

BELVOIR!

the lettings specialist

Placing and Admission to AIM

Nominated Adviser and Broker

seymour
pierce

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own independent advice from a person duly authorised under the Financial Services and Markets Act 2000 as amended (or, if you are a person outside of the United Kingdom, from a person otherwise duly qualified in your jurisdiction) who specialises in the acquisition of shares and other securities.

This document, which constitutes an AIM admission document relating to Belvoir Lettings plc (the "Company"), the parent company of Belvoir Property Management (UK) Limited ("Belvoir"), has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA") and is not required to be approved as a prospectus pursuant to section 85 of FSMA.

Application has been made for the admission of the entire issued share capital of the Company to trading on AIM, the market of that name operated by London Stock Exchange plc (the "London Stock Exchange"). It is expected that First Admission will become effective and that the dealings in the existing issued Ordinary Shares and the First Tranche Placing Shares will commence on AIM on 21 February 2012. It is expected that Second Admission will become effective and that dealings in the Second Tranche Placing Shares will commence on AIM on 22 February 2012. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority. **It is emphasised that no application is being made for admission of these securities to the Official List of the United Kingdom Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other exchange.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange has examined or approved the contents of this document.

The Directors of the Company, whose names appear on page 5 of this document, and the Company, accept responsibility both individually and collectively for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. All the Directors accept responsibility accordingly. It should be remembered that the price of securities and the income from them can go down as well as up.

The whole of this document should be read. Attention is drawn in particular to the 'Risk Factors' set out in Part 2 of this document.

BELVOIR LETTINGS PLC



(incorporated in England and Wales with registration number 07848163)

Placing of 9,718,954 Ordinary Shares at a price of 75p per share and admission to trading on AIM

Nominated Adviser and Broker



The Placing of the First Tranche Placing Shares is conditional, *inter alia*, on First Admission taking place on or before 21 February 2012 (or such later date as the Company and Seymour Pierce Limited ("Seymour Pierce") may agree) and the Placing of the Second Tranche Placing Shares is conditional, *inter alia*, on Second Admission taking place on or before 22 February 2012 (or such later date as the Company and Seymour Pierce may agree).

Seymour Pierce, which is authorised and regulated by the Financial Services Authority ("FSA"), is acting as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and Admission and as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person or entity. Seymour Pierce will not be responsible to any person other than the Company for providing the protections afforded to clients of Seymour Pierce, or for providing advice to any other person in connection with the Placing and Admission or any acquisition of shares in the Company. Seymour Pierce is not making any representation or warranty, express or implied, as to the contents of this document. Seymour Pierce has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Seymour Pierce for the accuracy of any information or opinions contained in this document or for the omission of any material information.

No legal, business or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares, warrants or any other securities in any jurisdiction other than the United Kingdom and should not be taken, transmitted, distributed or sent directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Japan, Australia, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America (or any of its territories or possessions), Canada, Japan or Australia. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in or into the United States of America (or any of its territories or possessions), Canada, Japan or Australia to or for the account or benefit of any national, resident or citizen of such countries. **The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restriction may constitute a violation of the securities laws of such jurisdiction.** No action has been taken by the Company, the Directors or by Seymour Pierce that would permit a public offer of Ordinary Shares or other securities in the Company or possession or distribution of this document where action for that purpose is required. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been registered in the United States under the United States Securities Act of 1933, as amended (the "US Securities Act") or under other applicable securities laws and are subject to restrictions on transfer contained in such laws. The Ordinary Shares may not be resold in the United States, except pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities law. The Ordinary Shares constitute "restricted securities," as defined in Rule 144 under the US Securities Act, and, accordingly, are not freely tradable in the United States. The Company does not intend to list the Ordinary Shares on an established securities exchange, have them quoted on an automated inter-dealer quotation system or otherwise create a public market in the United States for resale of such Ordinary Shares.

IMPORTANT NOTICE

Prospective investors must not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors must inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (iii) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

If you are in any doubt about the contents of this document, you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

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FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'envisages', 'estimates', 'anticipates', 'projects', 'expects', 'intends', 'may', 'will', 'could', 'seeks' or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's and the Directors' current intentions, beliefs or expectations concerning, amongst other things, investment strategy, financing strategy, performance, results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group will operate.

By their nature, forward-looking statements involve risks (including unknown risks) and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not an assurance of future performance. The Company's actual performance, results of operations, financial condition, liquidity and dividend policy and the development of the business sector in which the Group operates, may differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Company's performance, results of operations, financial condition, liquidity and dividend policy and the development of the industry in which the Group operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read this entire document, including Part 2 entitled 'Risk Factors' for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Group operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may or may not occur.

Any forward-looking statements in this document reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the matters referred to above. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Other than in accordance with the Company's obligations under the AIM Rules for Companies, neither the Company nor Seymour Pierce undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Neither the forward-looking statements nor the underlying assumptions have been verified or audited by any third party.

SOURCES

Various market data and forecasts used in this document have been obtained from independent industry sources. Neither the Company nor Seymour Pierce has verified the data, statistics or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael John Stephen Goddard (<i>Executive Chairman</i>) Dorian Gonsalves (<i>Chief Executive Officer</i>) Carl Bruce Chadwick (<i>Finance Director</i>) Karen Bach (<i>Non-Executive Director</i>) <i>whose business address is at the Company's registered office:</i> The Old Court House 60A London Road Grantham Lincolnshire NG31 6HR
Website	www.belvoirlettingsplc.com
Company Secretary	Carl Chadwick, ACA
Nominated Adviser and Broker	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Solicitors to the Company	Freeth Cartwright LLP Cardinal Square 2nd Floor, West Point 10 Nottingham Road Derby DE1 3QT
Solicitors to Seymour Pierce	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Reporting Accountant to the Company	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
Auditors to the Company	Grant Thornton UK LLP Regent House 80 Regent Road Leicester LE1 7NH
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Financial Public Relations	Buchanan Communications Limited 107 Cheapside London EC2V 6DN

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2012

Publication of this Admission document	16 February
First Admission effective and dealings in Existing Ordinary Shares and First Tranche Placing Shares to commence on AIM	8.00 a.m. on 21 February
CREST accounts to be credited with First Tranche Placing Shares	21 February
Second Admission effective and dealings in Second Tranche Placing Shares to commence on AIM	8.00 a.m. on 22 February
CREST accounts to be credited with Second Tranche Placing Shares	22 February
Definitive share certificates for both First Tranche Placing Shares and Second Tranche Placing Shares despatched by	7 March

Each of the times and dates in the above timetable is subject to change at the absolute discretion of the Company and Seymour Pierce. All references are to London (UK) time unless otherwise stated.

PLACING AND MARKET STATISTICS

Placing Price	75p
Number of Ordinary Shares in issue prior to the Placing*	10,947,713
Number of Placing Shares being issued pursuant to the Placing	9,718,954
Number of First Tranche Placing Shares	4,000,000
Number of Second Tranche Placing Shares	5,718,954
Number of Ordinary Shares in issue immediately following First Admission	14,947,713
Number of Ordinary Shares in issue immediately following Second Admission	20,666,667
Percentage of the Further Enlarged Issued Share Capital represented by the Placing Shares	47.03%
Market capitalisation of the Company at the Placing Price on Second Admission	£15.5 million
Gross proceeds of the Placing	£7.29 million
Estimated net proceeds of the Placing receivable by the Company	£6.3 million
Tradeable instrument display mnemonic	BLV
ISIN	GB00B4QY1P51

*on the assumption that the share issues the subject of the Acquisition Agreement have been completed

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Acquisition Agreement”	the agreement dated 16 February 2012 between the Company (1), Michael Goddard (2), Stephanie Goddard (3), Carl Chadwick (4) and Dorian Gonsalves (5) pursuant to which the Company has agreed, subject to First Admission, to purchase the entire issued share capital of BPSL
“Admission”	First Admission and Second Admission
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the ‘AIM Rules for Companies’ which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the ‘AIM Rules for Nominated Advisers’ which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company for the time being, a summary of which is set out in paragraph 6 of Part 5 of this document
“Belvoir”	Belvoir Property Management (U.K.) Limited, a private limited company incorporated in England and Wales with registration number 03141281
“Belvoir Network”	Belvoir and all its franchisee businesses
“BFA”	British Franchising Association
“BFSL”	Belvoir Financial Services Limited, a private limited company incorporated in England and Wales with registration number 7884015
“Board” or “Directors”	the current directors of the Company, whose names are set out on page 5 of this document
“BPSL”	Belvoir Property Solutions Limited, a private limited company incorporated in England and Wales with registration number 7926545
“certificated” or “in certificated form”	a share or other security recorded on the relevant register of the relevant company as being held in certificated form and title to which may be transferred by means of a stock transfer form
“City Code”	the City Code on Takeovers and Mergers
“Companies Act 2006”	the Companies Act 2006 to the extent in force from time to time
“Company”	Belvoir Lettings plc, a public limited company incorporated in England and Wales with registration number 07848163

“CREST”	the relevant system, as defined in the CREST Regulations, and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“DTRs”	the disclosure and transparency rules made by the FSA in exercise of its function as competent authority pursuant to Part VI of FSMA
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007 (as amended)
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registration number 2878738, whose registered address is at 33 Cannon Street, London EC4M 5SB
“Existing Ordinary Shares”	the 10,947,713 Ordinary Shares which will be in issue immediately following completion of the Acquisition Agreement, excluding the First Tranche Placing Shares
“Financial Services Business”	the business of introducing customers of Belvoir to insurance providers and/or mortgage brokers, such business being formerly conducted by Belvoir but transferred to BFSL pursuant to the Reconstruction Agreement
“First Admission”	the admission of the Initial Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
“First Tranche Placing Shares”	the 4,000,000 new Ordinary Shares to be allotted by the Company to (i) VCTs investing funds raised after 5 April 2007 (ii) VCTs investing funds raised (or deemed to have been raised) after 5 April 2006 but prior to 6 April 2007 (iii) investors seeking relief under the EIS and (iv) Non-VCT investors
“Franchisee”	a person who operates a Belvoir franchise under the terms of a Franchise Agreement from time to time
“Franchise Agreements”	the agreements entered into by Belvoir and Franchisees pursuant to which the Franchisees are to operate their franchise, further details of which are set out in paragraph 15 of Part 5 of this document
“FSA”	the United Kingdom Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Further Enlarged Issued Share Capital”	the enlarged issued ordinary share capital of the Company immediately following Second Admission, comprising the Initial Enlarged Issued Share Capital and the Second Tranche Placing Shares
“Grant Thornton”	Grant Thornton UK LLP, the Company’s auditors and Reporting Accountants
“Group”	Kilima and Belvoir (for periods up to 16 February 2012) and the Company, BPSL and Belvoir for any period after and including 17 February 2012

“HMRC”	Her Majesty’s Revenue & Customs
“Initial Enlarged Issued Share Capital”	the enlarged issued ordinary share capital of the Company immediately following First Admission, comprising the Existing Ordinary Shares and the First Tranche Placing Shares
“Kilima”	Kilima Holdings Limited, a private limited company formerly the holding company of Belvoir, was incorporated in England and Wales with registration number 05688292 but which was liquidated pursuant to the Reconstruction Agreement
“London Stock Exchange”	London Stock Exchange plc
“MSF”	the management service fee charged to each Franchisee on a monthly basis and which is a percentage of the Franchisee’s gross turnover
“NPF”	National Promotional Fund
“Non-VCT investor”	an investor who is not a VCT investor
“Official List”	the list maintained by the United Kingdom Listing Authority in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA
“Ordinary Shares”	the ordinary shares of 1 pence each in the capital of the Company
“Placing”	the proposed conditional placing by Seymour Pierce of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 16 February 2012 between Seymour Pierce (1), the Company (2), the Directors (3) and Stephanie Goddard (4) relating to the Placing, details of which are set out at paragraph 14.1.5 of Part 5 of this document
“Placing Price”	75 pence per Placing Share
“Placing Shares”	the First Tranche Placing Shares and the Second Tranche Placing Shares which are the subject of the Placing
“Reconstruction Agreement”	the agreement dated 16 February 2012 between Kilima (in liquidation) (1) John Allen of Mabe Allen LLP (the liquidators of Kilima) (2), BPSL (3) and BFSL (4) pursuant to which Kilima was voluntarily wound up and the entire issued share capital of Belvoir was transferred to BPSL and the Financial Services Business was transferred to BFSL
“Registrar”	Computershare Investor Services PLC
“Second Admission”	the admission of the Second Tranche Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
“Second Tranche Placing Shares”	the 5,718,954 new Ordinary Shares to be allotted by the Company to (i) VCTs investing funds raised (or deemed to have been raised) before 6 April 2006 and (ii) Non-VCT investors
“Seymour Pierce”	Seymour Pierce Limited, the Company’s nominated adviser and broker
“Shareholders”	the persons who are registered as holders of the Ordinary Shares

“Substantial Shareholder”	any person who, on Admission, holds any legal or beneficial interest directly or indirectly in 10 per cent. or more of the Further Enlarged Issued Share Capital or voting rights of the Company as defined in the AIM Rules for Companies
“Term Loan”	the bank facility of £1.7 million granted to Belvoir by National Westminster Bank plc, details of which are provided in paragraph 14 of Part 5 of this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United Kingdom Listing Authority”	the FSA acting in its capacity as the ‘competent authority’ under FSMA
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the relevant company concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“VAT”	value added tax
“VCT”	a company satisfying the requirements of Chapter 3 of Part 6 of the Income Tax Act 2007 (as amended) for venture capital trusts
“VCT Scheme”	Venture Capital Trust scheme under the provisions of Part 6 of the Income Tax Act 2007 (as amended)

PART 1

INFORMATION ON THE GROUP

1. Introduction

Belvoir is an award winning franchised lettings agency business operating across the UK from headquarters in Grantham. It currently has 142 franchised offices all operating under the 'Belvoir' brand. The combined Belvoir Network fee turnover was approximately £20 million in the year ended 31 December 2010, more than double the combined annual Belvoir Network fee turnover of £8.7 million in the year ended 31 December 2005. The Belvoir Network currently represents an estimated market share of less than 1.5 per cent. of the UK lettings market.

The Group, founded in 1995 by husband and wife team Mike and Stephanie Goddard, now ranks as one of the largest letting franchises in the UK, recently winning the Best Overall Marketing Campaign at the Franchise Marketing Awards 2011 and voted Best Lettings Agency Franchise Gold Award 2010 by the Times and Sunday Times.

The trade mark 'Belvoir!' is used by the Belvoir Network in all of its locations in the UK and the Belvoir brand has a strong market presence in the lettings market in the UK. The Belvoir business is based on providing a professional and personal service designed to exceed the expectations of landlords and tenants. Belvoir actively protects its brand offering through the provision of ongoing support to Franchisees and regular monitoring to maximise the strength of the brand for the benefit of the Group and Franchisees.

With a management team experienced in the lettings and franchise industry, the Directors believe that Admission will enhance the public profile of the Group as well as making it more attractive to existing and potential franchisees, Admission will also provide access to capital. The Directors expect that Admission will assist in growing the Belvoir Network and Belvoir's business as a result.

2. Belvoir

Belvoir started in 1995 in Grantham with the aim of building a residential lettings business in Lincolnshire. Currently the Group has, in addition to the Grantham outlet which it still retains, 142 franchised offices run by 136 Franchisees, making it one of the largest lettings specialists in the UK.

Belvoir's business is based on its specialism in residential lettings and none of its Franchisees (or indeed its Grantham outlet) sells property, ensuring that Franchisees remain independent in the event that landlords undertake property appraisals prior to investment. The Directors believe that this independence has been a factor in the success of many of its Franchisees.

The Belvoir Network is run from the head office with professionalism and quality of service being crucial to protect the Belvoir brand and to that end Belvoir assesses all potential Franchisees, only taking on those it believes will provide the level of service with which the Directors believe the Belvoir brand is associated. In addition, each Franchisee is required to undertake an intensive training course provided in-house by the head office team before commencing trading and the head office team provides continual support and monitoring, including external auditing of Franchisees.

The Belvoir head office in Grantham has the capability to manage properties in the event of franchisee failure in order to protect the Belvoir brand. In addition, it runs a company owned Grantham lettings office which is often used to test new ideas before dissemination into the Belvoir Network. Belvoir has a UK wide contract for one of its larger landlords, which it performs through its franchised offices.

3. The Belvoir Brand

The Group operates under the 'Belvoir' brand and its 142 franchised offices are all branded Belvoir. In addition Belvoir owns the trade mark 'Student Living' and it has granted two Franchisees the right to trade under this brand.

Maintaining high professional standards is crucial to the success of the Belvoir brand. To that end, the Franchisee recruitment process is lengthy and rigorous and once a franchise has been granted, Belvoir

continues to monitor its Franchisees throughout the term of the Franchise Agreement. Under the terms of their Franchise Agreement, all Franchisees are required to be members of NALS (National Approved Lettings Scheme) and to have their accounts independently audited to ensure they are treating client monies properly. A key requirement of NALS membership is Client Money Protection Insurance and membership of the Property Ombudsman Scheme for consumer redress.

