BELVOIR!

Belvoir Lettings plc
Annual report and accounts 2016

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

The Belvoir Vision

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

Highlights 2016

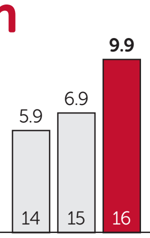
Operational highlights

- Acquisition of Northwood GB Limited, with 87 outlets, the largest remaining independent franchised lettings network
- Number of outlets increased by 90 (42%) to 302 (2015: 212), operating across four brands
- Recruitment of 12 (2015: 11) new franchise owners into eight new and six existing territories
- The Group now manages 55,756 (2015: 37,000) properties
- Belvoir won the gold award for "Lettings Franchise of the Year" for the sixth time in seven years

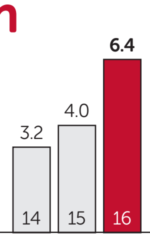
Financial highlights

- Group revenue increased by 43% to £9.9m (2015: £6.9m)
- Growth in management service fee (MSF) of 59% to £6.4m (2015: £4.0m)
- Strong lettings bias reflected in lettings to sales ratio of 76:24 (2015: 77:23)
- Year-end bank balance of £1.6m (2015: £2.7m)
- Final dividend recommended of 3.4p (2015: 3.4p)

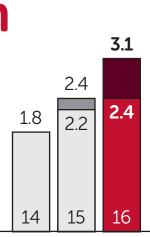
REVENUE
£m
£9.9m
+43%



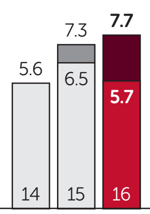
MSF
£m
£6.4m
+59%



PROFIT BEFORE TAX (AND ADJUSTED*) £m
£3.1m
+28%



BASIC EPS (AND ADJUSTED*) p
7.7p
+5%



Adjusted

* See note 9 on page 43.

Contents

Find out more online at **belvoirlettingsplc.com**

Delivering on our promises

We are the UK's largest property franchise group on the high street and we continue to grow organically by delivering award-winning service and prioritising franchisee growth through acquisition.

Our Group

Belvoir was founded in February 1995 as a specialist franchised lettings agent and within 22 years the Group has expanded to 302 outlets across four brands offering a highly professional service to landlords and tenants nationwide.

In that time the Belvoir network has grown to 171 outlets and in 2014 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 44 outlets to the Group and was an exciting milestone in Belvoir's growth.

In 2016 the Group acquired Northwood, a lettings and sales agency network of 87 offices. This significantly increased the Group's market share and geographic coverage making Belvoir the UK's largest property franchise group on the high street.

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 equip our franchisees with the skills to succeed.
- Franchisees have access to a full range of support services, giving the best tools and advice.
- The audit and compliance team audits every office once a year to ensure they are compliant with current legislation and meet the Group's high standards.
- We run an acquisition service for franchisees which proactively identifies and part funds the acquisition of suitable businesses for franchisees to bolt onto their existing business for accelerated growth.
- Our model enables franchisees to build a capital asset which, unlike income-based franchise options, provides a financial return on exit.

Our brands

Belvoir

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

Established in	Outlets
1995	171

Newton Fallowell

Predominantly an estate agency, Newton Fallowell is based in the East Midlands.

Established in	Outlets
1999	30

Goodchilds

Goodchilds is a West Midlands-based lettings and estate agency set up eleven years ago and, like Belvoir, has a bias towards lettings due to its origins.

Established in	Outlets
2004	14

Northwood

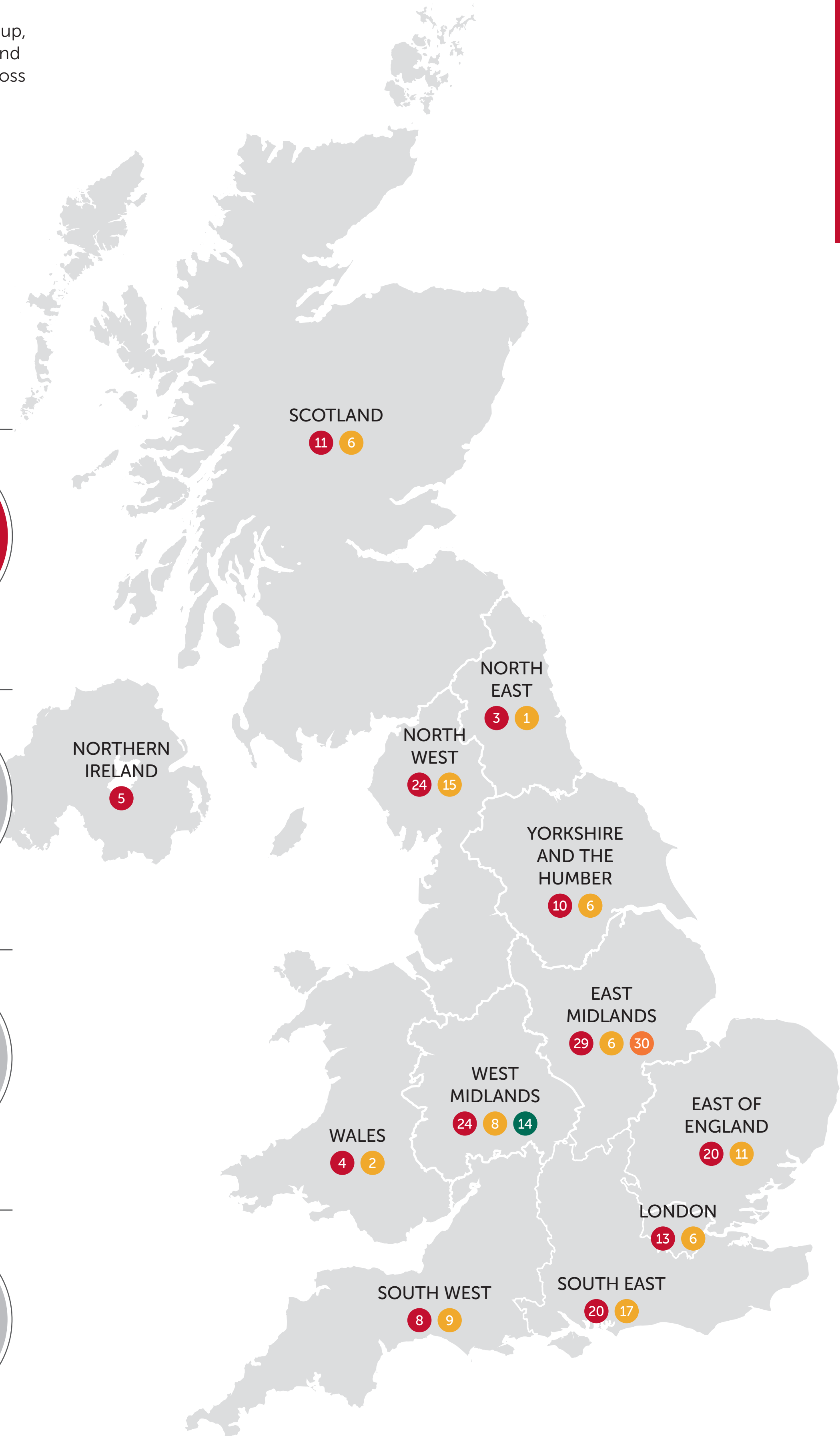
Northwood also started as a lettings franchise but now has national coverage offering both sales and lettings. Acquired in June 2016, Northwood is our most recent and also our largest acquisition to date.

Established in	Outlets
1995	87

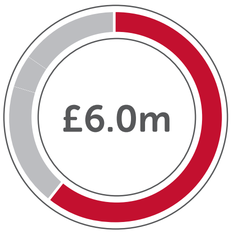
Our reach

Across the four brands within the Group, Belvoir operates in both the lettings and sales markets and has 302 outlets across the whole of the UK.

302
Total number of outlets



Revenue
+3%
(2015: £5.9m)

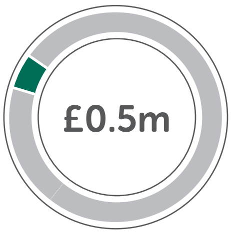


Read more on **page 17**

Revenue
+98%
(2015: £1.0m, acquired 28 Jul 2015)

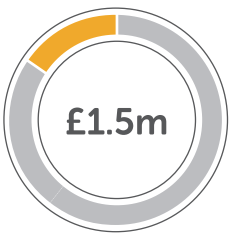
Read more on **page 19**

Revenue
+296%
(2015: £0.1m, acquired 6 Oct 2015)



Read more on **page 19**

Revenue
acquired 7 Jun 2016
(2015: n/a)



Read more on **page 18**

A formula for success

Our franchise model is built on 22 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 operation whilst operating their own business with the entrepreneurial drive of an owner-manager.

Our process

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.

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.

Selection

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

Support

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

Training

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

Read more on our people on **pages 12 and 13**

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 for our Central Office operations 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.

Adjusted basic EPS increased to 7.7p (2015: 7.3p)*

* See note 9 on page 43.

