were granted to Directors and none (2014: none) were exercised by Directors under the Company's EMI scheme.

Emoluments of the highest paid Director were as follows:

	2015 £'000	2014 £'000
Salary and fees including bonuses	164	122
Benefits in kind	—	3
Share-based remuneration	5	12
	169	137

6 Finance income and costs**Finance costs**

	2015 £'000	2014 £'000
Bank interest	61	111

Finance income

	2015 £'000	2014 £'000
Deposit account interest	3	13
Interest on franchisee loans	335	256
	338	269

7 Taxation

	2015 £'000	2014 £'000
UK corporation tax at 20.25% (2014: 21.5%)		
Current taxation	510	437
Deferred taxation	—	(3)
Total tax charge in the statement of comprehensive income	510	434

Factors affecting the tax charge for the year:

	2015 £'000	2014 £'000
Profit before taxation	2,224	1,778
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	450	382
Effects of:		
– Expenses not deductible for tax purposes	61	57
– Capital allowances in excess of depreciation	(1)	(5)
Total tax charge in statement of comprehensive income	510	434

The July 2015 Budget Statement announced changes to the UK Corporation tax rate which will reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted on 26 October 2015 and accordingly the deferred tax balance has been calculated using a rate of 18%.

8 Dividends

	2015 £'000	2014 £'000
Final dividend for 2014		
3.4p per share paid 1 June 2015 (2013: 3.4p per share paid 24 April 2014)	816	816
Interim dividends for 2015		
3.4p per share paid 15 October 2015 (2014: 3.4p per share paid 15 October 2014)	933	817
Total dividend paid	1,749	1,633

The Directors propose a final dividend of 3.4p per share totalling £1,039,000 payable on 31 May 2016. As this remains conditional on shareholders' approval, provision has not been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

9 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.

	2015	2014
Profit for the financial year	£1,714,000	£1,344,000
Adjusted profit for the financial year	£1,955,000	£1,344,000
Weighted average number of ordinary shares – basic	26,197,089	24,010,417
Weighted average number of ordinary shares – diluted	26,914,453	24,084,623
Basic earnings per share	6.5p	5.6p
Diluted earnings per share	6.4p	5.6p
Adjusted basic earnings per share	7.3p	5.6p
Adjusted diluted earnings per share	7.1p	5.6p

10 Intangible assets

Group	Brand £'000	Goodwill £'000	Master Franchise Agreements £'000	Customer relationships £'000	Total £'000
Gross carrying amount					
At January 2014	—	1,110	—	2,117	3,227
Additions	—	—	—	20	20
Disposals	—	(458)	—	(860)	(1,318)
Transfers	—	(101)	—	101	—
Deferred consideration adjustments	—	—	—	41	41
As at 31 December 2014	—	551	—	1,419	1,970
Additions					
Newton Fallowell	88	3,635	2,876	—	6,599
Goodchilds	9	2,005	1,475	—	3,489
Belvoir Devizes	—	28	—	83	111
Belvoir Grantham	—	149	—	290	439
	97	5,817	4,351	373	10,638
As at 31 December 2015	97	6,368	4,351	1,792	12,608
Amortisation and impairment					
At January 2014	—	—	—	343	343
Amortisation for the year	—	—	—	60	60
Impairment for the year	—	90	—	—	90
As at 31 December 2014	—	90	—	403	493
Amortisation for the year	2	—	58	82	142
Impairment for the year	—	119	—	—	119
As at 31 December 2015	2	209	58	485	754
Net book value					
At 31 December 2015	95	6,159	4,293	1,307	11,854
At 31 December 2014	—	461	—	1,016	1,477

Goodwill is tested annually for impairment by reference to the value of the relevant cash generating units.

10 Intangible assets continued

Group continued

For the corporate owned Belvoir outlets, goodwill is calculated by comparing the estimated fair value less costs of disposal of each corporate owned outlet (based on a multiple of 1.5 times revenue for lettings agencies and 0.4 for estate agencies) to the carrying value of goodwill. These multiples of revenue are based on historical transactions and prevailing market conditions.

The carrying value of goodwill in relation to the corporate owned Belvoir lettings outlets Belvoir Grantham, Belvoir Devizes, Belvoir London Central Limited, Staffordshire Estates Lettings Limited and Belvoir Lettings (Cumbria) Limited is £357,000 in comparison to a valuation of £1,786,000 and as such no impairment is noted in relation to these outlets.

The carrying value of goodwill in relation to Claygold Property Limited was in excess of the valuation. As a result in 2015, an impairment of £119,000 (2014: £90,000) was made in relation to this outlet.