Brand awareness

Each franchised office operates under the Belvoir brand and is required to use 'Belvoir!' branded lettings boards and vehicles. In addition, national advertising campaigns are undertaken by Belvoir central office, which is funded by a contribution (currently 1 per cent. of turnover although Belvoir can take 2 per cent. under the terms of the Franchise Agreement) from each franchised office into the National Promotional Fund (NPF). Belvoir runs the NPF and is entitled to a management fee of up to 20 per cent. of the NPF. Locally, Franchisees market themselves through local media including property portals, newspapers and lifestyle magazines, leaflet drops and local networking, spending on average approximately 5 per cent. of their annual turnover.

Belvoir management regularly attend franchising exhibitions and Belvoir has won a number of industry awards in this area. In addition, Belvoir has a website which is run centrally, with each Franchisee operating a page on the website for its individual franchise territory. A Belvoir smart phone 'App' is also available to download for free and allows potential tenants to search for properties in their area directly through their smart phones.

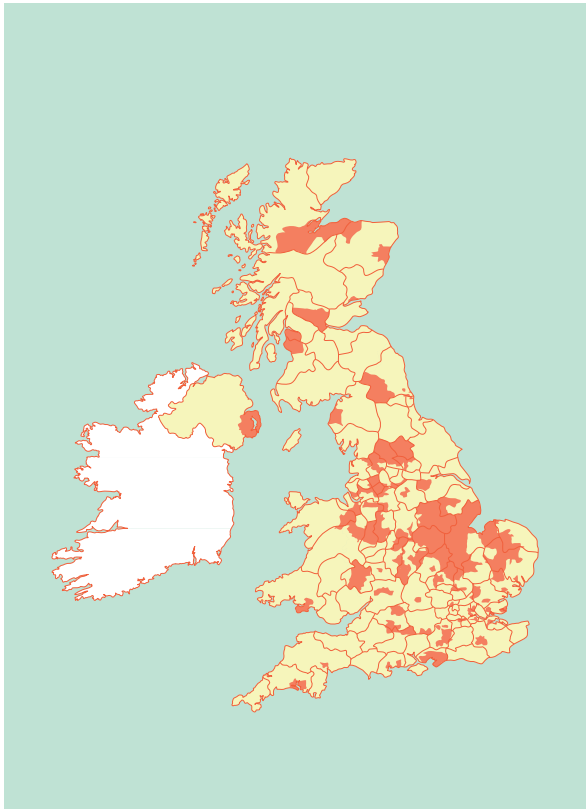
4. The Franchisees

Belvoir's marketing ensures a flow of leads to its recruitment department, which typically receives over 800 enquiries from potential Franchisees in a year. Of these enquiries, approximately 70 potential Franchisees are interviewed and up to 18 franchises are offered each year. Belvoir is focused on increasing the number of Franchisees and therefore its objective following Admission is to grow the Belvoir Network from its current 142 franchised offices to over 200 franchised offices by 2016. To achieve this, a new head of franchise recruitment, Chris Watkin, has been brought into the business with a mandate to increase franchisee recruitment to at least 15 new Franchisees per annum.

Prior to being accepted as a Belvoir Franchisee, each applicant undergoes a rigorous vetting process including interviews with Belvoir's head of franchise recruitment and other members of management, and an assessment of whether a potential Franchisee has adequate resources to start and maintain a franchise office. In addition, criminal record bureau checks are undertaken and rigorous referencing to ensure high standards of entry are maintained.

In 2008, 18 new franchises were awarded. In 2009, 11 new franchises were awarded and in 2010, the number of new franchises awarded was 8. In 2011 only 6 new franchises were awarded, as management focused on marketing projects which would develop the turnover of the network as a whole. The appointment of Chris Watkin in May 2011 as head of recruitment and a refocusing of the recruitment program has seen an increase in the pipeline of potential Franchisees for 2012.

Typically, new franchises have historically generated turnover at an individual franchise business level of (approximately): £50,000 in their first year of opening; £100,000 in the second year; and £130,000 in their third year, with a typical 5 per cent. growth rate in turnover in subsequent years.



Belvoir has divided the UK up into franchise territories determined by reference to population demographics, with a territory size typically being approximately 50,000 residential properties. The territories are identified by postcode and the Company has set out a total of 503 territories, of which only 142 have been awarded. The map shows in red those territories in the UK which have been awarded to Belvoir Franchisees at the date of this document. Some territories which the Directors would expect to be more lucrative, (located in London and the South of England, for example), are yet to be awarded to a Franchisee.

Belvoir's existing franchised offices are mainly concentrated in the Midlands but Belvoir is focused on increasing franchisee recruitment, particularly in the South of England, where there are fewer franchised offices. The Directors believe that the appointment of Franchisees in the London region and generally across the South of England offers an excellent opportunity to expand the Belvoir Network and grow the Company.

5. The Franchise Model

Belvoir's business model is based on 'business format franchising' as defined and accredited by the British Franchise Association (the "BFA"). The BFA is a voluntary organisation and currently the only organisation that provides an accreditation membership based on standards for franchisors in the UK. Of the 900 or so franchise brands in the UK some 30 per cent. are members of the BFA.

Belvoir, as the franchisor, licenses its brand and know-how to the Franchisee, who trades under the Belvoir name, with training and support being provided by Belvoir for the duration of the franchise. The standard franchise agreement provides that each Franchisee pays an initial fee to Belvoir (currently £22,500) and an on-going Management Service Fee or MSF of 12 per cent. of the Franchisee's monthly turnover. In addition, if a franchise business is subsequently sold by the incumbent Franchisee (which may happen for a variety of reasons), the Franchisee is required to pay Belvoir a fee of approximately 8 per cent. of the sale price of the business and any new Franchisee purchasing an existing business will also have to pay to Belvoir the initial fee (currently £22,500).

Each Franchisee enters into a Franchise Agreement which grants the Franchisee the right to exclusively trade under the Belvoir brand in a clearly identified territory for a 5 year period. Subject to the Franchisee having substantially observed and performed the terms of the Franchise Agreement (and certain other conditions), the Franchisee can choose to renew the agreement for a further 5 years, but at the end of that additional 5 year period there is no automatic right to renew for a further term. However, Belvoir's policy is usually to offer this and a Franchisee usually accepts; an illustration of the Company's high rates of franchise retention and renewal. Franchisees renew on the terms of the Franchise Agreement which is current at that time, however, there are only minor differences between the earlier versions of the Franchise Agreement and the current standard Franchise Agreement. Certain Franchisees have agreed amendments to their Franchise Agreement to cater for special circumstances.

Through its head office function, Belvoir supports each Franchisee with a three week initiation training programme, a mentor for the first year and training sessions, conferences, newsletters, legal helpline, telephone support, site visits and other media for Franchisees throughout the term of the franchise.

Belvoir continues to support and monitor the Franchisee for the duration of the franchise to assist them with business development and growth, as well as to ensure that the Belvoir brand and business model are strictly adhered to.

As each Franchisee operates either as a sole trader, limited liability company or limited liability partnership, and contracts with its clients directly, Belvoir is not contractually liable to a Franchisee's clients. However, the actions and omissions of the Franchisees may damage the goodwill and reputation of the Belvoir brand, which is why the head office function monitors the performance of the Franchisees, and the Franchise Agreement contains provisions allowing Belvoir to inspect the accounts of the Franchisees and generally assess that Franchisees are adhering to the terms of the Franchise Agreement.

6. The UK Market

The UK franchise market

Franchising is still in its relative infancy in the UK. It accounts for an estimated contribution of £12.4 billion to the UK economy, approximately 900 franchise systems (or brands), employs some 500,000 people and comprises 36,900 franchise units (Source: NatWest and BFA Franchise Survey 2011). However, it continues to grow and even during the recent recession there has been expansion in this sector of business.

Franchising is not regulated in the UK – the BFA is a voluntary trade association, but the Belvoir Directors believe that membership accords the Belvoir business significant benefits. Belvoir has been a full member of the BFA for 11 years and has passed the strict accreditation process for application to full membership. Mike Goddard is a member of the World Franchise Council Committee, the European Franchise Federation Policy Board, the board of directors of the bfa and was also the chairman of the bfa for three years. The Directors believe that this is evidence of Belvoir's strong reputation in the UK franchising market and the Directors believe that Belvoir is considered to be one of the most reputable and successful franchising concepts in the UK.

The UK lettings market

Overview

The UK lettings market is in a steady growth phase and the UK is likely to have a significantly larger private rental sector by the end of this decade as more tenants look to the rental market to satisfy their residential needs and landlords take advantage of this growing demand (Source: Building and Social Housing Foundation, "Tenure Trends in the UK Housing System: Will the private rental sector continue to grow?" 2010).

It has recently been estimated that there are nearly 3 million privately rented properties in England, accounting for almost 14 per cent. of all households in England, which is up by nearly 40 per cent. on the corresponding figure 10 years ago (Source: Department for Communities and Local Government and United Kingdom Census 2001). It is also estimated that 60 per cent. of private rented properties were owned by landlords who used an agent for lettings or full management services (Source: The Private Rented Sector: its contribution and potential, Centre for Housing Policy and The University of York 2008). The Directors believe the percentage of rented properties let and managed by agents may increase as the market becomes more Government regulated (e.g. Furniture and Furnishings (Fire Safety) Regulations, gas safety provisions, tenancy deposit scheme, electrical safety regulations) and private landlords become increasingly dependent on agents to provide managed services.

The Directors believe that in order to take advantage of this market situation, there has been an increase in the number of UK lettings agencies. It is estimated that there may be more than 10,000 lettings agencies in the UK, ranging from small independent offices to large multiple outlet chains. (Source: Vizzihome Limited, UK activity report 2011 for lettings in England and Wales).

Impact of the recession

The Directors believe that the recent recession has had a contrasting impact on the UK lettings market. On the one hand, the volume of house sales has fallen dramatically, but on the other hand the number of tenancies has risen, which in turn has led to increased competition in the residential lettings market as many estate agents (who previously specialised in sales only) turn to the rental market to support their falling property sales income levels.

The Directors' view is that house prices and sales volumes will continue to remain stagnant, at best, as the financial institutions continue their strict stance on mortgage provision. This, the Directors believe, will have

a double benefit to the lettings market by driving up rents (which is happening now) as tenant demand increases and encouraging landlords to increase their portfolios as rental yields increase (which is starting to happen now).

Belvoir Customers

The ultimate customer of the Belvoir Network is the property owner, the landlord, who typically falls into one of three categories:

- individuals who have purchased one or more properties to rent out; or
- those who do not wish to sell or cannot sell their primary residence and ask Belvoir to rent it out and manage the letting; or
- large organisations that own property or invest in property and instruct Belvoir to provide a professional property lettings and management service.

Customers require lettings agents to be familiar with the local area and tenant market and to use their local knowledge, contacts and brand image to secure a good tenant at a good rent, to manage the property for the duration of the tenancy, and to offer a number of additional services such as buildings insurance cover, rent guarantee provision, and investment property mortgages.

As certain of these additional services require various administrative and regulatory steps to be taken (such as obtaining authorisation from the FSA in order to use a landlord's rental income to pay his insurance premium), the Directors decided to transfer these services (together "the Financial Services Business") to BFSL pursuant to the Reconstruction Agreement in order to reduce the regulatory and administrative burden on Belvoir. Transitional arrangements are in place with BFSL for Belvoir to continue to provide certain services to and on behalf of BFSL, but the intention is that once BFSL has met all of its regulatory requirements, BFSL will provide the Financial Services Business to Belvoir's customers in exchange for the commissions previously paid to Belvoir. The Directors believe that having the regulatory risk and burden for the Financial Services Business in BFSL will allow Belvoir to concentrate more fully on its core business of residential lettings whilst still allowing Belvoir customers to have access to important additional services.

Further details of the Reconstruction Agreement are set out in paragraph 11 of Part 1 of this document.

Competitors

It is estimated that there are over 10,000 agents in the UK who provide a lettings and/or a property management service (Source: Vizzihome Limited, UK activity report 2011 for lettings in England and Wales). The Directors believe that these agents are broadly split into three groups:

- (1) Estate agents that generally focus on sales, where the lettings service often takes second place. The Directors believe that agents tend to prefer the upfront fees of a sale and generally are not trained or technically equipped to deal with the ongoing issues of property management.
- (2) Specialist lettings agents similar in nature to Belvoir are mainly small, single branch, owner run offices. There are some larger regional and national chains of specialist lettings agencies in the marketplace, but the Directors believe that these agencies do not have the local owner/national brand advantages that Belvoir enjoys.
- (3) There are only a few franchised networks of lettings agents in the UK, with only one that is of a comparable size to Belvoir.

7. Intellectual Property

The Group places significant value on its intellectual property and has taken various steps to protect its rights. Belvoir currently owns the trade marks 'Belvoir, the Lettings Specialist' and 'R!', its two main brands, and in total it has registered 6 trade marks in the UK including 'Belvoir Property Management', 'Belvoir Lettings' and 'Belvoir! the lettings specialist'. Belvoir also owns various domain names which include the word 'Belvoir'.

The Belvoir brand and its use is strictly controlled through the terms of the Franchise Agreement and such use is continually monitored by the Belvoir head office team, from the way that the franchise office is presented to the paint colours and stationery used in a Belvoir franchise office.

8. The Group's strategy

The Directors are focused on growing Belvoir through increasing its Management Service Fee (MSF) revenue, that is the fee charged to each franchise owner on a monthly basis and which is a percentage of its gross fee turnover, and increasing the number of Franchisees in the UK, particularly in London and the South of England.

During 2010, the Directors set about strengthening the recruitment team, implementing various marketing and branding initiatives and increasing awareness of the Belvoir brand on a national scale. Use of the NPF to raise brand awareness benefits each of the franchises as well as Belvoir and is funded directly by the Franchisees.

Therefore the Group's immediate strategy is threefold:

- (1) to expand the Belvoir Network through appointing Franchisees in new territories;
- (2) to increase the MSF revenue through additional support to grow the businesses of individual Franchisees'; and
- (3) to establish a number of Belvoir owned outlets in addition to the Grantham office, which could be franchised in due course or retained for the long term as Company owned branches.

Network Expansion

The Directors immediate goal is to expand the Belvoir Network to 150 territories with the aim of 200 franchised territories by the end of 2016. The appointment of a new head of franchise recruitment, Chris Watkin, has re-invigorated this process and the Directors believe this will deliver faster growth in Franchisee numbers.

Additional support to increase MSF income

Through further targeted national advertising campaigns funded by the NPF, a greater level of recruitment and more targeted monitoring of under performing franchises, the Directors hope to increase the turnover of existing Franchisees – bringing a benefit to the Franchisees and increased MSF income to Belvoir.

Additional support will be available to franchise owners who wish to expand their portfolio of managed properties through acquisitions of lettings businesses. This support will be in the form of a short term (24 months) loan of up to 20 per cent. of the acquisition value, or if this is not needed then a discount on the MSF for 12 months. This will incentivise the franchise owners to grow their turnover and thus provide a significant boost to Belvoir's MSF revenue.

Increasing the number of Company owned outlets

Belvoir has run and managed the Grantham office since inception in 1994. Over this period, it has often been used as a 'test' office for new ideas before those ideas are rolled out across the Belvoir Network. Despite this, the Grantham office has performed well and the Company believes that it could enhance shareholder value by running a number of its own directly owned outlets.

9. Directors, senior management and employees

9.1. Board of Directors

The Board currently consists of 4 Directors, each with significant experience. Karen Bach is an Independent Director for the purpose of the Corporate Governance Code. The Directors recognise that good corporate governance necessitates the presence of independent directors on the Board. Whilst at Admission there will only be one independent Non-Executive Director on the Board, it is the Directors' intention to appoint an additional suitably experienced Non-Executive Director to the Board as soon as practicable following Admission. Brief biographical details of the Directors are set out below. Further

information on the Directors' previous directorships and their terms of appointment are set out in paragraph 9 of Part 5 of this document.

Mike Goddard, *Chairman (aged 63)*

Mike and his wife Stephanie founded Belvoir in 1994. Mike remained Belvoir's Chief Executive Officer and Chairman until July 2010, when the Chief Executive Officer position was handed over to Dorian Gonsalves. Prior to forming Belvoir, Mike had a distinguished career in the Royal Air Force, retiring as Wing Commander in 1995. During his time at Belvoir he has held the position of Chairman of the Board of Directors at the BFA (February 2008 to December 2010), where he is currently still serving as a board member. He has been a director of the Government accredited National Approved Lettings Scheme and he is currently on the Board of Directors of The Property Ombudsman. He is a member of the Policy Board of the European Franchise Federation, has represented Great Britain at the World Franchise Council in Seoul, South Korea, in Berlin, Germany, and in Manila, The Philippines. He is a well respected and well recognised figure in both the UK lettings market and the franchising industry. His key skills are team building, strategic business planning and focused achievement.

Dorian Gonsalves, *Chief Executive Officer (aged 37)*

Dorian has been with Belvoir since 2005 and has over a decade's experience in the property industry. He joined Countrywide as an estate agent in 1998 and rose rapidly to become an Executive Branch Manager. He joined Belvoir as a Business Development Manager and rose quickly through the ranks to Head of Sales, Director of Operations and subsequently to Chief Executive Officer in July 2010. His key skills include people management, business development and he has a deep understanding of the lettings market and successful franchising.

Carl Chadwick ACA, *Finance Director (aged 52)*

Carl has been a Chartered Accountant for 30 years, having trained with KPMG and PWC. Following his training, Carl became a Corporate Finance specialist and worked for 20 years with PKF, Grant Thornton and latterly Sunaxis and worked with Belvoir during that period. Carl also has retail experience at Boots having been part of the team which built Boots Opticians. He joined Belvoir as Finance Director in 2011.