Leveraging our expertise

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

See our KPIs on **page 8**

MULTI-BRAND STRATEGY

Accelerating business growth through the acquisition of additional franchised lettings and estate agency networks to the Belvoir Group

Milestones of 2016

- Acquired Northwood GB Limited (Northwood) in June 2016 adding a further 87 outlets to the Group
- In 2016 Northwood contributed £542,000 profit before tax during the seven-month period that it was under Group ownership

Focus for the future

- Assimilation of Northwood to deliver efficiencies and economies of scale
- Joint negotiation of significant Group-wide supply contracts to achieve a competitive price advantage
- Belvoir well placed to take advantage of further consolidation within the property franchising sector

FRANCHISE RECRUITMENT

Increasing Group coverage with new franchised territories

Milestones of 2016

- Eight new territories added across the Group
- Six existing outlets sold on to new franchise owners
- Belvoir Peterborough and Cambridge, our largest franchise, resold for in excess of £1.5m

Focus for the future

- A target to open in six new territories in 2017
- A target of five existing outlets to be resold in 2017
- Matching new franchised territories with a bolt-on acquisition, where possible, to give new franchisees an established income from day one

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

Dorian Gonsalves, Chief Operating Officer

FRANCHISEE ACQUISITIONS

Supporting growth of our franchisees through a proactive approach to finding them a local portfolio acquisition

Milestones of 2016

- £1.5m of portfolio acquisitions undertaken by franchisees through the Belvoir Assisted Acquisitions programme adding MSF of £243,000 p.a.
- Central acquisitions function servicing all brands
- 32 Northwood franchisees enrolled on the Assisted Acquisitions programme

Focus for the future

- Campaign to directly engage with franchisees to promote the benefits of growth through portfolio acquisitions
- Belvoir is positioned to take advantage of consolidation within the sector

DIVERSIFICATION

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

Milestones of 2016

- 93 (2015: 69) Belvoir franchisees have now completed sales training representing 54% (2015: 40%) of the Belvoir network
- The Belvoir network doubled its revenue from property sales in 2016 to £184,000 (2015: £91,000)
- New drive to offer a rent guarantee insurance product to all Belvoir outlets in partnership with Let Alliance

Focus for the future

- Focus on supporting franchisees to proactively offer additional services
- Initiatives to maximise revenue from financial services and insurance products

MARKETING AND PR

Demonstrating our exceptional customer service from both the franchisor and the franchisees

Milestones of 2016

- Belvoir won the gold award for "Lettings Franchise of the Year" for the sixth time in seven years
- Belvoir has won numerous other awards. Please see page 57
- After a year of focusing on our online reputation, Belvoir generated 3,022 reviews (2015: 1,008), 90% of which were positive (2015: 82% positive), and has achieved a star rating of 4.6 out of 5 (2015: 4.2 out of 5). This rating is independently generated by reputation.com

Focus for the future

- Secure the gold award at a key industry event such as the Estate Agency of the Year Awards (ESTAS) or the Negotiator Awards for at least one of the Belvoir brands
- Promote a greater number of our offices to success at the ESTAS in 2017
- Build on the success to date of our online brand reputation, improving our overall star rating and positive rating through greater franchise owner engagement

Our key performance indicators (KPIs)

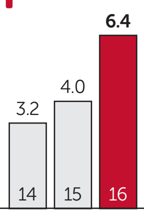
The Group tracks a series of financial and non-financial metrics that demonstrate the progress we are making. These have been discussed in further detail throughout the Strategic report.

FINANCIAL

MSF
£m

£6.4m

+59%



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

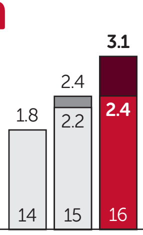
Comment
The networks acquired in 2015 and 2016 accounted for 53% of MSF growth, whilst the Belvoir network MSF increased by 6%.

Link to strategy

PROFIT BEFORE TAX (AND ADJUSTED*) £m

£3.1m

+28%



Definition
Adjusted profit before tax arising from ongoing operations.

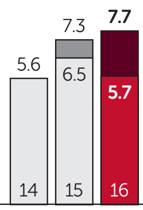
Comment
Increase in adjusted profit before tax reflecting the enlarged group.

Link to strategy

BASIC EPS (AND ADJUSTED*) p

7.7p

+5%



Definition
Earnings per share adjusted for non-recurring transactions.

Comment
Increase in adjusted EPS also reflecting enlarged group.

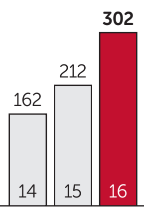
Link to strategy

NON-FINANCIAL

NO. OF OUTLETS
#

302

+42%



Definition
All our outlets have a physical high street presence.

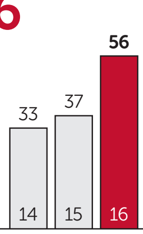
Comment
Whilst the Belvoir network has grown steadily, the additional brands have added 131 outlets over the past two years.

Link to strategy

MANAGED PROPERTIES
'000

55,756

+50%



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

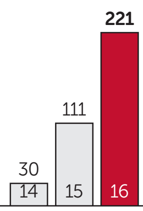
Comment
Increased significantly following acquisition of Northwood.

Link to strategy

OUTLETS OFFERING PROPERTY SALES

221

+99%



Definition
Outlets where staff have been trained to offer a property sales service.

Comment
A further 24 Belvoir outlets have been trained to offer property sales.

Link to strategy

Link to strategy

- Multi-brand strategy
- Franchise recruitment
- Franchisee acquisitions
- Diversification
- Marketing and PR

Adjusted

* See note 9 on page 43.

With rising house prices making home ownership increasingly unaffordable, it is predicted that by 2025, 1.8 million additional households will be looking to rent, rather than buy.

2016 was an eventful year for the property industry, especially for letting agents and landlords. Changes to tax allowances and buy-to-let (BTL) mortgages as well as ever increasing regulation have put extra strain on landlords, and the property sales market has been extremely volatile throughout a year of political and economic uncertainty.

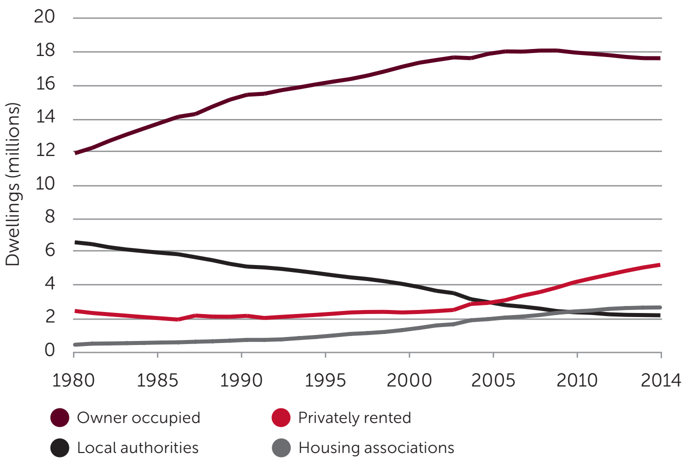
The announcement of the banning of tenant fees in the Autumn Statement then added another challenge to our lettings business. Notwithstanding these changes, there is a great deal to be positive about in the markets in which Belvoir operates and a lot of further opportunity.

Increasing demand

With continuing rising house prices making home ownership increasingly unaffordable, it is predicted that by 2025, 1.8 million additional households will be looking to rent, rather than buy. In fact, the size of the Private Rented Sector (PRS) has more than doubled in the last 15 years and now accounts for almost one-fifth of all dwellings in the UK.[1] Growth in the PRS until this point has come from a number of areas: an increasing number of people needing flexible or temporary accommodation such as students, migrants, professionals; reduced access to home ownership due to affordability reasons; and increased economic uncertainty and debt amongst potential first-time buyers.

Market trends

Dwelling stock by tenure, UK, 1980 to 2014



Source: Live tables on dwelling stock (including vacants), Table 101, DCLG. visual.ons.gov.uk/uk-perspectives-2016-housing-and-home-ownership-in-the-uk/.

Increasing need for a lettings agent

2016 saw a marked increase in legislation for landlords to ensure a good standard of living for tenants. To date, there are 145 rules and regulations for lettings. The latest updates to lettings legislation include additional steps to test for Legionella, checks imposed to ensure a tenant is eligible to live in the UK (Right to Rent and Immigration Act) and increased fire safety regulations, all of which have added to the workload and responsibility of a landlord. Using a reputable lettings agent takes away much of the burden from landlords and, as such, we expect to see the role lettings agents play become increasingly important.

Although the raising of standards within the PRS is welcomed, some smaller independent lettings agents, without the support of a national brand with legal expertise, are starting to struggle to maintain a profitable business. As a result, our central acquisition department is being offered, on average, one competitor business per day for sale. Where appropriate, we are supporting our existing franchisees in buying these additional portfolios to boost their growth and to increase their market share. We are also identifying new territories for brand new franchisees to acquire as a going concern to make the Belvoir product even more attractive.

1 Taking Stock: Understanding the effects of recent policy measures on the PRS and Buy-to-Let. Kath Scanlon, Christine Whitehead and Peter Williams, LSE London.

Institutional investments

Despite increased Government focus on the PRS over recent years, certain issues still remain part of the industry as a whole: the level of supply and regulation and the conditions of some rental housing. One potential solution is institutional investment in build-to-rent schemes. The benefits anticipated from such schemes are increased supply; built-for-purpose housing; a better standard of living for tenants; and a more professional approach to lettings. Although institutional investment in the PRS is not new, recent Government incentives seek to use it as a way to stimulate additional new house building.

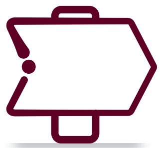
Irrespective of whether institutional investment into the PRS increases in the coming years, its representation of the overall PRS is comparatively small. The most recent Private Landlords Survey conducted in 2010 found that 89% of landlords were private individual landlords responsible for 71% of all private rented dwellings, with a further 5% of landlords being company landlords responsible for 15% of dwellings.[2] More importantly, the investment in new technology and processes for these schemes is likely to influence the PRS as a whole, potentially revitalising the industry, which would be positive for all concerned.[3]

2 October 2011 Department for Communities and Local Government. Private Landlords Survey 2010. www.gov.uk/government/uploads/system/uploads/attachment_data/file/7249/2010380.pdf.

3 Building the new private rented sector – Parliament. researchbriefings.files.parliament.uk/documents/SN07094/SN07094.pdf.

The sales market

Average house prices increased by 7.2% in the year to December 2016[4], continuing the growth pattern seen since the end of 2013. Transaction levels in the first quarter were strong, peaking around March, as many BTL transactions were brought forward to avoid the additional Stamp Duty Land Tax. However, annual growth was weaker in the second half of the year, resulting in transaction levels for the year increasing by 0.4%[5] overall.



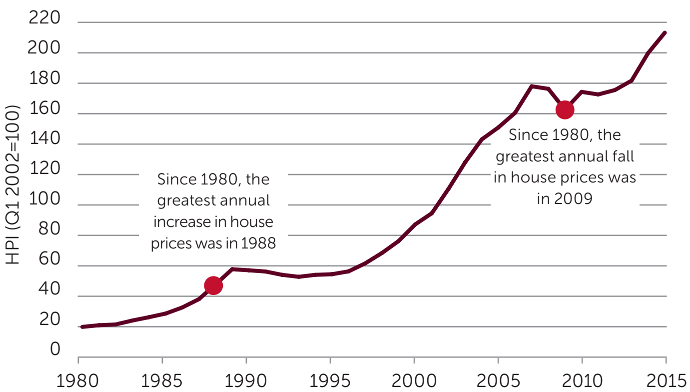
“ The Group sold 31% more properties in 2016 when compared to 2015.