During the year the Company acquired two franchised networks of estate and lettings agencies, Newton Fallowell and Goodchilds. The carrying value of goodwill arising each of these networks is based on actual cash flows to 31 December 2015 and further projections through to 31 December 2016. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 3%.

The cash flows arising were discounted by the weighted average cost of capital plus an additional risk premium for the increased risk profile of franchise rights when compared to the risk of each company. The discount rate was 12.0% for both Newton Fallowell and Goodchilds. This resulted in a total value for each company of the identifiable intangible assets.

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 2014	12,450
Additions	33
At 31 December 2014	12,483
Additions	9,556
At 31 December 2015	22,039
Impairment	
At 1 January 2014, 31 December 2014 and 31 December 2015	—
Net book value	
At 31 December 2015	22,039
At 31 December 2014	12,483

During the year the Company acquired the share capital of Newton Fallowell Ltd and Goodchilds Estate Agents and Lettings Ltd for £9,539,000. The remaining addition of £18,000 (2014: £33,000) related to the obligation to settle the share-based payment transaction awarded to employees of Belvoir Property Management (UK) Limited during the two years ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

11 Investments continued**Investments in subsidiaries** continued

As at 31 December 2015 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 letting franchising
Belvoir London Central Limited**	England and Wales	Letting agency
Staffordshire Estates Lettings Limited**	England and Wales	Letting agency
Claygold Property Limited**	England and Wales	Sales agency
Burton Lettings Limited**	England and Wales	Letting agency
Belvoir Lettings (Cumbria) Limited**	England and Wales	Letting agency
Newton Fallowell Limited*	England and Wales	Property sales and letting franchising
Newton & Derry Limited*	England and Wales	Sales agency
Goodchilds Estate Agents & Lettings Ltd*	England and Wales	Property sales and letting franchising
Redwoods Estate Agents Limited**	England and Wales	Dormant

* Subsidiary of Belvoir Property Solutions Limited.

** Subsidiary of Belvoir Property Management (UK) Limited.

The carrying value of the investment has been considered for impairment. As the market capitalisation of the Group is considerably in excess of the cost of investment, and the trade of the Group is solely attributable to the trading subsidiaries, no impairment has been recognised in the year.

12 Property, plant and equipment**Group**

	Freehold land £'000	Freehold property £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2014	150	235	979	1,364
Additions	—	—	92	92
Disposals	—	—	(158)	(158)
As at 31 December 2014	150	235	913	1,298
Acquisitions (note 24)	—	—	239	239
Additions	—	—	102	102
Disposals	—	—	(93)	(93)
As at 31 December 2015	150	235	1,161	1,546
Depreciation				
At 1 January 2014	—	27	663	690
Charge for the year	—	5	69	74
Disposals	—	—	(114)	(114)
As at 31 December 2014	—	32	618	650
Acquisitions (note 24)	—	—	190	190
Charge for the year	—	4	132	136
Disposals	—	—	(79)	(79)
As at 31 December 2015	—	36	861	897
Net book value				
As at 31 December 2015	150	199	300	649
As at 31 December 2014	150	203	295	648

13 Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current				
Trade receivables	834	625	—	—
Amounts owed by Group undertakings	—	—	8,966	7,270
Loans to franchisees	851	677	—	—
Other debtors	55	39	15	13
Prepayments and accrued income	350	297	9	14
	2,090	1,638	8,990	7,297
Non-current				
Loans to franchisees	3,656	4,288	—	—

Trade receivables are stated net of bad debt provisions of £1,000 (2014: £nil).

Loans to franchisees are spread across varying terms and the agreements do not include any collateral on behalf of the franchisees.

Ageing of trade receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Of which:				
Not due	787	485	—	—
Not more than three months	22	76	—	—
Between three and six months	7	22	—	—
Between six months and one year	18	15	—	—
More than one year	—	27	—	—
	834	625	—	—

14 Cash and cash equivalents

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash and cash equivalents	2,679	1,486	130	1,029

15 Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current				
Trade payables	266	132	185	37
Other taxes and social security	387	283	—	—
Accruals and deferred income	352	310	—	—
Deferred consideration (note 24)	3,144	—	3,144	—
	4,149	725	3,329	37

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

16 Current portion of long-term borrowings

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current				
Bank loans – mortgage	—	21	—	—
Bank loans – term loan	500	—	—	—
	500	21	—	—

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

17 Long-term borrowings

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Long-term				
Bank loans – term loan	500	—	—	—
Bank loan – revolving credit	—	1,500	—	—
	500	1,500	—	—