Karen Bach ACA, *Non-Executive Director (aged 42)*

Karen will join Belvoir as Non-Executive Director and Chairman of the Remuneration and Audit Committees on Admission. Karen's career includes public, private and multi-national corporate businesses including IXEurope Plc, Advanced Computer Software Plc and Kewill Plc as CFO. Previously, Karen worked in various international roles with General Motors, EDS and MCI WorldCom having qualified as a Chartered Accountant with Ernst and Young. More recently, Karen was Commercial Director of a multi-site, private-equity backed childrens nursery business. Karen has also been Non-Executive Director of a pre-revenue start-up, a Princes Trust mentor and an independent consultant. Karen is a Trustee of the eLearning-Foundation.

9.2. **Employees**

The Company currently employs 28 staff in total, 21 of whom are based at its headquarters in Grantham. There are 7 employees based in the Company owned outlet in Grantham.

10. **Financial information on the Group**

Belvoir has demonstrated consistent growth since inception and has been consistently profitable over the last 5 years.

Turnover of the Group is comprised primarily of MSF, although this is supplemented by franchise sales (where a transfer fee is paid to the Company), awards of new Franchises (where new owners pay an initial fee) and the turnover of the Company owned outlet in Grantham, all of which can vary from year to year. MSF has grown consistently since inception and is a highly visible revenue stream for the Group.

Costs are also predictable consisting primarily of personnel and administrative expenses from the head office and the Company owned outlet in Grantham. The other major cost of the Group is UK corporation tax which is declining as a percentage of profit in line with government rates. The Group has little net debt and has historically serviced and repaid what debt it had from operating cash flows. This has resulted in bank finance being readily available at competitive rates for the Group.

Highly cash generative, historically the Group has paid significant sums in dividends and intends to pursue a progressive dividend policy.

Historical financial information of the Group is set out in Part 3 of this document.

No financial statements have been produced to date in respect of the Company, as it was incorporated as recently as 15 November 2011. The Company's financial year end is 31 December. Since the date of its incorporation on 15 November 2011, save for agreeing to issue Ordinary Shares pursuant to the Acquisition Agreement on 16 February 2012 and the other matters described herein, the Company has not yet commenced operations, has no material assets or liabilities and no financial statements have been compiled. Accordingly, there is no historical financial information relating to the Company contained in this document.

11. Reorganisation

Pursuant to the Reconstruction Agreement dated 16 February 2012, Kilima, Belvoir's former holding company, has been liquidated pursuant to a members' voluntary liquidation and the assets of Kilima have been distributed. The shares in Belvoir held by Kilima were transferred to BPSL in consideration for BPSL, at the direction of the Liquidators, allotting shares in BPSL to the then shareholders of Kilima (Michael Goddard, Stephanie Goddard, Carl Chadwick and Dorian Gonsalves) and the Financial Services Business was transferred to BFSL in consideration for BFSL, at the direction of the Liquidators, allotting shares in BFSL to the then shareholders of Kilima (Michael Goddard, Stephanie Goddard, Carl Chadwick and Dorian Gonsalves). The turnover of the Financial Services Business for the year ended 31 December 2010 was £73,000.

As mentioned in paragraph 6 of Part 1 of this document (under the heading "Belvoir Customers"), the Directors decided to transfer the Financial Services Business to BFSL in order to reduce the regulatory and administrative burden on Belvoir. Belvoir has, and has maintained, professional indemnity insurance in respect of the Financial Services Business carried on by it and BFSL will maintain professional indemnity insurance in respect of the Financial Services Business transferred to it.

Further details of this reorganisation can be found at paragraph 14.1.2 of Part 5 of this document.

Following completion of the Reconstruction Agreement, each of Michael Goddard, Carl Chadwick and Dorian Gonsalves respectively subscribed, at par, for 44,775, 2,240 and 2,985 ordinary shares of £1.00 each in the capital of the Company, and the relevant parties entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the shareholders of BPSL (being Michael Goddard, Stephanie Goddard, Carl Chadwick and Dorian Gonsalves) have conditionally agreed to sell to the Company the entire issued share capital of BPSL subject to First Admission. Following completion of the Acquisition Agreement, Mike Goddard, Carl Chadwick and Dorian Gonsalves will hold 9,803,922, 490,196 and 653,595 Ordinary Shares respectively and Stephanie Goddard will be entitled to receive cash in the sum of £4,289,216 in total unless insufficient funds are raised by the Company on Second Admission whereby Stephanie Goddard will be entitled to receive a cash payment equal to the sum raised by Second Admission and such number of Ordinary Shares at the Placing Price which, when aggregated with the cash payment, equal £4,289,216.

Further details of the Acquisition Agreement can be found at paragraph 14.1.4 of Part 5 of this document.

12. Current trading

For the period to 31 December 2011, MSF and turnover of the Group were broadly in line with budget and EBITDA and PBT were within 0.5 per cent. of budget. There are currently 4 Franchisees which the Board expects to be trading within the next 2 months and the pipeline for prospective franchisees in 2012 is encouraging (with the Company's first in-house training session for new franchisees scheduled for early February). As a consequence the Board considers that the Group's prospects are encouraging for the year ahead.

13. Details of the proposed Placing and use of proceeds

The Company has conditionally raised £7.29 million, before expenses (£6.3 million net of expenses), through a conditional placing undertaken by Seymour Pierce of 9,718,954 Placing Shares at 75 pence per share.

On 16 February 2012, Seymour Pierce, the Company, the Directors and Stephanie Goddard entered into the Placing Agreement pursuant to which Seymour Pierce agreed, subject to certain conditions, to procure subscribers for the Placing Shares at the Placing Price. Under the Placing, the Placing Shares have been conditionally placed with institutional and certain other investors – in the case of the First Tranche Placing Shares with VCTs investing funds raised after 5 April 2007, VCTs investing funds raised (or deemed to have been raised) after 5 April 2006 but prior to 6 April 2007, investors seeking relief under the EIS and Non-VCT investors and in the case of the Second Tranche Placing Shares with VCTs investing funds raised (or deemed to have been raised) before 6 April 2006 and Non-VCT investors.

EIS investors and VCTs investing funds raised after 5 April 2007 will be restricted to £2 million in aggregate in the First Tranche Placing.

The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including in the case of the Placing of the First Tranche Placing Shares, First Admission occurring on or before 21 February 2012 (or such later date as Seymour Pierce and the Company may agree, being not later than 13 March 2012) and in the case of the Placing of the Second Tranche Placing Shares, Second Admission occurring on or before 22 February 2012 (or such later date as Seymour Pierce and the Company may agree, being not later than 13 March 2012). The Placing Agreement contains provisions entitling Seymour Pierce to terminate the Placing (and the arrangements associated with it) in the case of the Placing of the First Tranche Placing Shares, at any time prior to First Admission in certain circumstances and in the case of the Second Tranche Placing Shares, at any time prior to Second Admission in certain circumstances. If this right is exercised prior to First Admission, the Placing will lapse, any monies received in respect of the Placing will be returned to applicants without interest and neither First Admission nor Second Admission will occur. If this right is exercised following First Admission but prior to Second Admission, the Placing of the Second Tranche Placing Shares will lapse, any monies received in respect of the Placing of the Second Tranche Placing Shares will be returned to applicants without interest and Second Admission will not occur (but without prejudice to First Admission).

Further details of the Placing Agreement are set out in paragraph 14 of Part 5 of this document.

14. Use of Proceeds

The Company has applied for the Initial Enlarged Issued Share Capital and also the Second Tranche Placing Shares to be admitted to trading on AIM to increase public awareness of the Belvoir brand and recognition of the Group, as well as raising the profile of the Group with its Franchisees and their customers.

The net proceeds of the Placing received by the Company will be approximately £6.3 million (assuming that First Admission and Second Admission occur) and will be applied principally by the Company to fund:

- payment of the cash consideration due to Stephanie Goddard under the Acquisition Agreement;
- the expansion of the Belvoir Network through appointing Franchisees in new territories;
- to provide additional support to grow the businesses of individual Franchisees; and
- to establish a number of Belvoir owned outlets.

15. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Initial Enlarged Issued Share Capital and also the Second Tranche Placing Shares to be admitted to trading on AIM. It is expected that First Admission will take place, and dealings in the Initial Enlarged Issued Share Capital will commence, on 21 February 2012 and that Second Admission will take place, and dealings in the Second Tranche Placing Shares will commence, on 22 February 2012.

Application has been made for the Ordinary Shares to be admitted to CREST with effect from First Admission. Accordingly, settlement of transactions in the Ordinary Shares following First Admission may take place within CREST if relevant Shareholders so wish. CREST is a paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

It is anticipated that certificates in respect of any Ordinary Shares held in certificated form will be despatched by 7 March 2012.

16. Lock-in and orderly market arrangements

On Second Admission, the Directors will be interested, in aggregate, in 10,974,380 Ordinary Shares representing approximately 53.1 per cent. of the Further Enlarged Issued Share Capital. Each of them has agreed with the Company and Seymour Pierce not to dispose of any Ordinary Shares in which he/she is directly or indirectly interested for a period of 12 months from Second Admission and for a period of 12 months thereafter to deal in their Ordinary Shares only through Seymour Pierce (or the Company's then broker) and subject to maintaining an orderly market.

17. Options

The Directors believe that the Company's success is highly dependent on the quality and loyalty of its Directors and of its future directors and employees. The Directors consider that to assist in the recruitment, retention and motivation of high quality staff, as necessary, the Company must have an effective remuneration strategy and that an important part of this remuneration strategy is the ability to award equity incentives and, in particular, share options.

The Company therefore intends to grant Dorian Gonsalves an unapproved option over 161,812 Ordinary Shares following Admission at an exercise price equal to the Placing Price. The Company also intends to grant options to employees during the three years following Admission if approved by the Remuneration Committee. Options granted under such employee share option scheme (not including the unapproved option of 161,812 Ordinary Shares granted to Dorian Gonsalves) would not exceed, in aggregate, 1 per cent. of the issued share capital of the Company. Future options granted will have an exercise price not less than the market value of an Ordinary Share at the date of grant and will require the satisfaction of such performance or other exercise conditions as the Board (or, if one is in place, the Remuneration Committee) considers appropriate in each case.

The Directors intend that the total number of shares subject to options will not exceed 10 per cent. of the issued share capital of the Company from time to time.

18. Shareholder notification and disclosure requirements

Shareholders are obliged to comply with the shareholding notification and disclosure requirements set out in Chapter 5 of the DTR. A Shareholder is required pursuant to Rule 5 of the DTRs to notify the Company if, as a result of an acquisition or disposal of shares or financial instruments, the Shareholder's percentage of voting rights of the Company reaches, exceeds or falls below, 3 per cent., of the nominal value of the Company's share capital or any 1 per cent, threshold above that.

The DTR can be accessed and downloaded from the FSA's website at <http://fsahandbook.info/FSA/html/handbook/DTR/5>. Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make a required disclosure to the Company may result in disenfranchisement.

19. The City Code

Under Rule 9 of the City Code, any person who acquires an interest in shares (as defined in the City Code) which, taken together with an interest in shares already held by him or any interests in shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining

shareholders to acquire their shares. Similarly, when any person or persons acting in concert are already interested in shares which in aggregate carry not less than 30 per cent. but does not hold more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in voting shares is acquired by any such person.

An offer under Rule 9 must be in cash and at the highest price paid for any interest in the shares by the person required to make an offer or any person acting in concert with him during the 12 months prior to the announcement of the offer.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal and whether or not in writing) actively co-operate, through the acquisition by them of an interest in shares in a company, to obtain or consolidate control of the company. Control means holding, or aggregate holdings, of an interest in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

On Second Admission, Michael Goddard, will be interested in 9,803,922 Ordinary Shares representing approximately 47.5 per cent. of the Company's Further Enlarged Issued Voting Share Capital.

As Michael Goddard holds less than 50 per cent. of the Ordinary Shares but remains interested in over 30 per cent., he will be unable to increase his individual shareholding to an extent which increases his percentage of the voting rights in the Company without triggering an offer obligation, save with the consent of the Panel.

20. Corporate governance and Share dealing code

The Directors recognise the value and importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply as far as appropriate and practicable with main provisions of the UK Corporate Governance Code. In any event the Board intends to comply with the provisions of the Quoted Companies Alliance corporate governance guidelines for smaller quoted companies. With effect from Admission, the Board has established an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") with formally delegated responsibilities.

The remuneration committee comprises the Chairman of the Board and the non-executive director. In future, all non-executive directors will be members of this committee. The remuneration committee's main functions include *inter alia*, determining the framework or broad policy for the remuneration of the Company's Chairman, the Company's executive directors and other members of the executive management, the design of all share incentive plans and the determination each year of individual awards to executive directors and other senior executives thereunder and the performance targets to be used. Initially, Karen Bach and Michael Goddard have been appointed as members of this committee and Karen Bach has been appointed as the chairman.

The audit committee initially comprises the independent non-executive member of the Board and the Chairman of the Board. In future, all non-executive directors will be members of this committee. The audit committee's main functions include, *inter alia*, monitoring the integrity of the Company's financial statements, keeping under review the effectiveness of the Company's internal controls and risk management systems, making recommendations to the Board in relation to the appointment of the Company's auditors, overseeing the approval of their remuneration and terms of engagement and assessing annually their independence, objectivity and qualifications and the effectiveness of the audit process. Initially, Karen Bach and Michael Goddard will be appointed as members of this committee and Karen Bach has been appointed as the chairman.

As the Board is small, there will not be a separate nomination committee and recommendations for appointments to the Board will be considered by the Board as a whole after due evaluation.

The Company has adopted a code on dealings in securities which the Board regards as appropriate for an AIM company, including compliance with Rule 21 of the AIM Rules for Companies relating to Directors' and employees' dealings in Ordinary Shares.

21. Dividend policy

As a profitable and highly cash generative business, Belvoir has historically paid dividends and intends to do so following Admission. Dividends will be declared semi-annually at its interim results and its full year results and will be approved by Shareholders at the Annual General Meeting of the Company to be held every year. The Directors intend to pursue a progressive dividend policy providing an attractive yield to Shareholders.

22. EIS and VCT Schemes

The Company has applied for and obtained provisional advance assurance from HMRC that the Placing Shares placed with VCT Schemes are expected to constitute a qualifying holding for such VCT Schemes. HMRC has also confirmed that the First Tranche Placing Shares should satisfy the requirements for tax relief under EIS. Eligibility is also dependent on a Shareholder's own position and not just that of the Company. Accordingly, investors should take their own independent advice and they are referred in particular to Part 4 of this document.

23. Taxation

Information regarding UK taxation is set out in Part 4 of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law.

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

24. Further information

The attention of investors is drawn to the information contained in Parts 2 to 5 of this document, which provides additional information on the Group, and in particular Part 2 which sets out certain risk factors relating to the Group and its strategy.

PART 2

RISK FACTORS

This document contains forward looking statements, which have been made after due and careful enquiry and are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward looking statements are subject to, inter alia, the risk factors described in this Part 2 of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those discussed in this Part 2 of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments.

There are significant risks associated with the Group. Prior to making an investment decision in respect of the Ordinary Shares, prospective investors and Shareholders (as appropriate) should consider carefully all of the information within this document, including the following risk factors. The Board believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority. Additionally, there may be risks not mentioned in this document of which the Board is not aware or believes to be immaterial but which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

If any of the following risks were to materialise, the Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Company's Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Board, or which the Board currently deems immaterial, may also have an adverse effect upon the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

Risks relating to the Group and the Business

Ability to generate revenues and profits

At this stage, there is no certainty that the Group will expand its share of the residential lettings market to the extent that it intends to. Failure to do so and slower demand for the Group's services may result in revenues growing more slowly than anticipated. In addition, there is no certainty that existing Franchisees will continue to trade or will renew their Franchise Agreements on expiry, or that tenants' rents will stay at current levels or rise, or that the MSF percentage is sustainable in the long term with new competitive pressures, all of which may lead to a decline in the number of Franchisees in the Belvoir Network and therefore a drop in revenue and profits.

Dependence on key executives and personnel

The ability of the Group to develop and implement its strategy is dependent upon the continued services and performance of its Directors, senior management and other key personnel. The loss of the services of key personnel may have a material adverse impact on the performance of the Group.

Ability to recruit and retain skilled Franchisees

The ability of the Group to attract new Franchisees with the appropriate expertise and skills, in available and suitable locations, cannot be guaranteed. The Group may experience difficulties in finding appropriate Franchisees and the failure to do so may have a detrimental effect upon trading performance.

Past performance

The past performance of the Group is not a guide to future performance of the Group and no representation is made or warranty given regarding future performance of the Group.

Future financing

Whilst the Directors have no current plans for raising additional capital immediately after Admission, it is possible that the Group will need to raise extra capital in the future to develop its business or to take advantage of acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or to the Shareholders. Further equity financing may be dilutive to the Shareholders or result in an issuance of securities whose rights, preferences and privileges are senior to the holders of Ordinary Shares. The Directors may seek further debt finance to fund all or part of any future acquisitions. There can be no assurance that the Group will be able to raise further debt funds, whether on acceptable terms or at all. Further debt financing may require the Group to enter into covenants restricting its future operational and financial activities.