4 www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/dec2016.

5 www.gov.uk/government/uploads/system/uploads/attachment_data/file/584668/UK_Tables_Jan__cir_.pdf.

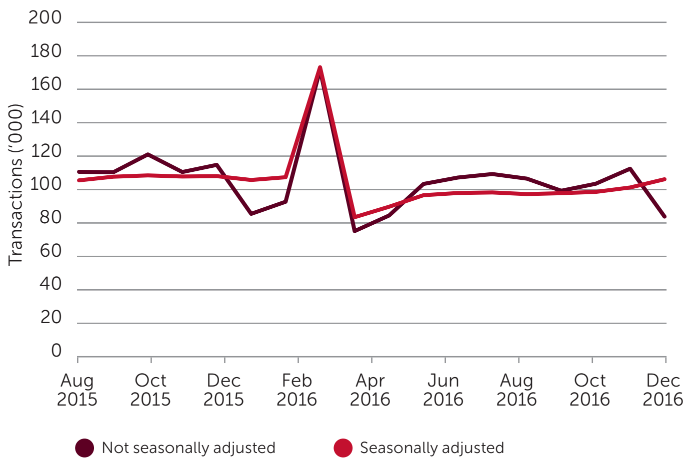
Market trends

Mix-adjusted House Price Index (HPI), UK, 1980 to 2015



Source: House Price Index – February 2016, (Table 22), ONS. visual.ons.gov.uk/uk-perspectives-2016-housing-and-home-ownership-in-the-uk/.

Total UK residential property transactions



Source: www.gov.uk/government/uploads/system/uploads/attachment_data/file/584668/UK_Tables_Jan__cir_.pdf.

Estate agency

Although the sales market is likely to be unpredictable for the coming years, Belvoir's market share of the sales market is so small that there is only opportunity for us. The smallest increase in market share would have a meaningful impact on our business. In order to achieve this, we aim to apply the learnings and principles of Newton Fallowell, a very successful estate agency brand, to our other more lettings-focused brands.

> Belvoir's market share of the sales market is so small that there is only opportunity for us!

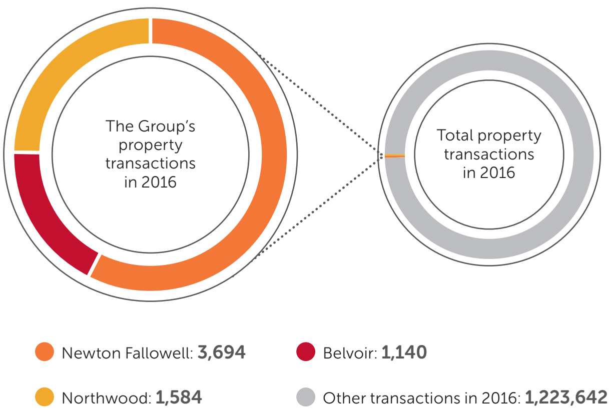
Franchising

The latest comprehensive research into the franchising industry was carried out by the British Franchise Association and Natwest and was published in January 2016. The report shows that the franchising industry is going from strength to strength and is estimated to be worth £15.1bn to the UK economy, an increase of 46% over the last ten years. The reason for the increasing popularity of franchising is likely to be the greater chance of financial success. Franchising offers a relatively low-risk way for entrepreneurial people to get into business, with one in five franchise owners launching their business in the last two years being under the age of 30. It also offers opportunity for scale with 29% of franchises running multiple outlets.[6]

> A record 97% of franchisee-owned units reported profitability, with 56% saying they are "quite" or "very" profitable.

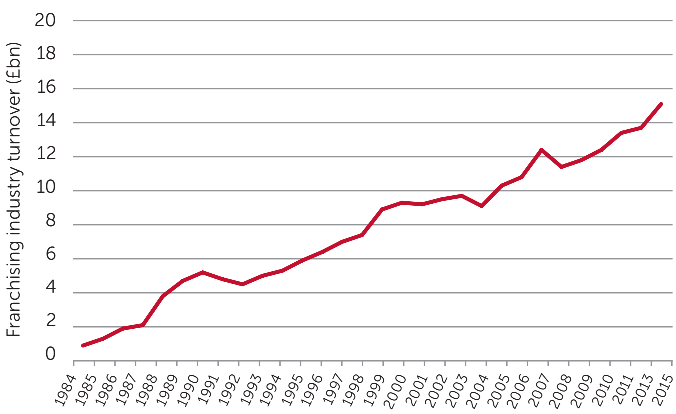
6 www.thebfa.org/about-franchising/franchising-industry-research.

Number of residential property transaction completions with value £40,000 or above



Source: www.gov.uk/government/uploads/system/uploads/attachment_data/file/600392/UK_Tables_Mar__cir_.pdf.

Franchising's contribution to the UK plc is now estimated to be in excess of £15 billion



Source: www.thebfa.org/Content/FileManager/research/Survey-2015/turnover.jpg.

At the heart of our business

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

Employees

Whilst operating on a large scale nationally through our franchised networks, our Central Office functions rely on just 54 members of staff delivering quality support to our networks to nurture their growth. In order to attract and retain professional staff with the requisite skills, Belvoir invests in a high level of employee engagement through regular staff reviews setting out and monitoring performance against an agreed personal development plan. We also invest in professional training so that our staff can acquire the necessary skillset to improve their performance and to develop in their roles.

We currently have seven members of staff undertaking professional qualifications, including Personnel Management, Lettings, Accountancy, Chartered Secretary and Project Management. This includes the sponsorship of an accounting apprentice through her AAT exams within the finance team. Belvoir believes that employee engagement and human capital management is key to ensuring that we have the necessary team to deliver future success.

Franchisees

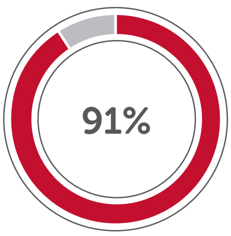
Our business success relies on the quality of our franchisees, the service they deliver to their clients and the support and guidance we give them to maximise their potential.

We see our franchise owners as being on a journey with Belvoir from the time that they join as a franchisee to the point of realising the value that they have built up in their business on exit. On the facing page, we have brought two of those journeys to life through the stories of our most successful franchisee, Terry Lucking, who recently sold his businesses in Peterborough and Cambridge, and a new franchise owner, Luke Marchbanks, who has got off to a flying start in Bournemouth.

Franchise satisfaction survey

In 2016 we commissioned an independent franchisee survey to be carried out across the Group. The aim of the survey was to gauge the satisfaction levels of our franchise owners covering a range of areas to identify the strengths and weaknesses of each brand. These results have been compared against the industry average for franchisors of a comparable size. The benchmark set from this initial survey will be monitored on a regular basis to determine improvements made and where there needs to be additional operational focus.

Notwithstanding the uncertainty within the sector, 91% of our franchisees expressed their commitment to expanding their business. This is evident throughout the Group with renewed interest in adopting property sales and an increase in the number of our franchisees registering for our Assisted Acquisition programme to identify a suitable local portfolio acquisition. This demonstrates that our franchisees are well poised to take advantage of the business growth initiatives offered by the Group and of the opportunities arising from the changes within the sector.



of our franchisees are committed to expanding their business

Read more on our business model and strategy on **pages 4 to 7**

Terry Lucking, BFA Franchisee of the Year in 2007, reflects on almost 18 years of unbroken revenue growth and profit with Belvoir.

> Being with Belvoir totally exceeded my expectations.

BECOMING A FRANCHISEE
Terry joined Belvoir in 1999 following a 22-year career in the food industry.

TRAINING AND SUPPORT
Terry immediately recognised how he would benefit from new developments, such as the internet, ongoing training and legal advice, by being part of a wider franchised network.

NETWORKING
Terry believed in the value of sharing knowledge with other franchise owners and the franchisor, generously giving his time and expertise to help develop the brand and new initiatives, including estate agency, and encouraging new franchise owners to reach their potential.

"Franchising and networking means that you can have an opinion and try things but it also means learning from what other people have done."

DIVERSIFICATION
The Peterborough outlet was one of the first Belvoir franchises to offer property sales participating in the sales launch in August 2013. By 2016, property sales accounted for over 10% of income for the business.

EXIT
At the end of 2016, Terry bid a fond farewell to Belvoir, following the sale of his Belvoir Peterborough and Cambridge franchises for in excess of £1.5m, a record amount.

"Central Office has been instrumental in bringing about the sale of my business which sold for more than any other franchise in Belvoir's history. This enabled me to move on to the next stage of my life, pursuing new interests and business projects and enjoying some well deserved holidays. Thanks to Belvoir, all of this is now possible."

> I was looking at two other franchises but I chose Belvoir because I really liked Mike Goddard's business ethics.

Luke Marchbanks reflects on an exciting first year with Belvoir having won the Belvoir gold award for New Franchise of the Year and the silver award for Group Contribution.

> Belvoir is a forward-thinking network.

BECOMING A FRANCHISEE
At just 25 Luke is one of Belvoir's newest and youngest franchise owners. With the help of Belvoir's acquisition team, he launched Belvoir's first "enhanced start" by successfully completing the purchase and rebranding of a local lettings business in Bournemouth.

"Having always wanted to be my own boss, I spent two years investigating business opportunities. Once I found Belvoir I knew the search was over."

TRAINING
Luke completed his induction training with Belvoir in November 2015 and says the high level of training he received gave him the confidence to forge ahead with his ambitious plans.

"The training was absolutely incredible. It was a three-week course and the attention to detail was second to none. I particularly liked the fact that professional external trainers were brought in to deliver some of the modules. The training gave me the confidence I needed."

ACQUISITIONS
The acquisition opportunity arose when Luke was looking for business premises. Dorian Gonsalves says, "When an acquisition of this calibre becomes available we are always keen to help franchise owners take advantage of the opportunity. In Luke's case this meant assisting with some of the funding and providing him with all the professional support he needed, during and after the acquisition."