Borrowings comprise £1,000,000 (2014: £1,521,000) 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 £'000
31 December 2015	
Group	
Repayable in less than six months	273
Repayable in months seven to twelve months	267
Current portion of long-term borrowings	540
Repayable in years one to five	517
Total borrowings	1,057
Less: interest included	(57)
Total net debt	1,000

	Mortgage loan £'000	Revolving credit £'000	Total £'000
31 December 2014			
Group			
Repayable in less than six months	21	—	21
Payable in seven to twelve months	—	—	—
Current portion of long-term borrowings	21	—	21
Repayable in years one to five	—	1,599	1,599
Total borrowings	21	1,599	1,620
Less: interest included	—	(99)	(99)
Total net debt	21	1,500	1,521

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

The mortgage loan was fully repaid during in May 2015.

The term loan balance of £1,000,000 is repayable in quarterly instalments to December 2017 and bears interest at 4.25% above base rate.

19 Called up share capital

	2015		2014	
	Number	£'000	Number	£'000
Group and Company				
Allotted, issued and fully paid Ordinary shares of 1p each	30,546,763	305	24,010,417	240
	Group Company Number		Nominal share capital £	Share premium £
As at 1 January and 31 December 2014	24,010,417		240	33
Issue of shares during the year:				
28 July 2015 – share price 125p	3,424,000		34	3,938
06 October 2015 – share price 116p	1,667,346		17	1,917
07 October 2015 – share price 116p	693,695		7	798
07 October 2015 – share price 116p	40,000		—	46
23 October 2015 – share price 116p	711,305		7	818
As at 31 December 2015	30,546,763		65	7,517

20 Reconciliation of profit before taxation to cash generated from operations**Group**

	2015 £'000	2014 £'000
Profit before taxation	2,224	1,778
Depreciation and amortisation charges (including impairment)	397	224
Share-based payment charge	18	33
Profit on disposal of corporate outlets	—	(651)
Finance costs	61	111
Finance income	(338)	(269)
	2,362	1,226
Decrease in trade and other receivables	(278)	151
Decrease in trade and other payables	280	(1,327)
Cash generated from operations	2,364	50

Company

	2015 £'000	2014 £'000
Profit before taxation	1,344	1,479
Dividend received	(1,700)	(1,800)
Finance income	(2)	(12)
	(358)	(333)
Increase in trade and other receivables	(1,692)	(2,934)
Increase in trade and other payables	149	22
Cash consumed in operations	(1,901)	(3,245)

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

21 Operating lease commitments

	2015 £'000	2014 £'000
Operating lease payments expensed during the year:		
Land and property	303	148
Motor vehicles	108	50
Other	30	21
	441	219
Minimum operating lease commitments falling due:		
Within one year		
Land and property	519	195
Motor vehicles	140	33
Other	39	13
	698	241
Between one and five years		
Land and property	1,406	500
Motor vehicles	115	24
Other	43	45
	1,564	569
More than five years		
Land and property	1,224	450
Total commitment	3,486	1,260

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 below. The Group's objective when managing capital is to safeguard its ability to continue as a going concern and so provide returns for shareholders; The Group is meeting its objective by aiming to achieve growth which will generate regular and increasing returns to the shareholder.

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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Financial assets – loans and receivables				
Trade receivables	834	625	—	—
Other receivables	405	336	8,990	7,297
Loans to franchisees	4,507	4,965	—	—
Cash and cash equivalents	2,679	1,486	130	1,029
	8,425	7,412	9,120	8,326
	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Financial liabilities				
Financial liabilities measured at amortised cost	—	—	—	—
Other financial liabilities				
Trade payables	266	132	185	37
Loans and borrowings	1,057	1,620	—	—
Accruals	352	310	—	—
Deferred and contingent consideration	3,144	—	3,144	—
	4,819	2,062	3,329	37
Maturity analysis of financial liabilities				
In less than one year:				
Trade payables	266	132	185	37
Loans and borrowings	540	21	—	—
Accruals	352	310	—	—
Deferred and contingent consideration	3,144	—	3,144	—
	4,302	463	3,329	37
In more than one year:				
Long-term borrowings	517	1,599	—	—
	517	1,599	—	—

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 overleaf.

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

22 Financial instruments continued

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.

Credit risk

Credit risk is the risk of financial loss to the Group if a franchisee or a counterpart 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 Investec and 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Balance at 1 January	141	316	—	—
Movement in the year (income statement)	—	(3)	—	—
Disposal/(acquisition) in the year – attributable to intangible assets	860	(172)	—	—
Balance at 31 December	1,001	141	—	—
Deferred taxation has been provided as follows:				
Attributable to intangible assets	992	132	—	—
Accelerated capital allowances	9	9	—	—
	1,001	141	—	—

Amounts provided in respect of deferred tax are computed at 18% (2014: 20%).