Competition

Belvoir faces ongoing competition from all three types of agencies competing for market share. These are estate agents, specialist lettings agents and franchise networks. With the rise of online lettings agencies, the margins on lettings agents' commissions could come under pressure which would result in lower revenues for the Group. There is also the continual competitive threat that landlords will collect rent themselves and attempt the lettings process alone. Changes to legislation may make it increasingly difficult however. Additional competitive risks include the use of new innovative ideas and/or technologies by competitors that reduce the market share of the Group or its ability to grow.

The housing market

Lettings business is constrained if the stock of houses available for rent is constrained. This constraint can arise as a result of a lack of available credit to buy residential houses for investment purposes, particularly the availability of buy to let mortgages. The Directors' experience is that changes in the levels of housing stock available for rent have changed very slowly over time, and in the Board's view it is unlikely that lettings will be adversely affected in the short to medium term. The Directors believe that lettings benefits from falling house sales (more people rent) and also from an increasing sales market (more people buy for investment) and that Belvoir is not directly affected by rental yields (as this impacts the landlord and not agent) although a general reduction in rental yields could cause a reduction in the number of landlords in the long term. A reduction in rental income would translate into lower fees for each Franchisee and therefore a drop in MSF income to the Company. When supply of property is constrained, rents and yields tend to rise to compensate. Current government policy is to increase the available stock of social housing available in the UK Market. Whilst this has not had a negative impact on the Company, a change in future political policy may have a negative impact on lettings agents and therefore this would affect Belvoir.

Growth management and acquisitions

The Directors anticipate that further expansion will be required to capitalise on the anticipated upturn in the lettings market and the Company's strategy is to open new franchises through a combination of organic growth and the acquisition of existing lettings agencies. The Group's future success will depend, in part, on its ability to manage this anticipated expansion and to find existing lettings agencies with suitable local management teams located in geographic areas which are complementary to the Group's existing portfolio. The revenue and profit generated by acquisitions also depends on variable negotiation time lines, the timing of potential vendors' desire to sell, the agreement of fair valuations and satisfactory due diligence completion. All these factors are greatly influenced by potential vendors and not fully in control of the Group. Such expansion is expected to place significant demands on management, support functions, accounting, sales and marketing and other resources. If the Group is unable to manage its expansion effectively, its business and financial results could suffer.

Taxation

The attention of potential investors is drawn to Part 4 of this document headed 'United Kingdom Taxation'. Any change in the Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company. Statements in this document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change. In addition it is also possible that taxation legislation may change to affect the tax treatment on property rentals and capital gains on the disposal of investment properties which may impact the supply and demand of rental properties and therefore the potential earnings capacity of the Group.

Dividends

The declaration, payment and amount of any future dividends of the Group are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors and will depend upon, amongst other things, the earnings, financial position, cash requirements and availability of profits of the Group, distributable reserves at subsidiary and Group level, as well as provisions of relevant laws or generally accepted accounting principles from time to time.

Current operating results as an indication of future results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Group's results to date as an indication of future performance. Factors that may affect the Group's operating results include increased competition, an increased level of expenses, technological change necessitating additional capital expenditure, lower than expected MSF revenue, failure to find further franchisees with acceptable levels of ability and the financial resources needed to succeed, failure to complete sufficient acquisitions of existing lettings agencies and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Group's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Group's Ordinary Shares may decline significantly.

Future uncertainty

This document contains certain forward looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Company will not differ materially from matters described in this document.

Force majeure events

There is a risk that the residential lettings market in which the Group currently operates could be affected by events such as war, civil war, riot or armed conflict, acts of terrorism, targeted vandalism, floods, explosions or other catastrophes, epidemics or quarantine restrictions, which are outside of the Directors' control and generally not covered by insurance. Such events could have a variety of materially adverse consequences for the Group, including risks and costs related to decline in revenues or reputational damage, and injury or loss of life, as well as litigation related thereto.

Insurance

The Directors seek to adequately insure business liabilities and assets but cannot guarantee that in case of a claim, the insurer will cover all costs and make good all damage.

The availability of buy-to-let mortgages

Recent limitations in the credit markets have seen interest rates for buy-to-let mortgages rise with there also being an overall decline in availability of buy-to-let mortgages. Although Belvoir has continued to grow despite the reduction in the availability and terms of buy-to-let mortgages there can be no guarantee that it will continue to grow in the future. Additionally given the current indicators of the economy there can be no assurance that buy-to-let mortgages will become more available in the near future which may also

restrict Belvoir's future growth. Further government legislation concerning the need for incomes other than rent to be able to support the debt service of a buy to let mortgage are unhelpful.

Risks relating to the franchise model

The franchise model is central to the way that Belvoir operates and the Group's revenues are dependent on the ongoing success of this model. Investors' attention is drawn to the terms of the Standard Franchise Agreement set out in paragraph 15 of Part 5 and certain risk factors noted below which arise from operating this model.

Changes in regulation/legislation

The Group cannot guarantee that existing legislation and regulations that impact the business will not change and that new ones will not come into effect. In particular, the Group could be impacted by changes in landlord or tenant obligations, FSA compliance regulations and registrations, franchising legislation, case law and BFA recommendations, as well as employment law, but many other legislation and regulation areas are relevant.

Reputation

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 to meet the expectations of their clients (the landlords), the tenants, employees, Franchisees, Shareholders or other business partners may have a material adverse effect on the Group's reputation. Adverse publicity in the event of any high profile losses of client monies, sharp practice concerning the return of rental deposits, failure to maintain landlords properties or other failings by Franchisees are all capable of causing damage to the Belvoir brand thereby reducing the ability to sustain and/or grow revenues.

Performance of Franchisees

Multiple Franchisees could default on their obligations under the Franchise Agreement or underperform in the market, which would result in lower revenues for Belvoir. The Group follows stringent recruitment processes and inductions but may fail to identify inappropriate franchisees until they are trading under the Group's name.

Banking

The Group has banking and funding arrangements with the NatWest. There is no guarantee that these arrangements will continue and the uncertainty in the banking sector adds to the risk that the NatWest, or any other bank, could terminate banking facilities.

Suppliers

The Group relies on certain suppliers, without whom the revenue generation, efficiency of operations and cash flow may not be optimised. The Group works with all suppliers but cannot guarantee that service delivered will remain of a high quality in the future without interruption.

Franchisee loan repayments

The Group intends to build market share by lending money to franchisees to help establish trading. Care will be taken when lending this money as to the appropriateness of the person, their past history and many other factors. However, the Directors cannot guarantee that all monies will be repaid by the franchisees together with the relevant interest charge.

Risks relating to the Ordinary Shares

Investment in AIM securities

Although the Company is applying for the admission of the Initial Enlarged Issued Share Capital and the Second Tranche Placing Shares to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. An investment in shares

traded on AIM may be less liquid and is perceived to involve a higher degree of risk than an investment in a company whose shares are listed on the Official List. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

AIM Rules for Companies

The AIM Rules for Companies are less onerous than those applying to companies whose shares are admitted to listing on the Official List. Neither the FSA nor the London Stock Exchange has examined or approved the content of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Conditionality of the Placing

The Placing is conditional upon, among other things, Admission. In the event that any condition to which First Admission is subject is not satisfied or, if capable of waiver, waived, First Admission will not be implemented. In the event that any condition to which Second Admission is subject is not satisfied or, if capable of waiver, waived, Second Admission will not be implemented.

Venture Capital Schemes and EIS

Advance assurance has been sought and obtained from HMRC that the Company should be a qualifying company and the First Tranche Placing Shares are eligible shares for the purposes of EIS provisions. Advance assurance has also been sought and obtained that the First Tranche Placing Shares and Second Tranche Placing Shares may form part of a qualifying holding for VCT Scheme purposes. The actual availability of relief under the EIS and qualifying status for VCT Scheme purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT Scheme qualifying status will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding EIS or the VCT Scheme change then any reliefs or qualifying status previously obtained may be lost. Additional information on the EIS and on VCT Scheme qualifying status is included in Part 4 of this document.

Circumstances may arise (which may include sale of the Company) where the Directors believe that the interests of the Company are not best served by acting in a way that preserves EIS tax relief (including capital gains tax reliefs) or VCT Scheme qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder.

If the Company does not employ the proceeds of an EIS/VCT Scheme share issue for qualifying purposes within 24 months, the Ordinary Shares held by EIS Investors would cease to be eligible for EIS and all of the EIS tax reliefs of investors in respect of those shares would be withdrawn. In respect of share subscriptions made by a VCT, the funds invested by the VCT would be apportioned pro rata and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings.

If the Company or any qualifying subsidiary ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade for EIS and VCT Scheme purposes, this could prejudice the qualifying status of the Company (as referred to above) under the VCT Scheme or under the EIS if this occurred during the three year period from the last issue of shares to EIS investors. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

Volatility of share price

Prior to Admission, there has been no public market for the Ordinary Shares. As a consequence, there can be no assurance that an active trading market will develop after Admission or that it will be sustained. Seymour Pierce is not obliged to make a market in the Ordinary Shares, and to the extent that it undertakes any market-making activities, these activities can be terminated at any time without notice.

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

Exposure to economic cycle

Market conditions may affect the value of the Company's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control including economic and political events and trends, inflation and deflation or terrorist attacks. The combined effect of these factors is difficult to predict and an investment in the Company could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors.

There is no guarantee that the Company's Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Company's Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Further issues of Ordinary Shares could impact the market price

It is possible that the Company may decide to offer additional Ordinary Shares in the future, although the Company has no current plans to do so. An additional offering of Ordinary Shares by the Company or the public perception that an offering or sale may occur, could have an adverse effect on the market price of Ordinary Shares.

Future sales of Ordinary Shares

The Board cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial numbers of Ordinary Shares in the public market, or the perception or any announcement that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for Shareholders to sell their Ordinary Shares at a time and price which they deem appropriate.

Suitability

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this document. Prospective investors are advised to consult a person authorised by the FSA (or, if outside the UK, another appropriate regulatory body) before making their decision.

PART 3

SECTION A: – ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

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The Directors
Belvoir Lettings Plc
The Old Courthouse
60A London Road
GRANTHAM
Lincolnshire
NG31 6HR

16 February 2012

Dear Sirs

Kilima Holdings Limited

We report on the financial information set out in Section B of Part 3 of the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 16 February of Belvoir Lettings plc on the basis of the accounting policies set out in note 1 of the financial information and covers the three years ended 31 December 2008, 2009 and 2010, and the nine months ended 30 September 2011.

This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The directors of Kilima Holdings Limited are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Chartered Accountants

Member firm within Grant Thornton International Ltd.
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 16 February 2012, a true and fair view of the state of affairs of Kilima Holdings Limited and its subsidiary as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

SECTION B: HISTORICAL FINANCIAL INFORMATION

KILIMA HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.10	Period 1.1.11 to 30.9.11
Notes		£	£	£	£
CONTINUING OPERATIONS					
Revenue	2	3,382,597	3,031,906	3,260,308	2,427,404
Cost of sales		(107,183)	–	–	–
GROSS PROFIT		<u>3,275,414</u>	<u>3,031,906</u>	<u>3,260,308</u>	<u>2,427,404</u>
Administrative expenses		(2,190,980)	(1,672,196)	(1,713,302)	(1,071,967)
Share-based payments charge		–	–	–	(49,687)
OPERATING PROFIT		<u>1,084,434</u>	<u>1,359,710</u>	<u>1,547,006</u>	<u>1,305,750</u>
Finance costs	4	(189,496)	(157,952)	(125,054)	(69,994)
Finance income	4	32,262	9,210	5,928	9,771
PROFIT BEFORE INCOME TAX	5	<u>927,200</u>	<u>1,210,968</u>	<u>1,427,880</u>	<u>1,245,527</u>
Income tax	6	(278,317)	(340,277)	(402,982)	(349,596)
PROFIT FOR THE PERIOD		<u><u>648,883</u></u>	<u><u>870,691</u></u>	<u><u>1,024,898</u></u>	<u><u>895,931</u></u>
Profit attributable to:					
Owners of the parent		<u>648,883</u>	<u>870,691</u>	<u>1,024,898</u>	<u>895,931</u>
Total comprehensive income attributable to:					
Owners of the parent		<u>648,883</u>	<u>870,691</u>	<u>1,024,898</u>	<u>895,931</u>
Earnings per share expressed in pence per share:					
Basic and diluted	8	<u>6,489</u>	<u>8,707</u>	<u>10,249</u>	<u>8,959</u>

The notes form part of this financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 01.01.08	As at 31.12.08	As at 31.12.09	As at 31.12.10	As at 30.9.11
	Notes	£	£	£	£	£
ASSETS						
NON-CURRENT ASSETS						
Goodwill	9	999,591	999,591	999,591	999,591	999,591
Intangible assets	10	146,876	105,955	73,693	55,996	45,493
Property, plant & equipment	11	507,666	499,425	475,063	450,900	435,409
Trade and other receivables	12	16,051	70,651	69,529	51,955	98,572
		<u>1,670,184</u>	<u>1,675,622</u>	<u>1,617,876</u>	<u>1,558,442</u>	<u>1,579,065</u>
CURRENT ASSETS						
Trade and other receivables	12	373,922	447,158	342,570	386,872	499,656
Cash and cash equivalents	13	736,948	330,803	605,797	595,777	646,863
		<u>1,110,870</u>	<u>777,961</u>	<u>948,367</u>	<u>982,649</u>	<u>1,146,519</u>
TOTAL ASSETS		<u><u>2,781,054</u></u>	<u><u>2,453,583</u></u>	<u><u>2,566,243</u></u>	<u><u>2,541,091</u></u>	<u><u>2,725,584</u></u>
EQUITY						
SHAREHOLDERS' EQUITY						
Share capital	14	100	100	100	100	95
Share-based payments reserve		–	–	–	–	49,687
Capital redemption reserve		–	–	–	–	5
Retained earnings		(67,926)	(171,714)	264,977	558,675	(4,894)
TOTAL EQUITY		<u>(67,826)</u>	<u>(171,614)</u>	<u>265,077</u>	<u>558,775</u>	<u>44,893</u>
LIABILITIES						
NON-CURRENT LIABILITIES						
Financial liabilities – borrowings						
Interest bearing loans and borrowings	16	2,020,178	1,561,300	1,120,230	632,139	1,344,735
Deferred tax	18	14,600	16,100	14,600	11,400	10,600
		<u>2,034,778</u>	<u>1,577,400</u>	<u>1,134,830</u>	<u>643,539</u>	<u>1,355,335</u>
CURRENT LIABILITIES						
Trade and other payables	15	370,419	350,510	366,574	434,986	491,375
Financial liabilities – borrowings						
Interest bearing loans and borrowings	16	361,847	420,468	457,984	495,499	483,585
Tax payable		81,836	276,819	341,778	408,292	350,396
		<u>814,102</u>	<u>1,047,797</u>	<u>1,166,336</u>	<u>1,338,777</u>	<u>1,325,356</u>
TOTAL LIABILITIES		<u><u>2,848,880</u></u>	<u><u>2,625,197</u></u>	<u><u>2,301,166</u></u>	<u><u>1,982,316</u></u>	<u><u>2,680,691</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,781,054</u></u>	<u><u>2,453,583</u></u>	<u><u>2,566,243</u></u>	<u><u>2,541,091</u></u>	<u><u>2,725,584</u></u>

The notes form part of this financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i> £	<i>Retained earnings</i> £	<i>Capital redemption reserve</i> £	<i>Share-based payments reserve</i> £	<i>Total equity</i> £
Balance at 1 January 2008	100	(67,926)	–	–	(67,826)
Profit and total comprehensive income	–	648,883	–	–	648,883
Dividends	–	(752,671)	–	–	(752,671)
Balance at 31 December 2008	<u>100</u>	<u>(171,714)</u>	<u>–</u>	<u>–</u>	<u>(171,614)</u>
Profit and total comprehensive income	–	870,691	–	–	870,691
Dividends	–	(434,000)	–	–	(434,000)
Balance at 31 December 2009	<u>100</u>	<u>264,977</u>	<u>–</u>	<u>–</u>	<u>265,077</u>
Profit and total comprehensive income	–	1,024,898	–	–	1,024,898
Dividends	–	(731,200)	–	–	(731,200)
Balance at 31 December 2010	<u>100</u>	<u>558,675</u>	<u>–</u>	<u>–</u>	<u>558,775</u>
Profit and total comprehensive income	–	895,931	–	–	895,931
Reserve credit for equity-settled share-based payment	–	–	–	49,687	49,687
Dividends	–	(555,000)	–	–	(555,000)
Purchase of own shares	(5)	(904,500)	5	–	(904,500)
Balance at 30 September 2011	<u><u>95</u></u>	<u><u>(4,894)</u></u>	<u><u>5</u></u>	<u><u>49,687</u></u>	<u><u>44,893</u></u>

The notes form part of this financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Year Ended</i> 31.12.08	<i>Year Ended</i> 31.12.09	<i>Year Ended</i> 31.12.10	<i>Period</i> 1.1.11 to 30.9.11
	£	£	£	£
Operating activities				
Profit before income tax	927,200	1,210,968	1,427,880	1,245,527
Depreciation and amortisation charges	76,948	58,654	42,239	25,994
Share-based payments charge	–	–	–	49,687
Finance costs	189,496	157,952	125,054	69,994
Finance income	(32,262)	(9,210)	(5,928)	(9,771)
Operating cash inflow before changes in working capital	<u>1,161,382</u>	<u>1,418,364</u>	<u>1,589,245</u>	<u>1,381,431</u>
(Increase)/Decrease in trade and other receivables	(125,686)	101,410	(26,728)	(159,401)
(Decrease)/Increase in trade and other payables	(19,909)	16,064	68,412	56,389
Cash generated from operations	<u>1,015,787</u>	<u>1,535,838</u>	<u>1,630,929</u>	<u>1,278,419</u>
Interest paid	(172,580)	(141,032)	(108,134)	(66,341)
Tax paid	(81,834)	(276,818)	(339,668)	(408,292)
Net cash from operating activities	<u>761,373</u>	<u>1,117,988</u>	<u>1,183,127</u>	<u>803,786</u>
Cash flows from investing activities				
Purchase of intangible fixed assets	(10,772)	–	–	–
Purchase of property, plant & equipment	(35,633)	(2,030)	(379)	–
Sale of property, plant & equipment	18,619	–	–	–
Interest received	32,262	9,210	5,928	9,771
Net cash from investing activities	<u>4,476</u>	<u>7,180</u>	<u>5,549</u>	<u>9,771</u>
Cash flows from financing activities				
New loans in the period	–	–	–	1,649,000
Loan repayments in the period	(417,173)	(420,474)	(467,496)	(951,971)
Share buyback	–	–	–	(5)
Share buyback	–	–	–	(904,495)
Amount introduced by directors	–	4,300	–	–
Amount withdrawn by directors	(2,150)	–	–	–
Equity dividends paid	(752,671)	(434,000)	(731,200)	(555,000)
Net cash used in financing activities	<u>(1,171,994)</u>	<u>(850,174)</u>	<u>(1,198,696)</u>	<u>(762,471)</u>
(Decrease)/Increase in cash and cash equivalents	(406,145)	274,994	(10,020)	51,086
Cash and cash equivalents at beginning of period	<u>736,948</u>	<u>330,803</u>	<u>605,797</u>	<u>595,777</u>
Cash and cash equivalents at end of period	<u><u>330,803</u></u>	<u><u>605,797</u></u>	<u><u>595,777</u></u>	<u><u>646,863</u></u>

The notes form part of this financial information.