Almost one third of Bournemouth's property market is privately rented, rising to over half in the town centre. Whilst competition amongst agents is fierce, Luke feels that, with a young and dynamic team, Belvoir Bournemouth differentiates itself from its competitors.

"We have a modern approach and we make very good use of new technology. In addition we have the strength of the Belvoir brand behind us, which is massively trusted and has a very strong reputation."

> Launching Belvoir Bournemouth has been very exciting and I am delighted with how the business is performing. It has far outweighed all my expectations for letting and sales. I am really looking forward to the future.

Continued delivery of growth and strong results

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

Introduction

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

Strategy

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

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

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

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

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

Growth

The Group achieved growth across all financial metrics with revenue up 43% to £9.9m (2015: £6.9m) underpinned by MSF growth of 59% to £6.4m (2015: £4.0m), adjusted profit before tax up by 28% to £3.1m (2015: £2.4m) and adjusted EPS up by 5% to 7.7p (2015: 7.3p).

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

Outlook

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

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

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

Michael Goddard
Chairman and Chief Executive Officer

Capitalising on opportunities as the industry evolves

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

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

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

Lettings
Lettings represents over three-quarters of our MSF income providing a predictable and stable core income from a nationwide portfolio of 55,756 rented properties.

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

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

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

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

Typically, over 90% of landlords who wish to sell their property are being converted to a sales instruction for the franchise office. This also provides an opportunity to introduce a new landlord buyer rather than lose the ongoing management of a rented property.

With 55,756 (2015: 37,000) properties currently under management, and new relationships with local and national housebuilders, property sales remains a very significant area of future growth.

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

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

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

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

Our growth depends directly on the entrepreneurial drive of our franchisees and, unlike many franchise offerings, our model offers our franchisees both a revenue stream as they operate and grow their business and a capital value on exit. One franchisee sold his business to an incoming Belvoir franchisee for over £1.5m demonstrating that our franchisees can not only develop their own sizeable local businesses, but can also exit from their franchise for a considerable sum. Our successful strategy of growing our network organically with single and multi-unit operators and by acquisition continues.

Corporate outlets

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

Compliance

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

Market conditions

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

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

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

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

> We have earmarked £1.0m of funding support to franchisees in 2017 under our Assisted Acquisitions programme, offering our franchisees an excellent way to grow their business through a local portfolio acquisition.

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

Whilst some potential private landlords will be affected by recent changes in taxation, which include higher stamp duty and a reduction in mortgage interest tax relief, landlords who do not require a mortgage or who have incorporated remain broadly unaffected by these changes apart from the increase in upfront acquisition costs due to a rise in stamp duty.

Buy to let remains an attractive method for a landlord to increase their wealth and confidence amongst new and existing landlords remains high.

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

Franchising in the UK

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

Brexit

The Belvoir Group has not suffered any negative effects as a result of the EU referendum result. Housing is a necessity and whilst a small minority of landlords, vendors, tenants and buyers delay their transactions during periods of uncertainty, such as immediately after the decision to leave the EU, the vast majority have continued with their transactions in a normal way. We see no reason for this not to continue.

At this stage in Brexit planning by the Government, it appears the 3.3 million EU nationals currently living in the UK will have the same residency rights after Brexit, in return for the same benefits for UK nationals living across the continent. As such there is no foreseeable reduction in the current level of demand for housing.

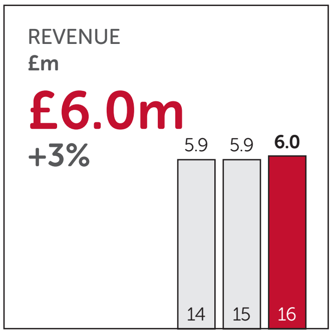
Current trading and outlook

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

Dorian Gonsalves
Chief Operating Officer

BELVOIR!

Helping our franchisees to build their market share



Changes to tax benefits for BTL landlords, increased legislation for landlords and the upcoming banning of tenant fees all initially caused a level of concern among the franchisees as to be expected.

Now that our franchisees have had time to reflect, the true benefits of a franchise have come through and their entrepreneurial nature has immediately led them to find additional income streams and new opportunities for growth to protect their businesses.

Acquisitions roadshow

The Government changes mentioned above mean that the lettings market in particular is consolidating with smaller independent lettings agents struggling to both meet the demands of increasing standards, without the legal support from which our franchisees benefit, and to remain profitable without the tools, systems and group deals that a franchise or large corporate can provide. Our franchisees are in the perfect position to benefit from this situation. Our Assisted Acquisitions programme has become so popular that the Central Office team has put together a roadshow that it is taking across the country to educate franchisees about the benefits, the process and the funding options. Franchisees are really excited about the opportunity for accelerated growth.

In 2016 we completed on nine acquisitions adding £1.5m to network turnover and £243,000 in MSF to the Group.

New income streams

Insurance products

In November 2016 we entered into a new partnership with Let Alliance, which now provides our insurance and tenant referencing service for our offices. The new products offered by Let Alliance and its effective conversion rate have improved the commission our franchisees receive providing a welcome income stream for no additional work for the franchisee.

Property sales

Our steady progress with property sales has also continued with a further 24 offices completing their sales training in 2016. The loss of income likely to arise from the ban on tenant fees can be mitigated by offering property sales and so our remaining lettings-only offices are now strengthening their businesses by broadening their range of services to include property sales. Belvoir property sales in 2016 accounted for £184,000 (2015: £91,000), an increase of 102%.

2016 milestones

Our most valuable franchise business, including the Cambridge and Peterborough territories, sold for over £1.5m. The business was sold by Terry Lucking to a new, very capable franchisee, James Warke, and the existing office manager and part franchise owner, Emma Falco, has remained with the business.

Our very first franchisee, Andrew Campbell from Belvoir Moray, celebrated 20 years with Belvoir, as did our second franchisee, Paul and Sharon Collins from Belvoir Lincoln.

Luke Marchbanks from Belvoir Bournemouth was our first "enhanced start" franchisee as he started in a brand new territory but with the acquisition of an existing business bringing him profit from day one.

5.9%
increase in MSF

33,386
properties under management (2015: 33,000)

54%
of franchise network offering sales

87/13
lettings/sales ratio

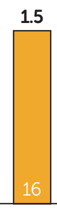
northwood

2016 was a defining year for Northwood as it became part of the Belvoir Group in June

A mainly lettings-focused franchise with nationwide coverage from 87 offices, Northwood shares many similarities with the rest of the Belvoir Group, making it the ideal acquisition.

REVENUE
(acquired 7 Jun 2016)
£m

£1.5m



Northwood prides itself on the knowledge and customer service of its franchisees and is dedicated to providing a fair and honest service to all of its clients. Northwood and Belvoir were both founding members of the Safe Agent initiative which championed the importance of client money protection years before it was brought in as a legal requirement.

Northwood's point of difference is its Rent Guarantee scheme. Landlords can choose this service which offers slightly reduced rent but is guaranteed by Northwood, meaning landlords can benefit from a predictable income that is not impacted by any unexpected void periods. 58% of Northwood's landlords are part of this scheme.

Property sales

Northwood originally introduced property sales in 2004. However, since a relaunch in 2012 property sales have gone from strength to strength with fees from sales exchanges more than doubling over the last two years from £130,000 in 2014 to £291,000 in 2016. In order to achieve this impressive sales growth Northwood has increased franchisee engagement and now has almost all franchisees offering a sales service; it offers specialist in-house training and has employed operation managers with expertise in sales. Northwood has also created an "investor"-focused section of its website, marketing properties for sale with a tenant in situ as a ready-made BTL opportunity which has proven to be very successful.

Acquisition opportunities

Northwood also sees portfolio acquisitions as a genuine opportunity for growth and is actively pursuing this avenue with one-third of its network having joined the acquisition research programme.

Two acquisitions were completed in 2016 by Northwood franchisees worth £35,000 of additional annual MSF.

Reaching 21

Northwood celebrated its 21st birthday by holding its first annual conference and gala dinner for its franchisees and staff. Over 210 people attended the day and enjoyed presentations from key industry speakers.

5.6%
increase in MSF

17,921
properties under management (2015: 17,200)

28%
increase in sales revenue

89/11
lettings/sales ratio

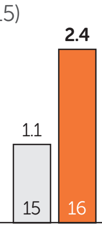
NEWTON FALLOWELL

Goodchilds Estate Agents & Lettings

Newton Fallowell sells more houses than any other agent in its area

REVENUE
(Newton Fallowell acquired 28 Jul 2015 and Goodchilds acquired 6 Oct 2015)
£m

£2.4m
+118%



Being primarily a sales-focused estate agency, Newton Fallowell differs from the other brands within the Group. Newton Fallowell had a strong year with sales exchanges up 3% in a challenging market. According to Zoopla figures, Newton Fallowell is the top selling agent in the area that is covered by its network of branches.

The Newton Fallowell franchise team now manages the Goodchilds franchise, acquired by the Group in 2015, of which one outlet has rebranded to Newton Fallowell. The two regional businesses operate in close proximity to each other and offer a great opportunity for further expansion across the East and West Midlands. Goodchilds, like Belvoir, has previously been predominantly a lettings agent, so it is anticipated that its integration into the Newton Fallowell brand will see significant growth in its property sales, whilst retaining its strong lettings base.

During 2016 two new Newton Fallowell offices were opened in Oakham and Brigg. Oakham was launched by the existing Stamford franchisee in January 2016 and by the end of the year was listed as one of the top four agents in Oakham. Brigg was taken on by two experienced local estate agents in October 2016 and has already successfully drawn on their knowledge and reputation within the area.

Online reputation

There is a new focus to engage with the Newton Fallowell and Goodchilds franchise owners on the importance of online reputation. Following Belvoir's success in using reputation.com as a tool to improve online reputation, this has been rolled out across both networks in November 2016. The number of online reviews has more than doubled in three months and this will remain a key focus for 2017.

> With over 600 different agencies operating in our area, 8% is a significant market share for Newton Fallowell.

Total market share

NF
8%

Other agents
52%

Companies
40%

4.9%
year-on-year increase in MSF

4,449
properties under management (2015: 4,000)

3.2%
year-on-year sales revenue uplift

26/74
lettings/sales ratio

Strong performance delivering on our long-term strategy

Over two years the Group has evolved from a single brand entity to a multi-brand operation delivering growth from a sound financial platform.