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

24 Acquisitions

During the year the Company acquired two franchised networks 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, as follows:

On 29 July 2015 the Company acquired 100% of the equity of Newton Fallowell, a company comprising a network of 30 franchised and one corporate owned estate and lettings agents, for £3,954,000 in cash on completion and deferred consideration through an earn-out. The earn-out is based on a multiple of 6.667 times EBITDA capped at £804,000 in the year to 29 February 2016 and £984,000 in the year to 28 February 2017 resulting in a maximum earn-out of £2,330,000. See note 28 regarding post balance sheet events.

On 6 October 2015 the Company acquired 100% of the equity of Goodchilds Estate Agents and Lettings Ltd, a company comprising a network of 16 franchised estate and lettings agents, for £2,441,000 in cash on completion and deferred consideration of £814,000 payable in equal tranches at the six month and twelve month anniversary of completion.

24 Acquisitions continued

Both transactions met the definition of a business combination and are accounted for using the acquisition method under IFRS 3. The assets and liabilities below are shown at their fair values at acquisition.

	Belvoir Devizes £'000	Belvoir Grantham £'000	Newton Fallowell £'000	Goodchilds £'000	Total £'000
Intangible assets					
Trade names	—	—	88	9	97
Master franchise agreements	—	—	2,876	1,475	4,351
Customer relationships	83	290	—	—	373
Tangible assets	—	—	49	—	49
Trade and other receivables	—	—	578	66	644
Cash and cash equivalents	—	—	(48)	54	6
Deferred tax liabilities	—	(53)	(539)	(264)	(856)
Trade and other payables	—	—	(355)	(90)	(445)
Identifiable net assets acquired	83	237	2,649	1,250	4,219
Goodwill on acquisition	28	149	3,635	2,005	5,817
Consideration	111	386	6,284	3,255	10,036
Consideration settled in cash	111	386	3,954	2,441	6,892
Contingent consideration	—	—	2,330	—	2,330
Deferred consideration	—	—	—	814	814
Total consideration	111	386	6,284	3,255	10,036

The goodwill represents the value attributable to the new businesses and the assembled and trained workforce. Deferred tax at 18% has been provided on the value of intangible assets defined as brand names and master franchise agreements. Acquisition costs of £201,000 were incurred and charged to exceptional items in the consolidated statement of comprehensive income.

	Newton Fallowell £'000	Goodchilds £'000	Total £'000
Revenue	952	114	1,066
Profit and loss	519	92	611

If the acquisitions had completed on the first day of the financial year, Group revenues would have been £8.2m and Group profit before tax would have been £3.0m.

25 Related party disclosures

During the year the Group paid sponsorship fees of £4,800 (2014: £4,800) to James Goddard, son of Michael Goddard, Company Director. At the year end an amount of £nil (2014: £nil) was outstanding.

During the year the Company paid £6,875 (2014: £27,021) to Leeming Investments Limited, a company controlled by Nick Leeming, a Director of the Group. At the year end £nil (2014: £2,750) remained outstanding.

During the year the Company paid £6,250 (2014: £15,360) to Geldards LLP, a company in which Andrew Borkowski was a partner. At the year end £nil (2014: £22,770) remained outstanding.

Michael Goddard, a Director of the Company, previously provided consultancy services to the Company through his employment with an independent firm of consultants. The total value of the consultancy service provided was £nil (2014: £24,375). At the year end an amount of £nil (2014: £nil) was outstanding.

Dorian Gonsalves, a Director of the Company, previously provided consultancy services to the Company through his employment with an independent firm of consultants. The total value of the consultancy service provided was £nil (2014: £39,501). At the year end an amount of £nil (2014: £nil) was outstanding.

NOTES TO THE FINANCIAL STATEMENTS continued

For the financial year ended 31 December 2015

25 Related party disclosures continued

The year of 2014 during which Carl Chadwick served as a Director of the Company, the following services were provided to the Company by related parties:

- consultancy services through his employment with an independent firm of consultants. The total value of the consultancy service provided was £nil (2014: £26,475). At the year end an amount of £nil (2014: £nil) was outstanding;
- professional fees of £nil (2014: £139,868) to Sunaxis Limited, a company wholly owned by previous Company Director Carl Chadwick. At the year end £nil (2014: £600) remained outstanding;
- professional fees of £nil (2014: £46,726) to McGregors Corporate Limited, a company in which Carl Chadwick is also a Director. At the year end £nil (2014: £1,806) remained outstanding;
- franchise fees of £nil (2014: £17,000) to Keywood (Mansfield) Limited, a company in which Carl Chadwick is the majority shareholder; and
- management service fees of £nil (2014: £11,000) to D'Agostino (Newark) Limited, a company in which Carl Chadwick is the majority shareholder.