1. ACCOUNTING POLICIES

Basis of preparation

The financial information has been prepared for the purposes of listing on the Alternative Investment Market and is a one-off project undertaken by the directors to satisfy the entry criteria. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the accounting policies that will be applied by the new Group in future reporting. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 1.

This financial information comprises the consolidated results, cashflows, changes in equity and financial position of Kilima Holdings Limited and its subsidiary undertakings for the periods ended 31 December 2008, 2009, 2010 and 30 September 2011. The financial information has been prepared in accordance with the requirements of the AIM rules and in accordance with this basis of preparation.

Kilima Holdings Limited has not adopted IFRS as adopted by the EU for the preparation of its statutory accounts and owing to its size, Kilima Holdings Limited is exempt from the requirement to prepare consolidated accounts. For the purpose of preparing this financial information, Kilima Holdings Limited has compiled specially prepared consolidated information. The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards adopted by the European Union ("IFRSs"). The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

The company has assumed a transition date of 1 January 2008 only for the purposes of preparing this historical financial information.

The goodwill balance arising on the historical acquisition of its subsidiary Belvoir Property Management UK Limited has been frozen as at this date, applying the transition exemption under IFRS 1. This balance has been adjusted for the reclassification of finance costs within borrowings and subject to an annual impairment test.

The company has elected to use a previous revaluation of the freehold property before the date of transition as the deemed cost at the date of revaluation. The property was revalued on 3 November 2005 by a RICS qualified surveyor. This revaluation has been treated as the deemed cost of the property as at that revaluation date and the buildings element of this cost subsequently depreciated from this date. The net book value of the property as at the date of transition was £385,304.

In November 2007, the group entered into a five year cap and collar agreement with its lender in order to maintain the interest rate on senior debt between a range of set rates and therefore reduce its exposure to fluctuations in market rates. The interest paid against the agreement in each of the periods has been disclosed in note 4. The agreement represents a derivative contract, the fair value of which has not been recognised in the Statement of Financial Position on the basis that management do not deem it to be material. Management have obtained valuations of the contract which show a notional liability of £48,380 at 31 December 2010 and £18,892 at 30 September 2011. The group's lenders have been unable to provide equivalent valuations for earlier periods.

This historical financial information does not constitute the first IFRS financial statements presented by Kilima Holdings Limited. The financial information does not contain the reconciliations from IFRS to UK GAAP since no UK GAAP consolidated accounts have been previously compiled or presented.

1. ACCOUNTING POLICIES – continued

Basis of consolidation

The group financial statements consolidate the financial statements of Kilima Holdings Limited and all its subsidiary undertakings at the period end. The financial statements of all subsidiary undertakings are coterminous with those of the parent company.

Acquisitions of companies that are consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities (including contingent liabilities) at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill. Pursuant to IFRS 3, goodwill is not amortised but instead is tested for impairment at least annually and written down only in the event of impairment.

All expenses, income, receivables, payables and provisions from transactions between consolidated companies are eliminated.

Revenue recognition

Revenue represents income from the sale of franchise licences, provision of training and ongoing support of the franchisees. Recharged income is recognised when costs are incurred. Service fees are invoiced to individual franchisees on a monthly basis in relation to a percentage of their turnover for any given month.

Revenue also includes fees generated by franchises operated within the group. These internal franchises invoice landlords on a monthly basis and so recognise the income during the period in which the work is carried out.

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 during the opening phase of the new office.

National Promotional Fund recharge is invoiced to franchise owners on a monthly basis and is calculated based on a percentage of the turnover of individual franchises. The fund is held internally for the purposes of promoting the brand to the benefit of all franchises. An element of the National Promotional Fund is recognised as income each month in respect of management fees for promoting the brand.

Goodwill

Goodwill (being the difference between the fair value of consideration paid and the fair value of the net assets at the date of acquisition) is capitalised. Goodwill is not amortised, but subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the income statement as it arises.

An impairment loss is recognised for the amount by which the carrying value of goodwill exceeds its value in use. To determine the value in use, management estimates expected future cash flows from trading operations and determines a suitable growth rate in order to calculate the present value of those cash flows. The discount factor reflects management's assessment of the risk profile of the business.

1. ACCOUNTING POLICIES – continued

Intangible assets

Intangible assets with a finite life are carried at cost less amortisation and any impairment losses. Intangible assets represent items which meet the recognition criteria of IAS 38, in that it is probable that future economic benefits attributable to the assets will flow to the entity and the cost can be measured reliably.

Amortisation of intangible assets is calculated over the following periods:

Franchises and licences	– 10 years straight line
Trademarks and software development	– 10 years straight line

Franchises relate to the purchase of a portfolio of landlords from a local letting agency in 2005 which are being amortised over 10 years. Franchises also include those which Belvoir have purchased and run in-house.

Property, plant and equipment

Freehold Property was valued in 2005 and this valuation is reflected in the opening balance figures. Under IAS16, the group has elected to freeze valuations at the transition date of 1 January 2008 at their opening values without further revaluation. The freeze value is therefore treated as the base point for future depreciation.

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 Property	– 2% Straight line
Plant & Machinery	– 20% Reducing balance
Fixtures & Fittings	– 20% Reducing balance
Equipment	– 20% Reducing balance

Income taxes

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. 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 profit/loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is

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 profit/loss on a straight line basis over the period of the lease.

1. ACCOUNTING POLICIES – continued

Cash and cash equivalents

Cash and cash equivalents are defined as cash balances in hand and in the bank (including short term cash deposits). The company routinely utilises short term bank overdraft facilities, which are repayable on demand, as an integral part of its cash management policy. As such these are included as a component of net cash and cash equivalents within the statement of cash flows.

Borrowing costs

Borrowing costs are recognised in profit/loss in the period in which they are incurred.

Financial assets

The group has only financial assets classified as loans and receivables.

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes 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), 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 administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. From time to time, the group elects to renegotiate the terms of trade receivables due from franchisees. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, where material the new expected cash flows are discounted at the original effective interest rate.

Financial liabilities

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs as well as any interest or coupon payable while the liability is outstanding.

1. ACCOUNTING POLICIES – continued

Share-based employee remuneration

The Group operated an equity-settled share-based remuneration plan for its senior management. The fair value of awards to employees that take the form of shares or rights to shares was recognised as an employee expense with a corresponding increase in equity. The fair value was measured at grant date and spread over the period during which the employees became unconditionally entitled to the options. The fair value of the options granted was measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. The Options were exercised prior to the voluntary liquidation of Kilima on 9 February 2012.

Critical accounting estimates and 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.

(a) Impairment of goodwill

The group is required to test, where indicators of impairment exist, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Key assumptions for the value in use calculation are described in note 9.

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

(c) 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 monthly MSF fee which is spread across the term of the franchise agreement.

National Promotional Fund recharge is invoiced to franchise owners on a monthly basis and is calculated based on the turnover of individual franchises. The income is taken directly to the balance sheet, as the business is acting as agent rather than principal in respect of this income stream. An element of the National Promotional Fund is recognised as income each month in respect of management fees for promoting the brand.

(d) Share options

The charge for equity-settled share-based payment is calculated in accordance with estimates and assumptions which are described in note 20. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Group's share price, expected dividend yields and risk free interest rates. The Directors draw upon a variety of external sources to aid them in the determination of the appropriate data to use in such calculations. The Options were exercised prior to the voluntary liquidation of Kilima on 9 February 2012.

2. SEGMENTAL REPORTING

As the chief operating decision maker reviews financial information for and makes decisions about the group's overall franchising business, the directors have identified a single operating segment, that of property lettings franchising. Management do not report on a geographical basis and no customers represent greater than 10 per cent. of total revenue in any of the periods reported. The directors believe there to be three material income streams which are split as follows:

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Management Service Fee	1,838,037	2,166,539	2,379,759	1,922,919
Grantham and CPM	579,764	374,593	446,055	268,943
Other	964,796	490,774	434,494	235,542
	<u>3,382,597</u>	<u>3,031,906</u>	<u>3,260,308</u>	<u>2,427,404</u>

3. EMPLOYEES AND DIRECTORS

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Wages and salaries	581,846	585,842	619,239	437,678
Social security costs	70,739	69,468	72,678	60,346
	<u>652,585</u>	<u>655,310</u>	<u>691,917</u>	<u>498,024</u>

Key management personnel are defined as directors and senior management of the group. Details of the remuneration of the key management personnel individually and in total are shown below:

	Salary (incl. bonus)	Share- based payments	Benefits in kind	Period to 30 September 2011 Total	Year to 31 December 2010 Total	Year to 31 December 2009 Total	Year to 31 December 2008 Total
M Goddard	38,418	–	1,148	39,566	152,544	153,433	152,201
S Goddard	18,166	–	1,966	20,132	58,108	60,002	57,175
A Goddard	30,862	–	–	30,862	61,983	74,317	78,636
D Gonsalves	66,721	49,508	14,957	131,186	72,863	64,063	68,938
C Chadwick	8,889	179	–	9,068	–	–	–
Total	<u>163,056</u>	<u>49,687</u>	<u>18,071</u>	<u>230,814</u>	<u>345,498</u>	<u>351,815</u>	<u>356,950</u>

4. NET FINANCE COSTS

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Finance income:				
Deposit account interest	25,912	545	111	2,934
Other similar income	6,350	8,665	5,817	6,837
	<u>32,262</u>	<u>9,210</u>	<u>5,928</u>	<u>9,771</u>
Finance costs:				
Bank interest	189,496	74,537	57,659	37,048
Derivative interest	–	83,415	67,395	32,946
	<u>189,496</u>	<u>157,952</u>	<u>125,054</u>	<u>69,994</u>
Net finance costs	<u>157,234</u>	<u>148,742</u>	<u>119,126</u>	<u>60,223</u>

5. PROFIT BEFORE INCOME TAX

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
The profit before income tax is stated after charging:				
Profit on disposal of property, plant and equipment	(2,340)	–	–	–
Depreciation – owned assets	25,255	26,392	24,542	15,491
Franchises and licences amortisation	41,184	32,262	17,697	10,503
Trademarks and software development amortisation	10,509	–	–	–
Auditors' remuneration	12,200	12,800	13,400	14,139
Operating lease expenditure	98,067	54,594	46,894	39,903

6. INCOME TAX

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Current tax	276,817	341,777	406,182	350,396
Deferred tax	1,500	(1,500)	(3,200)	(800)
Total tax charge in income statement	278,317	340,277	402,982	349,596

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Profit on ordinary activities before tax	927,200	1,210,96	1,427,880	1,245,527
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010/2009/2008 – 28%)	259,616	339,071	399,806	323,837
Effects of:				
Expenses not deductible for tax purposes	11,409	10,573	5,659	15,519
Tax chargeable at different rates	(4,669)	(4,100)	(772)	8,760
Depreciation in excess of capital allowances	(1,241)	1,041	1,259	2,280
Adjustment in respect of prior periods	–	(9,921)	(2,110)	–
Amortisation not deductible for tax purposes	11,376	5,113	2,340	–
Chargeable gain on equipment disposal	326	–	–	–
Total current tax	276,817	341,777	406,182	350,396
Deferred tax	1,500	(1,500)	(3,200)	(800)
Total tax charge in income statement	278,317	340,277	402,982	349,596

7. DIVIDENDS

	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Ordinary shares of £1 each Interim	752,671	434,000	731,200	555,000

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. The fair value of the share options at the grant date is equal to the exercise price and therefore there is no dilutive effect.

Reconciliations are set out below.

	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£
Weighted average number of shares	100	100	100	100
Earnings attributable to ordinary shareholders	648,883	870,691	1,024,898	895,931
Basic and diluted earnings per share	6,489	8,707	10,249	8,959

9. GOODWILL

Group

£

COST

At 1 January 2008, 31 December 2008, 31 December 2009, 31 December 2010 and 30 September 2011

999,591

NET BOOK VALUE

At 1 January 2008

999,591

At 31 December 2008

999,591

At 31 December 2009

999,591

At 31 December 2010

999,591

At 30 September 2011

999,591

The carrying amount of goodwill relates entirely to one cash generating unit, which arose on the purchase of Belvoir Property Management UK Limited and reflects the difference between the fair value of consideration transferred and the fair value of assets and liabilities purchased. Goodwill is assessed for impairment by comparing the carrying value to value in use calculations. Values have been estimated using cash flow projections based on detailed budgets and four year forecasts. The budgets/forecasts are based on historical data and the past experience of the directors in this sector as well as the future plans of the business. The discount rate applied was 14% (2010 – 10%, 2009 – 14%, 2008 – 12%), which the directors deem to be the weighted average cost of capital. The directors do not consider goodwill to be impaired. The directors believe that no reasonably possible change assumptions will cause the value in use to fall below the carrying value and hence impair the goodwill.

10. INTANGIBLE ASSETS

Group

	<i>Franchises and licences</i> £	<i>Trademarks and software development</i> £	<i>Totals</i> £
COST			
At 1 January 2008	311,839	141,317	453,156
Additions	10,772	–	10,772
At 31 December 2008	322,611	141,317	463,928
Disposals	–	(141,317)	(141,317)
At 31 December 2009, 31 December 2010 and 30 September 2011	<u>322,611</u>	<u>–</u>	<u>322,611</u>
AMORTISATION			
At 1 January 2008	175,472	130,808	306,280
Amortisation for year	41,184	10,509	51,693
At 31 December 2008	216,656	141,317	357,973
Amortisation for year	32,262	–	32,262
Eliminated on disposal	–	(141,317)	(141,317)
At 31 December 2009	248,918	–	248,918
Amortisation for year	17,697	–	17,697
At 31 December 2010	266,615	–	266,615
Amortisation for period	10,503	–	10,503
At 30 September 2011	<u>277,118</u>	<u>–</u>	<u>277,118</u>
NET BOOK VALUE			
At 1 January 2008	<u>136,367</u>	<u>10,509</u>	<u>146,876</u>
At 31 December 2008	<u>105,955</u>	<u>–</u>	<u>105,955</u>
At 31 December 2009	<u>73,693</u>	<u>–</u>	<u>73,693</u>
At 31 December 2010	<u>55,996</u>	<u>–</u>	<u>55,996</u>
At 30 September 2011	<u>45,493</u>	<u>–</u>	<u>45,493</u>

11. PROPERTY, PLANT AND EQUIPMENT

Group

	<i>Freehold Property</i> £	<i>Plant and machinery</i> £	<i>Fixtures and fittings</i> £	<i>Office equipment</i> £	<i>Totals</i> £
COST					
At 1 January 2008	385,304	181,309	52,237	2,737	621,587
Additions	–	–	9,715	25,918	35,633
Disposals	–	–	(2,921)	(16,869)	(19,790)
As at 31 December 2008	385,304	181,309	59,031	11,786	637,430
Additions	–	–	2,030	–	2,030
As at 31 December 2009	385,304	181,309	61,061	11,786	639,460
Additions	–	–	379	–	379
As at 31 December 2010 and 30 September 2011	<u>385,304</u>	<u>181,309</u>	<u>61,440</u>	<u>11,786</u>	<u>639,839</u>
DEPRECIATION					
At 1 January 2008	–	98,501	14,724	696	113,921
Charge for year	4,706	12,421	6,408	1,720	25,255
Eliminated on disposal	–	–	(24)	(1,147)	(1,171)
As at 31 December 2008	4,706	110,922	21,108	1,269	138,005
Charge for year	4,706	14,077	5,841	1,768	26,392
As at 31 December 2009	9,412	124,999	26,949	3,037	164,397
Charge for year	4,706	4,692	14,620	524	24,542
As at 31 December 2010	14,118	129,691	41,569	3,561	188,939
Charge for period	3,530	7,744	2,982	1,235	15,491
As at 30 September 2011	<u>17,648</u>	<u>137,435</u>	<u>44,551</u>	<u>4,796</u>	<u>204,430</u>
NET BOOK VALUE					
At 1 January 2008	<u>385,304</u>	<u>82,808</u>	<u>37,513</u>	<u>2,041</u>	<u>507,666</u>
At 31 December 2008	<u>380,598</u>	<u>70,387</u>	<u>37,923</u>	<u>10,517</u>	<u>499,425</u>
At 31 December 2009	<u>375,892</u>	<u>56,310</u>	<u>34,112</u>	<u>8,749</u>	<u>475,063</u>
At 31 December 2010	<u>371,186</u>	<u>51,618</u>	<u>19,871</u>	<u>8,225</u>	<u>450,900</u>
At 30 September 2011	<u>367,656</u>	<u>43,874</u>	<u>16,889</u>	<u>6,990</u>	<u>435,409</u>

12. TRADE AND OTHER RECEIVABLES

Group

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Current					
Trade receivables	69,210	114,186	77,733	84,641	79,168
Prepayments and accrued income	279,280	203,717	202,085	234,683	361,000
Loans to franchisees due less than one year	23,282	124,955	62,752	67,548	59,488
Directors' current accounts	2,150	4,300	–	–	–
	<u>373,922</u>	<u>447,158</u>	<u>342,570</u>	<u>386,872</u>	<u>499,656</u>

Trade receivables are stated net of bad debt provisions of £Nil (2010 – £9,670, 2009 – £30,453, 2008 – £Nil, 01.01.08 – £30,659). The movement in the provision has been recognised in profit/loss.