Revenue

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

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

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

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

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

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

Operating profit before exceptional items

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

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

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

Exceptional items

Exceptional items totalled £0.7m (2015: £0.2m) of which £0.3m related to legal and professional fees on the acquisitions, £0.3m related to the loss on sale of certain corporate offices and the impairment against the remaining corporate offices and £0.1m arose from the deemed interest associated with the deferred contingent consideration estimated at £5.2m against the acquisition of Northwood GB Limited to be settled in 2018.

Profit before taxation

Profit before taxation of £2.4m (2015: £2.2m) is after interest receivable on franchisee loans of £0.3m (2015: £0.3m), which is regarded by the Group as part of its ongoing operations to extend the network reach.

Taxation

The effective rate of corporate tax for the year was 23.9% (2015: 22.5%) due to the £0.3m exceptional legal and professional costs of the acquisition not being an allowable deduction from profits for tax purposes.

Earnings per share

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

Adjusted basic earnings per share of 7.7p (2015: 7.3p) reflects adjustments for exceptional administrative costs, loss on disposal of corporate outlets and deemed interest on contingent consideration totalling £0.7m. See note 4 on page 41. The adjusted diluted earnings per share was 7.4p (2015: 7.1p).

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

Dividends

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

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

Cash flow

The net cash inflow from operations was £2.9m (2015: £2.4m) reflecting the enlarged Group.

The net cash used in investing activities was £9.4m (2015: £5.7m):

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

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

Liquidity and capital resources

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

Financial position

The Group continues to operate from a sound financial platform and is strongly cash generative. This, together with the £1.6m opening cash balance, will enable the Company to meet the bank loan repayment of £0.7m in 2017. Also, the capital repayments from the existing franchisee loan book will enable the Group to give further financial assistance to franchisees acquiring local managed lettings portfolios, which delivers both network growth and favourable rates of return for the Group.

Key performance indicators

The Group uses a number of key financial and non-financial performance indicators to measure performance.

The key financial indicators are as follows:

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

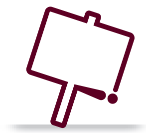
These have been discussed in further detail above.

The key non-financial indicators are as follows:

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

These have been discussed in further detail throughout the Strategic report and are illustrated on page 8.

Louise George
Chief Financial Officer



"The acquisition of the Northwood network broadens the base from which the Group can continue to deliver increased shareholder value.

Risk management

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

Principal risks and uncertainties

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

Going concern statement

The Group's business model as set out on pages 4 and 5 has proved to be a robust and successful model for over 22 years. The Group's corporate strategy has been clearly set out to investors since flotation in 2012 and has resulted in Belvoir becoming the largest franchise property group within the UK. We continue to open new agencies across the UK and to support growth by assisting our franchisees to make local portfolio acquisitions and by making corporate-level acquisitions of other property franchise networks. The Group has demonstrated strong growth from a mixture of like-for-like and acquisition-based growth as evidenced by increasing revenue and profitability over many years.

At the year end, the Group has cash at bank of £1.6m and a committed £7m five-year bank loan repayable at £175,000 per quarter to March 2021 with a final payment of £4,025,000.

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

Our risk management framework

Board of Directors

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

Audit Committee

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

Executive Directors

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

Operating company boards

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

NATURE OF RISK AND IMPACT	POTENTIAL IMPACT	MITIGATING ACTIVITIES
ABILITY TO GENERATE PLANNED REVENUE AND PROFIT GROWTH No change	There is no certainty that the Group will continue to expand its share of the residential property market. The Group derives its main source of income from its MSF chargeable at between 10% and 12% of franchise income. Network revenue depends upon market conditions, including rents remaining at or increasing from current levels, and upon landlords being 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 regularly monitoring the revenue from the MSF and the Group management accounts, and taking the appropriate action when variances are identified. Given that some of the risk arises due to extraneous factors, there may be limits to the level of direct action that can be taken. However, the Board does prioritise the work of the business development mentors who work closely with franchisees to target and address how they grow their business and respond to market conditions.
ABILITY TO RECRUIT AND RETAIN SKILLED FRANCHISEES Risk increased	The ability of the Group to attract new franchisees with the appropriate expertise and skills, in available and suitable locations, cannot be guaranteed. Given the prevailing market conditions, the Group may experience difficulties in finding appropriate franchisees and failure to do so would have a detrimental effect upon trading performance.	The Board continually monitors the performance of the recruitment team and is focused on identifying innovative ways of attracting successful new franchise owners.
REPUTATIONAL RISK TO THE FRANCHISE MODEL No change	The Group's reputation, in terms of the service it and its franchisees provide, the way in which it and its franchisees conduct their business, and the financial results which they achieve are central to the Group's future success. Failure by the franchisees to meet the expectations of their landlords and tenants may have a material impact on the reputation of the brand.	The franchisees 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 courses to ensure continuing professional development.
ABILITY TO EXECUTE THE BELVOIR ACQUISITIONS STRATEGY Risk decreased	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 marketplace might increase the acquisition price and the tight lending criteria of major banks might limit resources available to our network.	The acquisitions programme has been extended to include all new brands within the Group. The Board monitors its acquisitions programme to target a return on investment in excess of 25%. Belvoir saw increased acquisition activity in 2016 and has a strong pipeline of potential acquisitions for 2017.
LEGISLATIVE CHANGES Risk increased	The recent tax changes on interest relief against buy-to-let mortgages and higher stamp duty on second homes have cooled BTL landlord activity in the market. Furthermore, the introduction of a ban on tenant fees in 2018 following a year of consultation has led to uncertainty for both existing and potential new franchise owners.	The Board is focused on supporting the network in expanding their service offering: → Property sales still represent a viable new revenue stream for our many lettings-based franchise owners. → A drive to engage with our franchisees on the upsale possibilities in the financial services sector including the commission on insurances, conveyancing and mortgages. → Local acquisitions to expand their lettings portfolios.

The Strategic report set out on pages 1 to 23 has been approved by the Board on 4 April 2017 and signed on its behalf by:

Louise George
Chief Financial Officer

Governance

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.

Introduction to governance

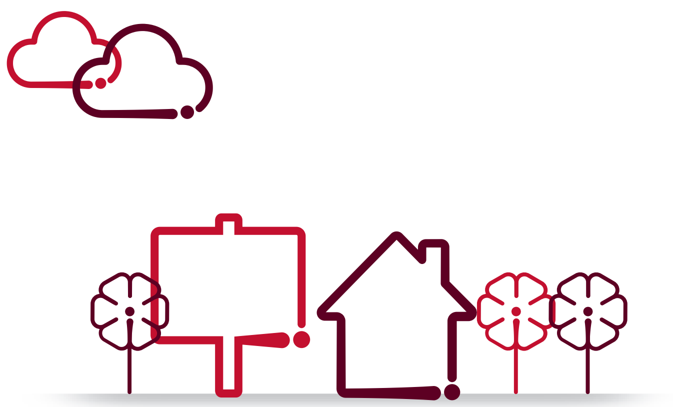
At Belvoir we recognise that good standards of corporate governance underpin our continuing success.

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

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

Within Belvoir we promote a culture of good governance in dealing with all key stakeholders: our franchisees, our employees, our customers and our shareholders. This section of the annual report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31 December 2016.

Michael Goddard
Executive Chairman and Chief Executive Officer



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
January 1995

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, a director of the National Approved Lettings Scheme and a director of The Property Ombudsman, and having 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
Chief Operating Officer

Appointment
April 2005

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 Chief Operating Officer, 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

Skills and experience
Louise is a Chartered Accountant and Chartered Secretary, having qualified with Ernst & Young in 1991. She has over 14 years' board-level experience with AIM-listed companies 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 two years has overseen three significant acquisitions for the Group. Louise also serves as Company Secretary to the Group.

Mark Newton
Executive Director

Appointment
March 2016

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 30 franchised outlets before selling to Belvoir in July 2015. Mark is Managing Director of Newton Fallowell Limited with board-level responsibility for the management and growth of the Newton Fallowell and the Goodchilds networks.

Nicholas Leeming
Non-Executive Director

Appointment
February 2012

Skills and experience
Nicholas, 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 Nicholas has built a portfolio of business interests involving key estate agency firms nationwide giving him a deep insight into the UK property industry. Nicholas serves on the Audit Committee and is Chairman of the Remuneration Committee.

Andrew Borkowski
Non-Executive Director

Appointment
March 2014

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 of a number of privately held concerns. Andrew serves on the Remuneration Committee and is Chairman of the Audit Committee.

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

Statement of corporate governance

Compliance

The Board ensures that the Company adopts proper standards of corporate governance and that the principles of best practice as set out in the QCA Corporate Governance Code are followed so far as is practicable and appropriate to the size and nature of the Company and the constitution of the Board. Set out below is a summary of how, at 31 December 2016 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, three 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 regularly reviews whether separating the roles would be advantageous to the Company and has not to date found this to be the case.

At every AGM one-third of the Directors must retire by rotation.

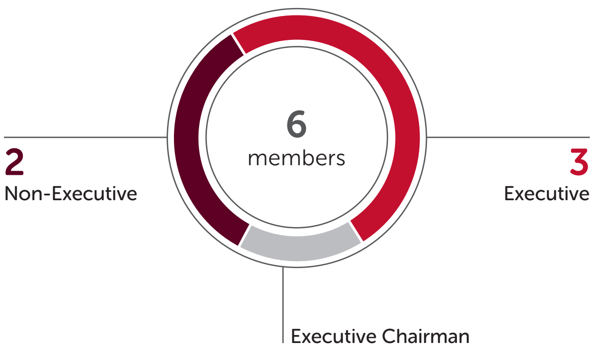
The Board considers the current Board structure appropriate for the Company. There are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties and to have access to the advice and services of the Company Secretary.

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 composition and roles

Composition and roles

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



Board diversity

As of 31 December 2016.

Length of tenure

As of the date of this report.