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

	15 October 2015 2015 interim £'000	1 June 2015 2014 final £'000	15 October 2014 2014 interim £'000
Michael Goddard	263	263	305
Dorian Gonsalves	15	15	15
Nick Leeming	1	1	1
Andrew Borkowski	1	1	1
Total dividends	280	280	312

During the year Belvoir Lettings plc received a dividend of £1.7m (2014: £1.8m) from its subsidiary company, Belvoir Property Solutions Limited.

At the year end the Company was owed the following amounts by subsidiary companies:

	2015 £'000	2014 £'000
Belvoir Property Solutions Limited	6,750	5,050
Belvoir Property Management (UK) Limited	2,216	2,221

26 Share-based employee remuneration

The following share options issued were outstanding as at 31 December 2015:

Share option scheme	Date of issue	Quantity	Exercise price £	Fair value £	Vesting period	Expiry date
Enterprise management incentive	23/12/2015	100,000	1.16	13,000	3 years	23/12/2025
Enterprise management incentive	24/09/2014	60,000	1.32	9,000	3 years	24/09/2024
Enterprise management incentive	04/07/2014	495,000	1.32	74,250	Over 3 years ¹	04/07/2024
Enterprise management incentive	04/07/2014	120,000	1.32	27,000	3 years	04/07/2024
Unapproved scheme	16/02/2012	163,399	0.75	—	2 years	31/12/2018

1 Of the share options issued one-third vested on date of grant, one-third vests at the second anniversary and the remaining third vests at the third anniversary of date of grant.

26 Share-based employee remuneration continued

Movement in the number of share options was as follows:

	2015 Number	2014 Number
Share option movement		
As at 1 January	898,399	163,399
Options granted in the year	100,000	735,000
Options lapsed in the year	(60,000)	—
As at 31 December	938,399	898,399
Exercisable at the end of the year	328,399	328,399

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)	30%
Expected life	3.5 years
Risk-free rate	0.5%
Expected dividends	6.9%

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

	2015 £'000	2014 £'000
Employee benefits (note 5)	18	33

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 2015 the outstanding contingent liability under this agreement amounted to £1,000,000 (2014: £1,521,000).

28 Post Balance Sheet Event

Subsequent to the year end it was agreed that the Newton Fallowell earn out based on the financial performance for the year to 28 February 2017 would be cancelled and that the cap on the earn out based on the financial performance for the year to 29 February 2016 would be increased to the maximum payable under the original sale and purchase agreement. The basis for the change stemmed from the fact that the Newton Fallowell group had already exceeded its target for both years under review and that, subsequent to the acquisition of the Goodchilds, management of this network was being undertaken by the Newton Fallowell management team.

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 10 am on 26 May 2016 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 and 8 as special resolutions.

Ordinary resolutions

1. To receive the Company's financial statements for the financial year ended 31 December 2015, together with the Directors' and the Auditor's Reports thereon.
2. To declare a final dividend for the financial year ended 31 December 2015 of 3.4p 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 appoint Mark Newton, 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.
6. To re-appoint Dorian Gonsalves, who retires by rotation and offers himself for re-election under Article 71 of the Company's Articles of Association, 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 £101,823, 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 £30,547 (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.

Special resolutions continued

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.

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 notorially 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 pm on 24 May 2016 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

Michael Goddard	Executive Chairman and Chief Executive Officer
Dorian Gonsalves	Managing Director Belvoir
Louise George	Chief Financial Officer
Mark Newton	Managing Director Newton Fallowell (appointed 10 March 2016)
Nick Leeming	Non-Executive Director
Andrew Borkowski	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 Auditors

PwC LLP
Chartered Accountants
and Statutory Auditor
Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Principal banker

National Westminster Bank plc
1 Spinningfield Square
Manchester
M3 3AP

Registrar and transfer office

Computershare Investor Services PLC
The Pavilions
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Castle Meadow Road
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NG2 1BJ

Hamilton Pratt

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

CORPORATE CALENDAR

Half year results announced:
9 September 2015

Preliminary announcement of full year results:
4 April 2016

Final dividend ex-dividend date:
21 April 2016

Annual General Meeting:
26 May 2016

Final dividend payment date:
31 May 2016

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