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

Group

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Non-current receivables					
Loans to franchisees due greater than one year	16,051	70,651	69,529	51,955	98,572
	<u>16,051</u>	<u>70,651</u>	<u>69,529</u>	<u>51,955</u>	<u>98,572</u>

Ageing of trade receivables

Some of the unimpaired trade receivables are past due at the reporting date. Information on financial assets past due but not impaired are as follows:

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Of which:					
Not more than three months	68,861	62,729	73,879	46,408	27,908
More than three months but not more than six months	349	37,646	3,854	19,386	11,269
More than six months but not more than one year	–	13,811	–	17,674	12,379
More than one year	–	–	–	1,173	27,612
	<u>69,210</u>	<u>114,186</u>	<u>77,733</u>	<u>84,641</u>	<u>79,168</u>

Other debtors and loans to franchisees do not contain impaired assets.

Movements in bad debt provision

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Balance at 1 January	–	30,659	–	30,453	9,670
Provided during the year	30,659	–	30,453	9,670	–
Released to income statement	–	(30,659)	–	(30,453)	(9,670)
Balance carried forward	<u>30,659</u>	<u>–</u>	<u>30,453</u>	<u>9,670</u>	<u>–</u>

13. CASH AND CASH EQUIVALENTS

Group

	01.01.08 £	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
Bank accounts	736,948	330,803	605,797	595,777	646,863
	<u>736,948</u>	<u>330,803</u>	<u>605,797</u>	<u>595,777</u>	<u>646,863</u>

14. CALLED UP SHARE CAPITAL

Authorised:

<i>Number:</i>	<i>Class:</i>	<i>Nominal value:</i>	01.01.08 £	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
100	Ordinary shares	£1	100	100	100	100	100
			<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Allotted issued and fully paid:

<i>Number:</i>	<i>Class:</i>	<i>Nominal value:</i>	01.01.08 £	31.12.08 £	31.12.09 £	31.12.10 £	30.9.11 £
100 (2011: 95)	Ordinary shares	£1	100	100	100	100	100
			<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

In the period to 30 September 2011 a shareholder of the company made his shareholding available for purchase. During the period the company acquired 5 £1 Ordinary shares, representing 5 per cent. of all issued share capital, for £900,000.

Capital management policy

Management considers capital to be the carrying amount of equity and long term debt. The group manages its capital to ensure its operations are adequately provided for, while maximising the return to shareholders through the effective management of its resources. The principal financial risks faced by the group are liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks. These policies remain unchanged from previous periods:

Capital risk management: The group's objectives when managing capital are to safeguard its ability to service bank borrowings and continue as a going concern and so provide returns for shareholders. The group meets its objectives by aiming to achieve growth which will generate regular and increasing returns to the shareholders.

The group manages the capital structure and makes changes in light of changes in economic conditions. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders. During 2011, the group's strategy was to continue to service and reduce the long-term debt finance currently held. Net debt at 30 September 2011 was £1,181,457 (2010 – £531,861, 2009 – £972,417, 2008 – £1,650,965, 01.01.08 – £1,645,077).

15. TRADE AND OTHER PAYABLES

Group

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Current:					
Trade creditors	57,737	79,760	38,211	59,209	143,466
Other taxes and social security	101,579	116,590	131,888	134,437	160,205
Other creditors	(6,200)	(9,533)	(6,120)	(12,343)	7,594
Accruals and deferred income	217,303	163,693	202,595	253,683	180,110
	<u>370,419</u>	<u>350,510</u>	<u>366,574</u>	<u>434,986</u>	<u>491,375</u>

Included within accruals and deferred income is a balance relating to the National Promotional Fund (NPF) for the promoting of the Belvoir brand. The business collects the funds on a monthly basis from the franchises based on a percentage of their turnover and takes the balance directly to the statement of financial position. Any subsequent expenditure in relation to promoting the company is offset against this pool of funds. Each month, a management charge of 20 per cent. of that months total NPF is recognised as revenue in the group.

16. FINANCIAL LIABILITIES – BORROWINGS

Group

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Current:					
Bank loans	361,847	420,468	457,984	495,499	483,585
	<u>361,847</u>	<u>420,468</u>	<u>457,984</u>	<u>495,499</u>	<u>483,585</u>
Non-current:					
Bank loans	2,020,178	1,561,300	1,120,230	632,139	1,344,735
	<u>2,020,178</u>	<u>1,561,300</u>	<u>1,120,230</u>	<u>632,139</u>	<u>1,344,735</u>

Terms and debt repayment schedule:

Group

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
In less than one year:					
Bank borrowings	361,847	420,468	457,984	495,499	483,585
In more than one year but less than two years:					
Bank borrowings	420,475	467,502	525,590	538,294	470,473
In more than two years but less than five years:					
Bank borrowings	1,501,289	1,079,587	610,607	109,486	925,262
In more than five years:					
Bank borrowings	164,811	63,692	16,594	–	–
	<u>2,448,422</u>	<u>2,031,249</u>	<u>1,610,775</u>	<u>1,143,279</u>	<u>1,879,320</u>
Deferred arrangement costs	(66,397)	(49,481)	(32,561)	(15,641)	(51,000)
	<u>2,382,025</u>	<u>1,981,768</u>	<u>1,578,214</u>	<u>1,127,638</u>	<u>1,828,320</u>

The bank loans and overdrafts are secured with fixed and floating charges over the group assets. The loans are being repaid over varying periods between 4 and 14 years, in equal instalments. Interest is charged monthly on the outstanding amount of the loans, at rates which track 2.3 per cent. – 2.5 per cent. above

Bank of England base rate and 4.5 per cent. above LIBOR. The bank loans are shown net of associated loan arrangement costs which are being amortised over the term of the loans. In the event of a change of control, sale or flotation, the bank have the right to demand full repayment of the loans.

17. LEASING AGREEMENTS

Group

	<i>Non-cancellable operating leases</i>			
	<i>31.12.08</i>	<i>31.12.09</i>	<i>31.12.10</i>	<i>30.9.11</i>
	£	£	£	£
Within one year	72,786	39,992	35,475	49,817
Between one and five years	102,767	68,608	45,213	41,505
More than five years	5,833	–	–	–
	<u>181,386</u>	<u>108,600</u>	<u>80,688</u>	<u>91,322</u>

The lease arrangements above consist of those relating to land and buildings, motor vehicles and office equipment.

18. DEFERRED TAX

Group

	<i>01.01.08</i>	<i>31.12.08</i>	<i>31.12.09</i>	<i>31.12.10</i>	<i>30.9.11</i>
	£	£	£	£	£
Balance at beginning of period	18,000	14,600	16,100	14,600	11,400
Movement during the period	(3,400)	1,500	(1,500)	(3,200)	(800)
Balance at end of period	<u>14,600</u>	<u>16,100</u>	<u>14,600</u>	<u>11,400</u>	<u>10,600</u>

Deferred taxation has been provided as follows:

	<i>01.01.08</i>	<i>31.12.08</i>	<i>31.12.09</i>	<i>31.12.10</i>	<i>30.9.11</i>
	£	£	£	£	£
Accelerated capital allowances	14,600	16,100	14,600	11,400	10,600
	<u>14,600</u>	<u>16,100</u>	<u>14,600</u>	<u>11,400</u>	<u>10,600</u>

19. FINANCIAL INSTRUMENTS

Financial instruments – Risk Management

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

Credit risk
Liquidity risk
Interest rate 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 as follows:

- receivables
- loans to franchisees
- cash at bank
- trade and other payables
- bank loans

Financial assets

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Loans and receivables:					
Trade debtors	69,210	114,186	77,733	84,641	79,168
Other debtors	279,280	203,717	202,085	234,683	361,000
Loans to franchisees	39,333	195,606	132,281	119,503	158,060
Directors' current accounts	2,150	4,300	–	–	–
Cash and cash equivalents	736,948	330,803	605,797	595,777	646,863
	<u>1,126,921</u>	<u>848,612</u>	<u>1,017,896</u>	<u>1,034,604</u>	<u>1,245,091</u>

Financial liabilities

Financial liabilities measured at amortised cost:

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
Other financial liabilities:					
Trade creditors	57,737	79,760	38,211	59,209	143,466
Other creditors	(6,200)	(9,533)	(6,120)	(12,343)	7,594
Bank loans – current	361,847	420,468	457,984	495,499	483,585
Bank loans – non-current	2,020,178	1,561,300	1,120,230	632,139	1,344,735
	<u>2,433,562</u>	<u>2,051,995</u>	<u>1,610,305</u>	<u>1,174,504</u>	<u>1,979,380</u>

Maturity analysis of financial liabilities:

	01.01.08	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£	£
In less than one year:					
Trade creditors	57,737	79,760	38,211	59,209	143,466
Other creditors	(6,200)	(9,533)	(6,120)	(12,343)	7,594
Bank borrowings	<u>575,630</u>	<u>575,630</u>	<u>575,630</u>	<u>575,630</u>	<u>487,659</u>
	627,167	645,857	607,721	622,496	638,719
In more than one year but less than five years:					
Bank borrowings	2,258,574	1,731,231	1,203,887	648,377	1,403,763
In more than five years:					
Bank borrowings	<u>116,691</u>	<u>68,408</u>	<u>20,119</u>	<u>–</u>	<u>–</u>
	<u>3,002,432</u>	<u>2,445,496</u>	<u>1,831,727</u>	<u>1,270,873</u>	<u>2,042,482</u>

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

General objectives, policies and processes

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

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 group'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.

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.

Interest rate risk

The group's exposure to changes in interest rate risk relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the group on an on-going basis with the primary objective of limiting the effect of an adverse movement in interest rates. The directors monitor movements in interest rates and also have a cap and collar hedging arrangement. The cap and collar arrangement maintains interest rates on the senior debt between a range of set rates to minimise the effect of fluctuations. This ensures that long term borrowings are at competitive market rates. Four year cash flow forecasts (historically prepared on a one year rolling basis) are also produced to ensure the bank loan covenants are not broken on a month by month basis.

Interest rate sensitivity

The table below illustrates the hypothetical sensitivity of the Group's reported profit to a 1 per cent. increase and decrease in interest rates. The sensitivity of 1 per cent. represents the directors' assessment of a possible fluctuation. A positive number represents an increase in profit.

	31.12.08	31.12.09	31.12.10	30.9.11
	£	£	£	£
Increases by 1%	(22,779)	(18,613)	(14,160)	(9,974)
Decreases by 1%	22,779	18,613	14,160	9,974

Fair values of financial instruments

The fair value of financial assets and liabilities is considered the same as the carrying values.

20. SHARE BASED EMPLOYEE REMUNERATION

Enterprise Management Incentive Share Option Scheme (“EMI”)

During the period to 30 September 2011, the group implemented an Enterprise Management Incentive (“EMI”) scheme the terms of which provided that all options would be settled in equity. The EMI was granted as part of the remuneration package of the Group’s senior management. Options granted under the EMI Share Option Scheme had no performance conditions, however certain criteria, as set out in the scheme had to be met.

The criteria were based on the Group successfully listing on the Alternative Investment Market and allowed the option to be exercised at a placing after listing or during the exercise period which was from the second anniversary of listing to the end of the option period. There were options in respect of 7 ordinary shares, granted during the period to 30 September 2011 and 2 of these had no vesting period and were not reliant upon listing therefore their fair value is taken to profit and loss immediately.

The maximum term of the options granted under the EMI scheme was 10 years from the grant date. Upon vesting, each option allowed the holder to purchase one ordinary share at a discounted exercise price of £28,500.

The fair values of options granted were determined using the Black-Scholes option pricing model which takes into account factors specific to share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

Grant date	28.09.11
Vesting period ends	31.12.13
Share price at grant date	28,500
Volatility	11.70%
Option life	10 years
Dividend yield	6.37%
Risk free interest rate	0.55%
Exercise price at grant date	28,500

The underlying expected volatility was determined by reference to the historical data of a similar listed company.

In total, £49,687 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) was included in profit or loss and credited to equity.

The EMI Scheme also provided that the options could be exercised at the exercise price in the event of any voluntary winding up of Kilima. As such the option holders exercised their options prior to the voluntary liquidation of Kilima on 9 February 2012. Further details of the voluntary liquidation of Kilima are set out in paragraph 11 of Part 1 of this document.

21. RELATED PARTY DISCLOSURES

M J S Goddard, company director, gave a personal guarantee limited to £150,000 (31.12.10: £150,000, 30.9.10 – £150,000) in respect of the company’s bank borrowings which was released on 10 February 2012.

During the period the company paid sponsorship fees of £3,800 (31.12.10: £4,800, 30.9.10: £3,600) to James Goddard, son of M J S Goddard, company director. At the period end £Nil (31.12.10: £Nil, 30.9.10: £Nil) remained outstanding.

SECTION C: ADDITIONAL FINANCIAL INFORMATION

KILIMA HOLDINGS LIMITED

The consolidated unaudited historical financial information contained in this Section C for the period 1 January 2010 to 30 September 2010 which is extracted from unaudited management information has been prepared solely for the purposes of this AIM Admission document.