Director	Appointment	1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017	Tenure
Michael Goddard	Jan 1995		22 years
Dorian Gonsalves	Apr 2005		12 years
Louise George	Jun 2014		3 years
Mark Newton	Mar 2016		1 year
Nicholas Leeming	Feb 2012		5 years
Andrew Borkowski	Mar 2014		3 years

Attendance at meetings

Meetings attended	Main Board	Remuneration Committee	Audit Committee
Total number of meetings	**10**	**3**	**2**
Michael Goddard	●●●●●●●●●●	●●●	○○
Dorian Gonsalves	●●●●●●●●●●	○○○	○○
Louise George	●●●●●●●●●●	○○○	○○
Mark Newton	●●●●●●●●●●	○○○	○○
Nicholas Leeming	●●●●●●●●●●	●●●	●●
Andrew Borkowski	●●●●●●●●●○	●●●	●●

Board Committees

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

Remuneration Committee

The Remuneration Committee meets at least three times 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 Nicholas 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 28 and 29.

Audit Committee

The Audit Committee has two scheduled meetings a year. The Audit Committee comprises Nicholas 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.

Internal control

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

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

Financial reporting

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

Relations with shareholders

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 Directors present the Directors' remuneration report for the year ended 31 December 2016.

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 2016, a total bonus of £135,000 (2015: £117,000) was awarded to the Directors.

Pension

During the year pension contributions of £16,000 (2015: £9,000) were paid to Executive Directors.

Taxable benefits

The Directors' taxable benefits are tabled opposite.

"Remuneration packages are reviewed annually to ensure that there is a suitable mix of fixed and variable elements incorporating short and long-term objectives to ensure that our Executive Team is incentivised to maximise profitability and shareholder return.

Service contracts

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

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

Company policy on external appointments

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

Audited information

Details of the Directors' shareholding interests and remuneration for the financial year ended 31 December 2016, disclosed opposite, have been audited by the Group's external auditor.

Share options

The Remuneration Committee is responsible for awarding options over ordinary shares to Executive Directors and certain senior managers under the Company's enterprise management incentive (EMI) share option scheme. The scheme is intended to offer long-term incentives to Directors and senior management. The Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of Directors and staff. Options outstanding as at 31 December 2016 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 the date of grant, one-third vests at the second anniversary of the date of grant and the remaining third vests at the third anniversary of the date of grant.

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 2016 £'000**	Total 2015 £'000
Executive Directors							
Michael Goddard	140	46	—	8	—	**194**	159
Dorian Gonsalves	145	51	—	—	7	**203**	169
Louise George	133	29	13	3	6	**184**	153
Mark Newton (appointed 10 March 2016)	55	—	3	1	—	**59**	—
	473	126	16	12	13	**640**	481
Non-Executive Directors							
Nicholas Leeming	35	—	—	—	—	**35**	28
Andrew Borkowski	35	—	—	—	—	**35**	25
	70	—	—	—	—	**70**	53
Total remuneration	543	126	16	12	13	**710**	534

Directors' interests

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

	31 December 2016		31 December 2015 (or date of appointment if later)	
Directors' interests	**Shares**	**Options**	Shares	Options
Michael Goddard	**7,193,565**	**—**	7,753,922	—
Dorian Gonsalves	**463,595**	**363,399**	463,595	363,399
Louise George	**35,107**	**175,000**	17,250	175,000
Mark Newton	**435,507**	**—**	10,000	—
Andrew Borkowski	**24,544**	**—**	15,615	—
Nicholas Leeming	**24,427**	**—**	15,500	—

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

Nicholas Leeming
Non-Executive Director
4 April 2017

Directors' report

The Directors present their annual report and audited financial statements of the Group for the financial year ended 31 December 2016.

Dividends

The Company paid its interim dividend for the financial year ended 31 December 2016 of 3.4p per ordinary share on 21 October 2016.

The Board recommends a final dividend for the financial year ended 31 December 2016 of 3.4p (2015: 3.4p) per share to be paid on 31 May 2017 to all shareholders on the register at the close of business on 18 April 2017 subject to shareholders' approval on 25 May 2017. The ex-dividend date will be on 13 April 2017.

Future developments

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

Capital and equity structure

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

Directors' indemnity

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

Employees

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

Going concern

The Group and the Company's financial statements have been prepared on a going concern basis. 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, the 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 the 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 the Company will continue in business.

The Directors are responsible for the maintenance and integrity of the Group's website, www.belvoir.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the 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 the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor

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

On behalf of the Board

Louise George
Chief Financial Officer
4 April 2017

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 2016 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 and accounts (the "annual report"), comprise:

- the statement of financial position as at 31 December 2016;
- 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 shareholders' 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 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, and applicable law.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 Statement of Directors' Responsibilities set out on page 30, 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. With respect to the Strategic report and the Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
4 April 2017

Group statement of comprehensive income

For the financial year ended 31 December 2016

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

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 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Assets					
Non-current assets					
Intangible assets	10	**24,772**	11,854	**—**	—
Investments in subsidiaries	11	**—**	—	**35,314**	22,039
Property, plant and equipment	12	**657**	649	**—**	—
Trade and other receivables	13	**4,024**	3,656	**—**	—
		29,453	16,159	**35,314**	22,039
Current assets					
Trade and other receivables	13	**2,740**	2,090	**8,287**	8,990
Cash and cash equivalents	14	**1,591**	2,679	**16**	130
		4,331	4,769	**8,303**	9,120
Total assets		**33,784**	20,928	**43,617**	31,159
Liabilities					
Non-current liabilities					
Trade and other payables	15	**4,281**	—	**4,281**	—
Interest-bearing loans and borrowings	17	**6,270**	500	**6,270**	—
Deferred tax	23	**2,054**	1,001	**—**	—
		12,605	1,501	**10,551**	—
Current liabilities					
Trade and other payables	15	**2,307**	4,149	**2,404**	3,329
Interest-bearing loans and borrowings	16	**692**	500	**692**	—
Tax payable		**849**	357	**—**	—
		3,848	5,006	**3,096**	3,329
Total liabilities		**16,453**	6,507	**13,647**	3,329
Total net assets		**17,331**	14,421	**29,970**	27,830
Equity					
Shareholders' equity					
Share capital	19	**336**	305	**336**	305
Share premium	19	**10,583**	7,379	**10,583**	7,379
Share-based payments reserve		**76**	51	**76**	51
Revaluation reserve		**162**	162	**(50)**	(50)
Merger reserve		**(5,774)**	(5,774)	**8,101**	8,101
Retained earnings		**11,948**	12,298	**10,924**	12,044
Total equity		**17,331**	14,421	**29,970**	27,830

The financial statements on pages 33 to 53 were approved and authorised for issue by the Board on 4 April 2017 and signed on its behalf by:

Michael Goddard
Executive Chairman and Chief Executive Officer

Registered number 07848163

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 2016

Group

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015		240	—	33	162	(5,774)	12,333	6,994
Changes in equity								
Issue of equity share capital	19	65	7,379	—	—	—	—	7,444
Share-based payments	26	—	—	18	—	—	—	18
Dividends	8	—	—	—	—	—	(1,749)	(1,749)
Transactions with owners		65	7,379	18	—	—	(1,749)	5,713
Profit and total comprehensive income for the financial year		—	—	—	—	—	1,714	1,714
Balance at 31 December 2015		305	7,379	51	162	(5,774)	12,298	14,421
Issue of equity share capital	19	31	3,204	—	—	—	—	3,235
Share-based payments	26	—	—	25	—	—	—	25
Dividends	8	—	—	—	—	—	(2,183)	(2,183)
Transactions with owners		31	3,204	25	—	—	(2,183)	1,077
Profit and total comprehensive income for the financial year		—	—	—	—	—	1,833	1,833
Balance at 31 December 2016		**336**	**10,583**	**76**	**162**	**(5,774)**	**11,948**	**17,331**

Company

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015		240	—	33	(50)	8,101	12,448	20,772
Changes in equity								
Issue of equity share capital	19	65	7,379	—	—	—	—	7,444
Share-based payments	26	—	—	18	—	—	—	18
Dividends	8	—	—	—	—	—	(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
Issue of equity share capital	19	31	3,204	—	—	—	—	3,235
Share-based payments	26	—	—	25	—	—	—	25
Dividends	8	—	—	—	—	—	(2,183)	(2,183)
Transactions with owners		31	3,204	25	—	—	(2,183)	1,077
Profit and total comprehensive income for the financial year		—	—	—	—	—	1,063	1,063
Balance at 31 December 2016		**336**	**10,583**	**76**	**(50)**	**8,101**	**10,924**	**29,970**

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

Statements of cash flows

For the financial year ended 31 December 2016

		Group		Company	
	Notes	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Operating activities					
Cash generated from/(used in) operating activities	20	**2,946**	2,364	**1,331**	(1,901)
Tax paid		**(597)**	(572)	**—**	—
Net cash flows generated from/(used in) operating activities		**2,349**	1,792	**1,331**	(1,901)
Investing activities					
Acquisitions		**(8,005)**	(6,892)	**(8,000)**	(6,395)
Working capital and cash introduced by companies acquired		**243**	241	**—**	—
Deferred contingent consideration		**(2,202)**	—	**(2,202)**	—
Capital expenditure on property, plant and equipment	12	**(80)**	(102)	**—**	—
Disposal of assets		**797**	14	**—**	—
Franchisee loans granted		**(1,352)**	(449)	**—**	—
Loans repaid by franchisees		**938**	1,138	**—**	—
Finance income	6	**291**	338	**—**	2
Dividends received	25	**—**	—	**1,800**	1,700
Net cash flows used in investing activities		**(9,370)**	(5,712)	**(8,402)**	(4,693)
Financing activities					
Bank loan advance	17	**7,000**	—	**7,000**	—
Loan repayments		**(1,000)**	(521)	**—**	—
Proceeds from share issue		**2,570**	7,890	**2,570**	7,890
Share placing costs		**(269)**	(446)	**(269)**	(446)
Equity dividends paid	8	**(2,183)**	(1,749)	**(2,183)**	(1,749)
Finance costs		**(185)**	(61)	**(161)**	—
Net cash generated from financing activities		**5,933**	5,113	**6,957**	5,695
Net change in cash and cash equivalents		**(1,088)**	1,193	**(114)**	(899)
Cash and cash equivalents at the beginning of the financial year		**2,679**	1,486	**130**	1,029
Cash and cash equivalents at the end of the financial year	14	**1,591**	2,679	**16**	130

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

Notes to the financial statements

For the financial year ended 31 December 2016

1 Accounting policies

General information

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

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

Registered office

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

Basis of preparation

The Group and Company financial statements have been prepared under the historical cost convention with the exception of the freehold property which has been revalued. Being listed on AIM, the Company is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 2016.

Going concern

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

Standards adopted for the first time

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016. 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 balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective including:

- IFRS 9 Financial Instruments, which is effective for periods beginning on or after 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers, which is effective for periods beginning on or after 1 January 2018; and
- IFRS 16 Leases, which is effective for periods beginning on or after 1 January 2019.

The Group and Company assessing the impact of these changes.

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

Basis of consolidation

The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2016. 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.

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.

1 Accounting policies continued

Revenue recognition
Revenue represents income from 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment testing of goodwill, other intangible assets, and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the management monitors goodwill.

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

1 Accounting policies continued

Impairment testing of goodwill, other intangible assets, and property, plant and equipment continued

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.

On 1 March 2016 the Group acquired Belvoir Spalding, a franchised outlet. No tax relief is available on either the goodwill or customer lists acquired. Whilst the initial book value of goodwill is higher than the tax base, no deferred liability is accounted for and any subsequent impairments should be treated as permanent differences for tax and have no impact on deferred tax. The value of the acquired customer lists is amortised over 15 years. An initial deferred tax liability is recognised and reduced subsequently in line with amortisation creating a deferred tax credit.

Cash and cash equivalents

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

Operating lease commitments

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

Client money

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

Financial assets

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

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

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to franchisees (e.g. trade receivables) and from loans to franchisees to 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.

1 Accounting policies continued

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.

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

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

Equity
Equity comprises the following:

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

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

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

Initial recognition, useful lives and carrying value of intangible assets
The fair value of customer relationships is recognised on each individual acquisition and requires the exercise of management judgement in each case. Customer relationships are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue and are periodically reviewed for continued appropriateness. Potential impairment of carrying values or changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. Further details of amortisation policies are given on page 38 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 is 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 2016 the Board identified a single operating segment, that of property lettings, estate agency and franchising.

The segmental information is, therefore, the same as that set out in the consolidated statement of comprehensive income. The Directors do not consider the presentation of gross profit within the Group statement of comprehensive income to reflect a true position of the Group's activities and core operations, which is that of a property letting and sales franchisor. Therefore, the Directors disclose operating profit as the key performance measure. The reported segment is consistent with the Group's internal reporting for performance measurement and resources allocation.

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

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

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 £1,065,000 (2015: £1,345,000).

3 Expenses

Group

Administrative expenses (non-exceptional) by nature:

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

4 Exceptional items

Group

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

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

5 Directors and employees

Group

Staff costs (including Directors)

	2016 £'000	2015 £'000
Wages and salaries	**3,301**	2,329
Social security costs	**403**	224
Pension costs	**35**	34
Share-based payment charge	**25**	18
	3,764	2,605
The average monthly number of employees during the year was as follows:		
Management and administration	**112**	84

Key management personnel is defined as Directors of the Group.

Directors' remuneration

	2016 £'000	2015 £'000
Directors' emoluments	**681**	515
Social security costs	**77**	61
Share-based payment charge	**13**	10
Pension costs	**16**	9
	787	595
Executive Directors	**709**	539
Non-Executive Directors	**78**	56
	787	595

During the year no options (2015: nil) over ordinary shares were granted to Directors and none (2015: none) were exercised by Directors under the Company's EMI scheme.

Emoluments of the highest paid Director were as follows:

	2016 £'000	2015 £'000
Salary and fees including bonuses	**196**	164
Share-based remuneration	**7**	5
	203	169

6 Finance income and costs

Group

Finance costs

	2016 £'000	2015 £'000
Bank interest	**139**	61

Finance income

	2016 £'000	2015 £'000
Deposit account interest	**6**	3
Interest on franchisee loans	**285**	335
	291	338

7 Taxation

Group

	2016 £'000	2015 £'000
UK corporation tax at 20% (2015: 20.25%)		
Current taxation	**576**	510
Deferred taxation	**—**	—
Total tax charge in the statement of comprehensive income	**576**	510

Factors affecting the tax charge for the year:

	2016 £'000	2015 £'000
Profit before taxation	**2,409**	2,224
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.97% (2015: 20.25%)	**481**	450
Effects of:		
– Expenses not deductible for tax purposes	**91**	61
– Capital allowances in excess of depreciation	**4**	(1)
Total tax charge in statement of comprehensive income	**576**	510

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

Group

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

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

9 Earnings per share

Group

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

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

10 Intangible assets
Group

	Brand £'000	Goodwill £'000	Master franchise agreements £'000	Customer relationships £'000	Total £'000
Gross carrying amount					
At 1 January 2015	—	551	—	1,419	1,970
Additions	97	5,817	4,351	373	10,638
At 31 December 2015	97	6,368	4,351	1,792	12,608
Additions	454	8,416	5,481	108	14,459
Disposals	—	(482)	—	(785)	(1,267)
At 31 December 2016	**551**	**14,302**	**9,832**	**1,115**	**25,800**
Amortisation and impairment					
At 1 January 2015	—	90	—	403	493
Amortisation for the year	2	—	58	82	142
Impairment for the year	—	119	—	—	119
At 31 December 2015	2	209	58	485	754
Amortisation for the year	17	—	283	115	415
Impairment for the year	—	219	—	—	219
Disposals	—	(209)	—	(151)	(360)
At 31 December 2016	**19**	**219**	**341**	**449**	**1,028**
Net book value					
At 31 December 2016	**532**	**14,083**	**9,491**	**666**	**24,772**
At 31 December 2015	95	6,159	4,293	1,307	11,854

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

For the corporate-owned Belvoir outlets, goodwill is assessed by comparing the estimated fair value less costs of disposal of each corporate-owned outlet, based on prevailing market conditions, to the carrying value of goodwill.

The corporate-owned outlets Staffordshire Lettings Limited, Belvoir London Central Limited and Claygold Property Limited were sold on 31 August 2016, 1 November 2016 and 23 December 2016 respectively realising a net loss of £160,000 after the utilisation of the impairment provision brought forward of £209,000.

The carrying value of goodwill in relation to the corporate-owned Belvoir lettings outlets Belvoir Spalding, Belvoir Devizes, Burton Lettings Limited and Belvoir Lettings (Cumbria) Limited is £482,000 in comparison to a valuation of £340,000 and as such a further impairment provision of £142,000 was made against the carrying value of goodwill in relation to these outlets.

On 7 June 2016 the Company acquired Northwood GB Ltd, a franchised networks of estate and lettings agencies. The carrying values of the master franchise agreement and brand arising from this network are based on actual cash flows to 31 December 2016 and future projections. 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 8.4%. 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 2015	12,483
Additions	9,556
At 31 December 2015	22,039
Additions	13,275
At 31 December 2016	**35,314**
Impairment	
At 1 January 2015, 31 December 2015 and 31 December 2016	—
Net book value	
At 31 December 2016	**35,314**
At 31 December 2015	22,039

On 7 June 2016 the Company acquired 100% of the share capital of Northwood GB Ltd for £13,218,000. The adjustment for working capital on finalising the Goodchilds completion accounts was £32,000. The remaining addition of £25,000 (2015: £18,000) related to the obligation to settle the share-based remuneration awarded to employees of Belvoir Property Management (UK) Limited during the three years ended 31 December 2016.

As at 31 December 2016 the Company owned 100% of the ordinary share capital and voting rights of the following companies:

Subsidiary	Country of incorporation	Principal activity
Belvoir Property Solutions Limited	England and Wales	Holding company
Belvoir Property Management (UK) Limited*	England and Wales	Property sales and letting franchising
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
Newton & Derry Financial Services Ltd****	England and Wales	Financial services
Goodchilds Estate Agents & Lettings Limited	England and Wales	Property sales and letting franchising
Northwood GB Limited	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.

*** Subsidiary of Newton Fallowell Ltd.

**** Subsidiary of Newton & Derry Ltd.

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

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

12 Property, plant and equipment

Group

	Freehold land £'000	Freehold property £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2015	150	235	913	1,298
Acquisitions	—	—	239	239
Additions	—	—	102	102
Disposals	—	—	(93)	(93)
At 31 December 2015	150	235	1,161	1,546
Acquisitions	—	—	356	356
Additions	—	—	80	80
Disposals	—	—	(524)	(524)
At 31 December 2016	**150**	**235**	**1,073**	**1,458**
Depreciation				
At 1 January 2015	—	32	618	650
Acquisitions (note 24)	—	—	190	190
Charge for the year	—	4	132	136
Disposals	—	—	(79)	(79)
At 31 December 2015	—	36	861	897
Acquisitions (note 24)	—	—	200	200
Charge for the year	—	5	172	177
Disposals	—	—	(473)	(473)
At 31 December 2016	**—**	**41**	**760**	**801**
Net book value				
At 31 December 2016	**150**	**194**	**313**	**657**
At 31 December 2015	150	199	300	649

13 Trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current				
Trade receivables	**1,156**	834	**—**	—
Amounts owed by Group undertakings	**—**	—	**8,214**	8,966
Loans to franchisees	**897**	851	**—**	—
Other debtors	**259**	55	**18**	15
Prepayments	**308**	234	**55**	9
Accrued income	**120**	116	**—**	—
	2,740	2,090	**8,287**	8,990
Non-current				
Loans to franchisees	**4,024**	3,656	**—**	—

Trade receivables are stated net of bad debt provisions of £nil (2015: £1,000).

Loans to franchisees are spread across varying terms and the agreements do not include any collateral on behalf of the franchisees. Franchise loans and other debtors are stated net of bad debt provisions of £nil (2015: £nil).