The consolidated historical financial information for the year ended 31 December 2010 and the period 1 January 2011 to 30 September 2011 is shown for comparative purposes only.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	<i>Period</i>	<i>Period</i>	<i>Year Ended</i>
	<i>1.1.11</i>	<i>1.1.10</i>	<i>31.12.10</i>
	<i>to</i>	<i>to</i>	<i>31.12.10</i>
	<i>30.9.11</i>	<i>30.9.10</i>	<i>31.12.10</i>
<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
	<i>(unaudited)</i>		
CONTINUING OPERATIONS			
Revenue	2,427,404	2,419,555	3,260,308
Cost of sales	–	–	–
	<u>2,427,404</u>	<u>2,419,555</u>	<u>3,260,308</u>
GROSS PROFIT	2,427,404	2,419,555	3,260,308
Administrative expenses	(1,071,967)	(1,272,960)	(1,713,302)
Share-based payments charge	(49,687)	–	–
	<u>1,305,750</u>	<u>1,146,595</u>	<u>1,547,006</u>
OPERATING PROFIT	1,305,750	1,146,595	1,547,006
Finance costs	3 (69,994)	(97,356)	(125,054)
Finance income	3 9,771	4,267	5,928
	<u>1,245,527</u>	<u>1,053,506</u>	<u>1,427,880</u>
PROFIT BEFORE INCOME TAX	1,245,527	1,053,506	1,427,880
Income tax	5 (349,596)	(292,150)	(402,982)
	<u>895,931</u>	<u>761,356</u>	<u>1,024,898</u>
PROFIT FOR THE PERIOD	895,931	761,356	1,024,898
Profit attributable to:			
Owners of the parent	<u>895,931</u>	<u>761,356</u>	<u>1,024,898</u>
Total comprehensive income attributable to:			
Owners of the parent	<u>895,931</u>	<u>761,356</u>	<u>1,024,898</u>
Earnings per share expressed in pence per share:			
Basic and diluted	7 <u>8,959</u>	<u>7,614</u>	<u>10,249</u>

The notes form part of this financial information.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

	<i>Notes</i>	<i>As at 30.9.11 £</i>	<i>As at 30.9.10 £ (unaudited)</i>	<i>As at 31.12.10 £</i>
ASSETS				
NON-CURRENT ASSETS				
Goodwill		999,591	999,591	999,591
Intangible assets		45,493	59,497	55,996
Property, plant and equipment		435,409	456,657	450,900
Trade and other receivables	8	98,572	61,425	51,955
		<u>1,579,065</u>	<u>1,577,170</u>	<u>1,558,442</u>
CURRENT ASSETS				
Trade and other receivables	8	499,656	385,263	386,872
Cash and cash equivalents		646,863	939,972	595,777
		<u>1,146,519</u>	<u>1,325,235</u>	<u>982,649</u>
TOTAL ASSETS		<u><u>2,725,584</u></u>	<u><u>2,902,405</u></u>	<u><u>2,541,091</u></u>
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital	9	95	100	100
Share-based payments reserve		49,687	–	–
Capital redemption reserve		5	–	–
Retained earnings		(4,894)	562,633	558,675
TOTAL EQUITY		<u>44,893</u>	<u>562,733</u>	<u>558,775</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Financial liabilities – borrowings				
Interest bearing loans and borrowings	11	1,344,735	746,039	632,139
Deferred tax		10,600	14,300	11,400
		<u>1,355,335</u>	<u>760,339</u>	<u>643,539</u>
CURRENT LIABILITIES				
Trade and other payables	10	491,375	437,375	434,986
Financial liabilities – borrowings				
Interest bearing loans and borrowings	11	483,585	497,808	495,499
Tax payable		350,396	644,150	408,292
		<u>1,325,356</u>	<u>1,579,333</u>	<u>1,338,777</u>
TOTAL LIABILITIES		<u>2,680,691</u>	<u>2,339,672</u>	<u>1,982,316</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,725,584</u></u>	<u><u>2,902,405</u></u>	<u><u>2,541,091</u></u>

The notes form part of this financial information.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	<i>Share capital</i> £	<i>Retained earnings</i> £	<i>Capital Redemption reserve</i> £	<i>Share-based payment reserve</i> £	<i>Total equity</i> £
Balance at 1 January 2010	100	264,977	–	–	265,077
Profit and total comprehensive income	–	761,356	–	–	761,356
Dividends	–	(463,700)	–	–	(463,700)
Balance at 30 September 2010	<u>100</u>	<u>562,633</u>	<u>–</u>	<u>–</u>	<u>562,733</u>
Profit and total comprehensive income	–	263,542	–	–	263,542
Dividends	–	(267,500)	–	–	(267,500)
Balance at 31 December 2010	<u>100</u>	<u>558,675</u>	<u>–</u>	<u>–</u>	<u>558,775</u>
Profit and total comprehensive income	–	895,931	–	–	895,931
Reserve credit for equity-settled share-based payments	–	–	–	49,687	49,687
Dividends	–	(555,000)	–	–	(555,000)
Purchase of own shares	(5)	(904,500)	5	5	(904,500)
Balance at 30 September 2011	<u><u>95</u></u>	<u><u>(4,894)</u></u>	<u><u>5</u></u>	<u><u>49,692</u></u>	<u><u>44,893</u></u>

The notes form part of this financial information.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	<i>Period 1.1.11 to 30.9.11 £</i>	<i>Period 1.1.10 to 30.9.10 £</i>	<i>Year Ended 31.12.10 £</i>
		<i>(unaudited)</i>	
Operating activities			
Profit before income tax	1,245,527	1,053,506	1,427,880
Depreciation and amortisation charges	25,994	32,603	42,239
Share-based payments charge	49,687	–	–
Finance costs	69,994	97,356	125,054
Finance income	(9,771)	(4,267)	(5,928)
	<hr/>	<hr/>	<hr/>
Operating cash inflow before changes in working capital	1,381,431	1,179,198	1,589,245
(Increase)/Decrease in trade and other receivables	(159,401)	(34,589)	(26,728)
(Decrease)/Increase in trade and other payables	56,389	70,801	68,412
	<hr/>	<hr/>	<hr/>
Cash generated from operations	1,278,419	1,215,410	1,630,929
Interest paid	(66,341)	(84,666)	(108,134)
Tax paid	(408,292)	9,922	(339,668)
	<hr/>	<hr/>	<hr/>
Net cash from operating activities	803,786	1,140,666	1,183,127
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant & equipment	–	–	(379)
Interest received	9,771	4,267	5,928
	<hr/>	<hr/>	<hr/>
Net cash from investing activities	9,771	4,267	5,549
	<hr/>	<hr/>	<hr/>
Cash flows from financing activities			
New loans in the period	1,649,000	–	–
Loan repayments in the period	(951,971)	(347,058)	(467,496)
Share buyback	(5)	–	–
Share buyback	(904,495)	–	–
Equity dividends paid	(555,000)	(463,700)	(731,200)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(762,471)	(810,758)	(1,198,696)
	<hr/>	<hr/>	<hr/>
(Decrease)/Increase in cash and cash equivalents	51,086	334,175	(10,020)
Cash and cash equivalents at beginning of period	595,777	605,797	605,797
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>646,863</u>	<u>939,972</u>	<u>595,777</u>

The notes form part of this financial information.

**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

1. ACCOUNTING POLICIES

Basis of preparation

The accounting policies applied in this consolidated historical financial information are consistent with those of the historical financial information contained in Section B of this Part 3.

2. SEGMENTAL REPORTING

As the chief operating decision maker reviews financial information for and makes decisions about the group's overall franchising business, the directors have identified a single operating segment, that of property lettings franchising. The operations of the company are not subject to seasonal fluctuations. Management do not report on a geographical basis and no customers individually represent more than 10 per cent. of total revenue.

3. NET FINANCE COSTS

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Finance income:			
Deposit account interest	2,934	1,204	111
Other similar income	6,837	3,063	5,817
	<u>9,771</u>	<u>4,267</u>	<u>5,928</u>
Finance costs:			
Bank interest	69,994	97,356	125,054
Net finance costs	<u>60,223</u>	<u>93,089</u>	<u>119,126</u>

4. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Profit on disposal of property, plant and equipment	–	–	–
Depreciation – owned assets	15,491	18,406	24,542
Franchises and licences amortisation	10,503	14,196	17,697
Trademarks and software development amortisation	–	–	–
Auditors' remuneration	14,139	14,914	13,400
Operating lease expenditure	<u>39,903</u>	<u>36,384</u>	<u>46,894</u>

5. INCOME TAX

	30.9.11 £	30.9.10 £	31.12.10 £
		<i>(unaudited)</i>	
Current tax	350,396	292,450	406,182
Deferred tax	(800)	(300)	(3,200)
Total tax charge in income statement	<u>349,596</u>	<u>292,150</u>	<u>402,982</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	30.9.11 £	30.9.10 £	31.12.10 £
		<i>(unaudited)</i>	
Profit on ordinary activities before tax	1,245,527	1,053,506	1,427,880
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010/2009/2008 – 28%)	323,837	294,982	399,806
Effects of:			
Expenses not deductible for tax purposes	15,519	2,800	5,659
Tax chargeable at lower rates	8,760	(7,566)	(772)
Depreciation in excess of capital allowances	2,280	2,234	1,259
Adjustment in respect of prior periods	–	–	(2,110)
Amortisation not deductible for tax purposes	–	–	2,340
Total current tax	350,396	292,450	406,182
Deferred tax	(800)	(300)	(3,200)
Total tax charge in income statement	<u>349,596</u>	<u>292,150</u>	<u>402,982</u>

6. DIVIDENDS

	30.9.11 £	30.9.10 £	31.12.10 £
		<i>(unaudited)</i>	
Ordinary shares of £1 each			
Interim	<u>555,000</u>	<u>463,700</u>	<u>731,200</u>

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. The fair value of the share options at the grant date is equal to the exercise price and therefore there is no dilutive effect.

Reconciliations are set out below:

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Weighted average number of shares	100	100	100
Earnings attributable to ordinary shareholders	895,931	761,356	1,024,898
Basic and diluted earnings per share	8,959	7,614	10,249

8. TRADE AND OTHER RECEIVABLES

Group

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Current			
Trade receivables	79,168	81,384	84,641
Prepayments and accrued income	361,000	266,019	234,683
Loans to franchisees due less than one year	59,488	37,860	67,548
	499,656	385,263	386,872

Trade receivables are stated net of bad debt provisions of £Nil (31.12.10 – £9,670, 30.9.10 – £5,533). The movement in the provision has been recognised in the statement of comprehensive income.

Group

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Non-current receivables			
Loans to franchisees due greater than one year	98,572	61,425	51,955
	98,572	61,425	51,955

Ageing of trade receivables

Some of the unimpaired trade receivables are past due at the reporting date. Information on financial assets past due but not impaired are as follows:

	30.9.11 £	30.9.10 £	31.12.10 £
		(unaudited)	
Of which:			
Not more than three months	27,908	49,978	46,408
More than three months but not more than six months	11,269	11,236	19,386
More than six months but not more than one year	12,379	18,569	17,674
More than one year	27,612	1,601	1,173
	<u>79,168</u>	<u>81,384</u>	<u>84,641</u>

Other debtors and loans to franchisees do not contain impaired assets.

Movements in bad debt provision

	30.9.11 £	30.9.10 £	31.12.10 £
		(unaudited)	
Balance at 1 January	9,670	30,453	30,453
Provided during the year	–	5,533	9,670
Released to income statement	(9,670)	(30,453)	(30,453)
Balance carried forward	<u>–</u>	<u>5,533</u>	<u>9,670</u>

9. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	30.9.11 £	30.9.10 £	31.12.10 £
				(unaudited)	
100	Ordinary shares	£1	<u>100</u>	<u>100</u>	<u>100</u>

Allotted issued and fully paid:

Number:	Class:	Nominal value:	30.9.11 £	30.9.10 £	31.12.10 £
				(unaudited)	
100 (2011 : 95)	Ordinary shares	£1	<u>95</u>	<u>100</u>	<u>100</u>

In the period to 30 September 2011 a shareholder of the company made his shareholding available for purchase. During the period the company acquired 5 £1 Ordinary shares, representing 5% of all issued share capital, for £900,000.

10. TRADE AND OTHER PAYABLES

Group

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Current:			
Trade creditors	143,466	29,853	59,209
Other taxes and social security	160,205	127,653	134,437
Other creditors	7,594	96,252	(12,343)
Accruals and deferred income	180,110	183,617	253,683
	<u>491,375</u>	<u>437,375</u>	<u>434,986</u>

Included within accruals and deferred income is a balance relating to the National Promotional Fund (NPF) for the promoting of the Belvoir brand. The business collects the funds on a monthly basis from the franchises based on a percentage of their turnover and takes the balance directly to the statement of financial position. Any subsequent expenditure in relation to promoting the company is offset against this pool of funds. Each month, a management charge of 20 per cent. of that months total NPF is recognised as revenue in the group.

11. FINANCIAL LIABILITIES – BORROWINGS

Group

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
Current:			
Bank loans	483,585	497,808	495,499
	<u>483,585</u>	<u>497,808</u>	<u>495,499</u>
Non-current:			
Bank loans	1,344,735	746,039	632,139
	<u>1,344,735</u>	<u>746,039</u>	<u>632,139</u>

Terms and debt repayment schedule:

Group

	30.9.11 £	30.9.10 £ <i>(unaudited)</i>	31.12.10 £
In less than one year:			
Bank borrowings	483,585	497,808	495,499
In more than one year but less than two years:			
Bank borrowings	470,473	560,920	538,294
In more than two years but less than five years:			
Bank borrowings	925,262	204,990	109,486
In more than five years:			
Bank borrowings	–	–	–
	<u>1,879,320</u>	<u>1,263,718</u>	<u>1,143,279</u>
Deferred arrangement costs	(51,000)	(19,871)	(15,641)
	<u>1,828,320</u>	<u>1,243,847</u>	<u>1,127,638</u>

The bank loans and overdrafts are secured with fixed and floating charges over the group assets. The loans are being repaid over varying periods between 4 and 14 years, in equal installments. Interest is charged monthly on the outstanding amount of the loans, at rates which track 2.3 per cent. – 2.5 per cent. above

Bank of England base rate and 4.5 per cent. above LIBOR. The bank loans are shown in the financial statements net of £51,000 of associated loan arrangement costs which are being amortised over the term of the loans. In the event of a change of control, sale or floatation, the bank have the right to demand full repayment of the loans.

12. RELATED PARTY DISCLOSURES

M J S Goddard, company director, gave a personal guarantee limited to £150,000 (31.12.10: £150,000, 30.9.10 – £150,000) in respect of the company's bank borrowings which was released on 10 February 2012.

During the period the company paid sponsorship fees of £3,800 (31.12.10: £4,800, 30.9.10: £3,600) to James Goddard, son of M J S Goddard, company director. At the period end £Nil (31.12.10: £Nil, 30.9.10: £Nil) remained outstanding.

PART 4

UNITED KINGDOM TAXATION

The following paragraphs are intended as a general summary for individual Shareholders who are domiciled, resident and ordinarily resident in the United Kingdom for tax purposes and who hold Ordinary Shares in the Company as investments (rather than as dealing stock). The summary does not apply to shareholders who acquire Ordinary Shares following the exercise of a share option or otherwise in connection with their employment. This summary is based on existing tax legislation and current HMRC practice. Any person who is in any doubt as to his tax position, whether in the United Kingdom or in any other jurisdiction in which he may be liable to tax, and any person subject to tax in any other jurisdiction should consult, and rely upon, the advice of his own professional adviser in respect of the tax consequences of an investment in the Ordinary Shares.

1. Taxation of Dividends

- 1.1 Under current United Kingdom tax legislation, no taxation should be withheld at source from dividend payments made by the Company to its Shareholders.
- 1.2 For UK tax resident individuals, dividends are treated as income and taxed at the top slice of that income subject to and with the benefit of a tax credit equivalent to 1/9th of the net dividend. The effect of the tax credit means that for tax year 2011/2012 a basic rate tax payer has a tax rate of 10 per cent. applying to the gross dividend (the gross dividend being equal to the sum of the dividend amount paid to the tax payer plus the 1/9th tax credit) but as this is met by the tax credit there is no further liability to tax. Higher rate tax payers are liable to pay tax at a tax rate of 32.5 per cent. on that part of the gross dividend falling above the higher rate limit and an additional rate tax payer a tax rate of 42.5 per cent. on that part of the gross dividend falling above the additional rate limit. In both cases the tax credit is available against the tax due.
- 1.3 United Kingdom resident corporate Shareholders will generally not be subject to corporation tax in respect of dividends received from the Company unless the Shareholder is carrying on a trade of dealing in shares.

2. Taxation on chargeable gains

If an individual Shareholder who is resident and ordinarily resident for tax purposes in the United Kingdom disposes of some or all of his Ordinary Shares, such a disposal may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. In computing a chargeable gain, the Shareholder should be entitled to deduct from the disposal proceeds the cost to him of acquiring the Ordinary Shares as well as utilising any available exemptions, allowances or reliefs. Capital gains tax is charged at a rate of 18 per cent. on gains up to the unused basic rate band and a flat rate of 28 per cent. thereafter. United Kingdom resident corporate Shareholders may be subject to corporation tax on chargeable gains.

3. Stamp duty and stamp duty reserve tax

- 3.1 No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue by the Company of the Ordinary Shares.
- 3.2 Transfers of Ordinary Shares for value will give rise to a liability to ad valorem stamp duty or SDRT at the rate of 0.5 per cent. of the consideration (in the case of stamp duty, rounded up to the nearest £5 and subject to an exemption where the consideration payable is less than £1,000 and the transaction is not part of a larger transaction).
- 3.3 No stamp duty or SDRT should arise on the transfer of the Ordinary Shares to CREST for conversion into uncertificated form, unless the transfer is for consideration. Transfers under the CREST system for paperless transfers of shares will generally be liable to SDRT at the rate of 0.5 per cent. of the consideration. CREST is obliged to collect SDRT from the transferee in relation to transfers settled through the CREST system.

4. Venture Capital Trust Scheme

- 4.1 The Company has applied for and obtained provisional confirmation from HMRC that the First Tranche Placing Shares will be eligible shares for the purposes of the VCT Scheme for (i) VCTs investing funds raised after 5 April 2007 and (ii) VCTs investing funds raised (or deemed to have been raised) after 5 April 2006 but prior to 6 April 2007. The Company has also applied for and obtained provisional confirmation from HMRC that the Second Tranche Placing Shares will be eligible shares for the purposes of the VCT Scheme for VCTs investing funds raised (or deemed to have been raised) before 6 April 2006. The status of the Ordinary Shares as a qualifying holding for VCT Scheme purposes will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements.
- 4.2 It is the Directors' intention that the Company will continue to meet the VCT Scheme provisions so that it continues to be a qualifying company for these purposes. However, the Directors cannot give any warranty or undertaking that the Company will continue to meet the conditions, including in the event that the Directors believe that the interests of the Company are not best served by preserving the VCT Scheme status, or as a result of changes in legislation.