13 Trade and other receivables continued

Ageing of trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Of which:				
Not due	**914**	787	**—**	—
Not more than three months	**615**	470	**8,287**	8,990
Between three and six months	**465**	270	**—**	—
Between six months and one year	**743**	564	**—**	—
More than one year	**4,027**	3,655	**—**	—
	6,764	5,746	**8,287**	8,990

14 Cash and cash equivalents

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash and cash equivalents	**1,591**	2,679	**16**	130

15 Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current				
Trade payables	**238**	266	**37**	185
Other taxes and social security	**585**	387	**—**	—
Accruals and deferred income	**318**	352	**70**	—
Other creditors	**98**	—	**—**	—
Deferred contingent consideration	**1,068**	3,144	**1,068**	3,144
Amounts owed to Group undertakings	**—**	—	**1,229**	—
	2,307	4,149	**2,404**	3,329
Non-current				
Deferred contingent consideration	**4,281**	—	**4,281**	—

16 Current portion of long-term borrowings

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current				
Bank loans – term loan	**692**	500	**692**	—
	692	500	**692**	—

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

17 Long-term borrowings

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Long term				
Bank loans – term loan	**6,270**	500	**6,270**	—
	6,270	500	**6,270**	—

Borrowings comprise £7,000,000 (2015: £1,000,000) secured on assets of the Group. The repayment profile of borrowings is as set out in note 18.

18 Maturity of borrowings and net debt – term loan

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

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

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

19 Called up share capital

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

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

20 Reconciliation of profit before taxation to cash generated from operations

Group

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

20 Reconciliation of profit before taxation to cash generated from operations continued

Company

	2016 £'000	2015 £'000
Profit before taxation	**1,065**	1,344
Dividend received	**(1,800)**	(1,700)
Deemed interest	**93**	—
Adjustment to deferred consideration	**(2)**	—
Finance costs	**121**	—
Finance income	**—**	(2)
	(523)	(358)
Decrease/(increase) in trade and other receivables	**704**	(1,692)
Increase in trade and other payables	**1,150**	149
Cash generated from/(used in) operations	**1,331**	(1,901)

21 Operating lease commitments

	2016 £'000	2015 £'000
Operating lease payments expensed during the year:		
Land and property	**276**	303
Motor vehicles	**130**	108
Other	**38**	30
	444	441
Minimum operating lease commitments falling due:		
Within one year		
Land and property	**410**	519
Motor vehicles	**119**	140
Other	**33**	39
	562	698
Between one and five years		
Land and property	**977**	1,406
Motor vehicles	**63**	115
Other	**46**	43
	1,086	1,564
More than five years		
Land and property	**338**	1,224
Total commitment	**1,986**	3,486

22 Financial instruments

Capital management policy

The Group manages its capital to ensure its operations are adequately provided for as described below. The principal risks faced by the Group are detailed overleaf. The Group's objective when managing capital is to safeguard its ability to continue as a going concern and so provide 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.

22 Financial instruments continued

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.

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Financial assets – loans and receivables				
Trade receivables	**1,156**	834	**—**	—
Other receivables	**379**	405	**8,232**	8,990
Loans to franchisees	**4,921**	4,507	**—**	—
Cash and cash equivalents	**1,591**	2,679	**16**	130
	8,047	8,425	**8,248**	9,120

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Financial liabilities				
Financial liabilities measured at amortised cost	**—**	—	**—**	—
Other financial liabilities				
Trade payables	**238**	266	**37**	185
Loans and borrowings	**7,704**	1,057	**7,704**	—
Accruals	**416**	352	**70**	—
Deferred and contingent consideration	**5,349**	3,144	**5,349**	3,144
	13,707	4,819	**13,160**	3,329
Maturity analysis of financial liabilities				
In less than one year:				
Trade payables	**238**	266	**37**	185
Loans and borrowings	**893**	540	**893**	—
Accruals	**416**	352	**70**	—
Deferred and contingent consideration	**937**	3,144	**937**	3,144
	2,484	4,302	**1,937**	3,329
In more than one year:				
Long-term borrowings	**6,811**	517	**6,811**	—
Deferred contingent consideration	**4,412**	—	**4,412**	—
	11,223	517	**11,223**	—

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

22 Financial instruments continued

General objectives, policies and processes

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

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

Interest rate risk

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

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

Credit risk

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

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

The credit risk for liquid funds and other short-term financial assets is considered small. The substantial majority of these assets are deposited with 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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Balance at 1 January	**1,001**	141	**—**	—
Acquisition in the year – attributable to intangible assets	**1,053**	860	**—**	—
Balance at 31 December	**2,054**	1,001	**—**	—
Deferred taxation has been provided as follows:				
Attributable to intangible assets	**1,972**	992	**—**	—
Accelerated capital allowances	**82**	9	**—**	—
	2,054	1,001	**—**	—

Amounts provided in respect of deferred tax are computed at 17% (2015: 18%).

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

24 Acquisitions

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

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

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

24 Acquisitions continued

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

The goodwill represents the value attributable to the new businesses and the assembled and trained workforce. Deferred tax at 17% has been provided on the value of intangible assets defined as brand names and master franchise agreements. Acquisition costs of £290,000 were incurred and charged to exceptional items in the consolidated statement of comprehensive income.

	Northwood £'000
Revenue	1,553
Profit before tax	542

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

25 Related party disclosures

During the year the Group paid sponsorship fees of £4,800 (2015: £4,800) to James Goddard, son of Michael Goddard, Company Director. At the year end an amount of £nil (2015: £nil) was outstanding.

During the year, emoluments were paid to a person related to a Director totalling £73,452 (2015: £65,407) and also to another person related to another Director totalling £2,874 (2015: £nil). The amounts paid were commensurate with other employees performing a similar role with a similar level of qualification and experience.

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

	21 October 2016	31 May 2016	15 October 2015
	2016 interim £'000	2015 final £'000	2015 interim £'000
Michael Goddard	245	263	305
Dorian Gonsalves	15	15	15
Louise George	1	1	—
Mark Newton	15	—	—
Nicholas Leeming	1	1	1
Andrew Borkowski	1	1	1
Total dividends	**278**	**281**	**322**

During the year Belvoir Lettings plc received a dividend of £1.8m (2015: £1.7m) from its subsidiary companies.

25 Related party disclosures continued

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

	2016 £'000	2015 £'000
Belvoir Property Solutions Limited	**7,675**	6,750
Belvoir Property Management (UK) Limited	**(1,219)**	2,216
Newton Fallowell Limited	**431**	—
Goodchilds Estate Agents and Lettings Limited	**108**	—

26 Share-based employee remuneration

The following share options issued were outstanding as at 31 December 2016:

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 one-third vests at the third anniversary of date of grant.

Movement in the number of share options was as follows:

	2016 Number	2015 Number
Share option movement		
At 1 January	**938,399**	898,399
Options granted in the year	**—**	100,000
Options lapsed in the year	**—**	(60,000)
At 31 December	**938,399**	938,399
Exercisable at the end of the year	**493,399**	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:

	2016 £'000	2015 £'000
Employee benefits (note 5)	**25**	18

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 2016 the outstanding contingent liability under this agreement amounted to £7,000,000 (2015: £1,000,000).

Notice of Annual General Meeting

Belvoir Lettings plc

Notice is hereby given that the Annual General Meeting of Belvoir Lettings plc (the "Company") will be held at Belvoir Lettings' Central Office, The Old Courthouse, 60a London Road, Grantham, Lincolnshire NG31 6HR at 10 am on 25 May 2017 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1–6 will be proposed as ordinary resolutions and resolutions 7–9 will be proposed as special resolutions.

Ordinary resolutions

1. To receive the Company's financial statements for the financial year ended 31 December 2016, together with the Directors' and the Auditor's reports thereon.
2. To declare a final dividend for the financial year ended 31 December 2016 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 re-appoint Andrew Borkowski, who retires by rotation and offers himself for re-election under Article 71 of the Company's Articles of Association, as Director.
6. To re-appoint Michael Goddard, 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 £114,878, being one-third of the nominal value of the Company's share capital, at any time (unless and to the extent previously renewed, revoked or varied by the Company in general meeting) during the period from the date hereof until the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), provided that the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted, offered or otherwise dealt with or disposed of after the expiry of such authority and the Directors of the Company may allot any equity securities after the expiry of such authority in pursuance of any such offer or agreement as if this authority had not expired.
8. The Directors of the Company be given power pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined by Section 560 of the Act) of the Company for cash pursuant to the authority conferred by resolution 7 as if Section 561 of the Act did not apply to any such allotment. This power is limited to the allotment of equity securities up to a maximum aggregate nominal amount of £34,463 (being equal to 10% of the Company's share capital) and otherwise to the allotment of equity securities for cash in connection with a rights issue or other pre-emptive offer to holders of ordinary shares where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any recognised stock exchange in, any territory, in each case at any time (unless the authority conferred by resolution 7 is previously renewed, revoked or varied) until the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), provided that before any such expiry the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors of the Company may allot equity securities after such expiry under this power in pursuance of any such offer or agreement as if this power had not expired.

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

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

By order of the Board

Louise George
Company Secretary

Notes:

1. Please arrive 15 minutes prior to the start of the meeting.
2. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
3. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she wish.
4. A form of proxy is available on the Company's website, www.belvoirlettingsplc.com, or by request from the Company Secretary and to be valid must be completed and returned so as to reach the registrar of the Company, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom, together with a letter or power of attorney or written authority, if any, under which it is signed or a notarially certified or office copy of such power (written authority) not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
5. As permitted by Regulation 41 of the Uncertified Securities Regulation 2001, members who hold shares in uncertified form must be entered on the Company's register of members by 6 pm on 23 May 2017 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	Chief Operating Officer
Louise George	Chief Financial Officer
Mark Newton	Executive Director
Nicholas 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 auditor
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
Bridgwater Road
Bristol
BS99 6ZZ

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

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

Corporate calendar

Half year results announced:
5 September 2016

Preliminary announcement of full year results:
4 April 2017

Final dividend ex-dividend date:
13 April 2017

Annual General Meeting:
25 May 2017

Final dividend payment date:
31 May 2017

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

Keep up to date

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

www.belvoirlettingsplc.com

Our awards

BELVOIR!

Lettings Agency of the Year Awards
Gold Lettings Franchise of the Year

The Negotiator Awards
Silver Best Franchisor

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

Six awards won by individual Belvoir offices

northwood

allAgents Awards[2]
Gold Best Franchise of the Year

Gold Best Overall Large Chain

Gold Best Lettings Agent in the UK

Silver Best Overall Agent

55 awards won by individual Northwood offices for their local area

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

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2016