5. Enterprise Investment Scheme

- 5.1 The Company has applied for and obtained provisional assurance from HMRC that the First Tranche Placing Shares will be eligible for EIS purposes, subject to the submission of the relevant claim form in due course. The obtaining of such provisional assurance and submission of such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his or her own circumstances and is subject among other things to holding the shares throughout the relevant three year period. In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to those shares.
- 5.2 The following provides an outline of the EIS tax reliefs available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor in relation to their own particular set of personal circumstances.
- 5.3 In summary, EIS relief may be available where a qualifying company issues new shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.
- 5.4 EIS income tax relief is available to individuals only – the current relief is 30 per cent. of the amount subscribed for EIS shares to be set against the individual's income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £500,000 in EIS subscriptions per tax year. This relief can be carried back one tax year although the rate of relief for the tax year 2010/11 was only 20 per cent. and this lower rate would apply to any relief carried back to that year. This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription.
- 5.5 Very broadly, an individual is connected with the issuing company if (*inter alia*) he is an employee or director or has an interest in more than 30 per cent. of the Company's ordinary share capital.
- 5.6 Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year.
- 5.7 Individuals and trustees who have realised gains on other assets are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of an EIS share subscription. The shares must be issued within one year before or the three years following the time the chargeable gain accrues. Deferred gains will become chargeable on a disposal or deemed disposal of a qualifying EIS shares. Unlike EIS income tax relief, the investor can be connected with the Company (as outlined above) and still get capital gains tax deferral relief, but a number of the other EIS conditions apply.

The above statements are intended as a general guide only to the current taxation regime in the United Kingdom and are not exhaustive. Any person who is in any doubt as to his taxation position, or is subject to tax in a jurisdiction other than the United Kingdom, should consult his own professional adviser. Anyone wishing to claim EIS relief should consult his own professional adviser.

PART 5

ADDITIONAL INFORMATION

1. Responsibility Statement

The Company and the Directors, whose names appear on page 5 of this document, accept responsibility both individually and collectively in accordance with the AIM Rules for Companies for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors of Kilima Holdings Limited, who are the Directors (other than Karen Bach) and Stephanie Goddard accept responsibility both individually and collectively in accordance with the AIM Rules for Companies for the information contained in Part 3 of this document.

2. The Group

2.1 *The Company*

2.1.1 The Company was incorporated and registered in England and Wales on 15 November 2011 under the Companies Act 2006 with registered number 07848163 as a private company limited by shares with the name Peak Newco Limited. By special resolution dated 5 January 2012, the Company changed its name to Belvoir Lettings Limited. The Company was incorporated specifically for the purposes of acquiring the entire issued share capital of BPSL pursuant to the Acquisition Agreement. Please see paragraph 14.1.4 of this Part 5 for further details of the Acquisition Agreement.

2.1.2 By special resolution dated 16 February 2012, the Company was re-registered as a public limited company and changed its name to Belvoir Lettings plc.

2.1.3 The principal legislation under which the Company operates is the Companies Act 2006 and the liability of the members of the Company is limited.

2.1.4 The Company's registered office and principal place of business is in England and Wales and is located at The Old Courthouse, 60a London Road, Grantham, Lincolnshire, England, NG31 6HR, telephone number 0845 331 2741. The Company is domiciled in England. The Company's website is at www.belvoirlettingsplc.com.

2.1.5 The principal activity of the Company is to act as a holding company for BPSL.

2.1.6 The accounting reference date of the Company is 31 December.

2.2 *BPSL*

2.2.1 BPSL was incorporated and registered in England and Wales on 27 January 2012 under the Companies Act 2006 with registered number 7926545 as a private company limited by shares.

2.2.2 The principal legislation under which BPSL operates is the Companies Act 2006 and the liability of the members of BPSL is limited.

2.2.3 BPSL's registered office and principal place of business is in England and Wales and is located at The Old Courthouse, 60a London Road, Grantham, Lincolnshire, England NG31 6HR. BPSL is domiciled in England.

2.2.4 The principal activity of BPSL is to act as a holding company for Belvoir.

2.2.5 The accounting reference date of BPSL is 31 December.

2.3 *Belvoir*

2.3.1 Belvoir was incorporated and registered in England and Wales on 27 December 1995 under the Companies Act 1985 (as amended) with registered number 03141281 as a private company limited by shares.

2.3.2 The principal legislation under which Belvoir operates is the Companies Act 2006 and the liability of the members of Belvoir is limited.

2.3.3 Belvoir's registered office and principal place of business is in England and Wales and is located at The Old Courthouse, 60a London Road, Grantham, Lincolnshire, England, NG31 6HR. Belvoir is domiciled in England. Belvoir's website is at www.belvoirlettings.com.

2.3.4 The principal activity of Belvoir is to act as a franchisor of a property management and lettings franchise.

2.3.5 The accounting reference date of Belvoir is 31 December.

3. **The Directors**

3.1. The full names of the Directors and their respective positions are as follows:

<i>Name</i>	<i>Function</i>
Michael John Stephen Goddard	Executive Chairman
Dorian Gonsalves	Chief Executive Officer
Carl Bruce Chadwick	Finance Director
Karen Bach	Non-Executive Director

3.2 The business address of each of the Directors is The Old Courthouse, 60a London Road, Grantham, Lincolnshire, England, NG31 6HR.

3.3 Further details on the Directors are set out in paragraphs 8, 9 and 10 of this Part 5.

4. **Share Capital of the Company**

4.1 The share capital of the Company on incorporation was 1 ordinary share of £1.00 each.

4.2 On 16 February 2012, each of Michael Goddard, Carl Chadwick and Dorian Gonsalves respectively subscribed, at par, for 44,775, 2,240 and 2,985 ordinary shares of £1.00 each in the capital of the Company in order for the Company to have a share capital in excess of £50,000 in order for it to be re-registered as a public limited company.

4.3 By written resolution passed on 16 February 2012, the members of the Company resolved to subdivide each of the issued ordinary shares of £1.00 each in the capital of the Company into 100 ordinary shares of £0.01 each in the capital of the Company.

4.4 Pursuant to the Acquisition Agreement, but subject to First Admission, the Company shall issue and allot 5,326,422 Ordinary Shares to Michael Goddard, 266,196 Ordinary Shares to Carl Chadwick and 355,095 Ordinary Shares to Dorian Gonsalves. In the event that Second Admission does not raise £4,289,216 in total, Stephanie Goddard shall be entitled to a cash payment equal to the amount raised by Second Admission and such number of Ordinary Shares at the Placing Price which, when aggregated with the cash payment, equals £4,289,216.

4.5 By special resolution passed on 16 February 2012, the members of the Company resolved:

4.5.1 to authorise the Directors in accordance with section 551 of the Companies Act 2006 to allot and to make offers or agreements to allot shares or grant rights to subscribe for or convert any securities into shares up to an aggregate nominal amount of £177,333, such authority to expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 December 2012;

4.5.2 to empower the Directors in accordance with section 571 of the Companies Act 2006, to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash as if section 561(1) of the Act did not apply to such allotment, such power to be limited to:

- (a) allotments of the Placing Shares pursuant to the Placing; and
- (b) allotments of new Ordinary Shares up to an aggregate nominal amount of £20,666.67,

such power to expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 December 2012;

4.5.3 to authorise the Company (including for the purposes of Section 701 of the Companies Act 2006) to make one or more market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares and to hold such Ordinary Shares so purchased as treasury shares (as defined in Section 724(5) of the Companies Act 2006) provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 2,066,667 representing 10 per cent. of the Company's issued share capital;
- (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 75p;
- (c) the maximum price, exclusive of any expenses, which may be paid for any such Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from the AIM Appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which such share is contracted to be purchased;
- (d) the Company may make a contract for the purchase of Ordinary Shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority and may make purchases of Ordinary Shares in pursuance of such a contract as if such authority had not expired,

such power to expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 December 2012.

4.6 All Ordinary Shares in the capital of the Company are registered and may be held in either certificated or uncertificated form and rank *pari passu* in all respects.

4.7 None of the Company's Shareholders has, or will following Admission have, any different voting rights from any other Shareholders.

4.8 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

4.9 None of the Existing Ordinary Shares is convertible, exchangeable or under option or warrant.

4.10 As at the date of this document and assuming completion of the Reconstruction Agreement and the Acquisition Agreement but excluding the First Tranche Placing Shares the entire issued share capital of the Company is as follows:

Class of Shares	Issued (fully paid)	
	Number	£
Ordinary	10,947,713	109,477.13

4.11 The issued share capital of the Company immediately following First Admission and Second Admission will be as follows:

Class of Shares	Issued (fully paid)	
	Number	£
Ordinary	20,666,667	206,666.67

- 4.12 The percentage by which holders of Existing Ordinary Shares who do not participate in the Placing will be diluted as a result of the issue of the Placing Shares, is (following Second Admission) 47.03 per cent.
- 4.13 Pursuant to the Acquisition Agreement more than 10 per cent. of the issued share capital of the Company has been paid for with assets other than cash. Further details of the Acquisition Agreement are set out in paragraph 14.1.4 of Part 5 of this document.

5. Share Capital of Belvoir

- 5.1 The authorised share capital of Belvoir on incorporation was 100,000 ordinary shares of £1.00 each and the one ordinary share in issue on incorporation was held by David Sweeny, the incorporation agent, and was transferred to Michael John Stephen Goddard on 27 December 1995. Michael John Stephen Goddard subscribed for a further 98 ordinary shares and Stephanie Goddard also subscribed for one ordinary share in Belvoir on 27 December 1995. Michael John Stephen Goddard subsequently transferred 39 ordinary shares to Stephanie Goddard and 10 ordinary shares to Doreen Goddard.
- 5.2 On 28 December 1996, Michael John Stephen Goddard subscribed for a further 34,900 ordinary shares in Belvoir.
- 5.3 On 2 September 1997, Doreen and Alfred Goddard subscribed for 9,990 ordinary shares in Belvoir, Stephanie Goddard subscribed for 10 ordinary shares in Belvoir, Michael John Stephen Goddard transferred 14,590 ordinary shares to Stephanie Goddard and Doreen Goddard transferred 10 ordinary shares to Doreen and Alfred Goddard (jointly).
- 5.4 On 16 March 1998, Doreen and Alfred Goddard (jointly) subscribed for a further 11,000 ordinary shares in Belvoir.
- 5.5 By special resolution on 21 December 1999, the authorised share capital of Belvoir was increased by £900,000 to £1,000,000 by the creation of 900,000 ordinary shares of £1 each and, on 22 December 1999, Michael John Stephen Goddard subscribed for 65,000 ordinary shares in Belvoir.
- 5.6 On 3 April 2000, Marco Capello subscribed for 72,600 ordinary shares in Belvoir and ATC Trustees (Cayman) Limited (as trustee for the Masai Trust) subscribed for 48,400 ordinary shares in Belvoir.
- 5.7 On 12 October 2003, Doreen and Alfred Goddard (jointly) transferred 21,000 ordinary shares in Belvoir to Michael Goddard.
- 5.8 On 3 April 2006, Kilima acquired the entire issued share capital of Belvoir in consideration for the issue and allotment of 60 ordinary shares in Kilima to Michael John Stephen Goddard and 35 ordinary shares in Kilima to Stephanie Goddard and a cash payment of £1,760,788 to Marco Capello and ATC Trustees (Cayman) Limited (as Trustees of the Masai Trust).
- 5.9 On 16 February 2012, Kilima was voluntarily wound up and pursuant to the Reconstruction Agreement the entire issued share capital of Belvoir held by Kilima was distributed to BPSL with the result that Belvoir became the wholly owned subsidiary of BPSL.
- 5.10 There have been no changes in the issued share capital of Belvoir during the period covered by the historical financial information set out in Part 3 of this document.
- 5.11 All Ordinary Shares in the capital of Belvoir rank *pari passu* in all respects.
- 5.12 The Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Belvoir.
- 5.13 None of the ordinary shares of Belvoir is convertible, exchangeable or under option or warrant.
- 5.14 As at the date of this document the share capital of Belvoir is 242,000 ordinary shares of £1.00 each, all of which are held by BPSL as a result of the Reconstruction Agreement.

6. Articles of Association

- 6.1 The Articles, which were adopted pursuant to a special resolution passed by written resolution of the Company on 16 February 2012, contain, *inter alia*, provisions to the following effect:

Share Capital

6.1.1 Allotment of shares

Subject to the provisions of the Companies Act 2006 and any other laws applicable to the Company regarding pre-emption rights and any resolution of the Company, all of the shares of the Company for the time being unissued shall be under the control of the directors of the Company who may generally and unconditionally allot, grant options over, offer or otherwise deal with or dispose of the same to or in favour of such persons, on such terms and conditions, at a premium or at par and at such times as the directors of the Company think fit. The Company may increase or reduce its share capital by ordinary resolution.

6.1.2 Redeemable shares

The Company may, subject to the provisions of the Companies Act 2006 and any other laws applicable to the Company and by ordinary resolution, create shares which are redeemable and shall also make such alterations to these Articles to specify the terms on which any such shares shall be redeemed.

6.1.3 Variation of rights

If the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied (i) in such manner as may be provided by such rights; or (ii) with either the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class.

6.1.4 Transfer of shares

- (a) All transfers of shares in uncertificated form may be transferred in accordance with the CREST Regulations. All transfers of shares in certificated form may be effected by transfer in writing in any form acceptable to the directors of the Company. The instrument of transfer shall be signed by the transferor and the transferee. The transferor shall remain the holder of the shares until the name of the transferee is entered in the register of members of the Company.
- (b) The directors of the Company have discretion to refuse to register any transfer of shares unless: (i) it is in respect of a fully paid share; (ii) it is in respect of a share on which the Company does not have a lien; (iii) it is in respect of only one class of shares; (iv) it is in favour of not more than four joint holders as transferees or renounces; (v) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the directors of the Company to be exempt from stamp duty; (vi) in respect of shares in uncertificated form, any additional requirements of the CREST Regulations have been satisfied; and (vii) any additional conditions which the Articles of Association may impose have been satisfied in respect thereof. If the directors of the Company refuse to register a transfer, they shall send a notice of such refusal to the transferee.

6.1.5 Consolidation and sub-division of shares

The Company may by ordinary resolution consolidate and divide its shares, or any of them, into shares of a larger amount or sub-divide its shares, or any of them, into shares of a smaller amount.

6.1.6 Purchase of own shares

The Company may purchase its own shares (including any redeemable shares) but so that no such purchase shall take place save in accordance with the Companies Act 2006 and any other laws applicable to the Company.

Meetings of Shareholders

6.1.7 General meetings of shareholders

(a) Notice of meetings

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by not less than twenty one days' notice in writing and all extraordinary general meetings shall be called by not less than fourteen days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and hour of the meeting and, in the case of special business, the general nature of it. The notice shall be given to the members, to the directors of the Company and to the Company's auditors. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution or an extraordinary resolution, as the case may be, shall specify the intention to propose the resolution as such.

(b) Proceedings at general meetings

For all purposes the quorum for a general meeting shall be not less than two members present in person or by proxy and entitled to vote. No business shall be transacted unless the requisite quorum is present.

(c) Votes of members

(i) Every member present at a general meeting in person or by proxy shall, upon a show of hands, have one vote for every share of which the member is holder.

(ii) At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded.

(iii) A member of the Company shall not be entitled to attend general meetings or to vote if either: (i) any calls or other moneys due and payable in respect of the shares held by the member remain unpaid; or (ii) the member has been duly served with a notice lawfully requiring the provision to the Company of information regarding any of such shares and the member is in default in complying with the notice.

(iv) In the case of an equality of votes, the chairman shall, both on a show of hands and at a poll, have a casting vote in addition to the votes to which he may be entitled as a member.

Directors

6.1.8 Number of directors of the Company

Unless otherwise determined by the Company in general meeting, the number of directors of the Company shall be not less than two and there shall be no maximum limit on the number of directors of the Company.

6.1.9 Remuneration of directors of the Company

Directors, who are not managing or executive directors, may be paid such fees as the Directors may determine.

6.1.10 Appointment of directors of the Company

The Board may appoint any person to be a director of the Company, either to fill a vacancy or as an additional director. Any director appointed to fill a casual vacancy or as an addition to the existing directors shall only hold office until the conclusion of the next following general meeting and shall then be eligible for re-election.

6.1.11 *Rotation and retirement of directors of the Company*

At each annual general meeting, one-third of the Directors who are subject to retirement by rotation shall retire from office. A Director retiring shall retain office until the dissolution of such meeting. The Directors to retire shall be the Directors who wish to retire and not offer themselves for re-election.

6.1.12 *Vacation of office by a director*

The office of a director shall be vacated in any of the following cases:

- (a) if he resigns his office;
- (b) if he becomes bankrupt or has a receiving order made against him or compounds with his creditors;
- (c) if he becomes of unsound mind or a patient for any purpose of any stature relating to mental health and the directors resolve that his office should be vacated;
- (d) if he is absent from meetings of the directors for six months without leave, and his alternate director (if any) does not during that period attend in his stead, and the directors resolve that his office should be vacated;
- (e) if he is removed or becomes prohibited from being a director under any statute;
- (f) if he is requested in writing by all the directors to resign his office.

6.1.13 *Removal of a director of the Company*

The Company may, by Ordinary Resolution of which special notice has been given remove any director before the expiry of his period of office and may by an Ordinary Resolution appoint another person in his place.

6.1.14 *Powers and duties of directors of the Company:*

- (a) The business of the Company shall be managed by the directors of the Company who, in addition to the powers and authorities granted by these Articles or otherwise expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company.
- (b) The directors of the Company may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company in such manner in all respects as they think fit.
- (c) The directors of the Company may establish any local or divisional board to manage the affairs of the Company in a specified locality and may appoint and delegate positions on such boards and at a local level more generally.

6.1.15 *Borrowing powers*

Subject to the provisions of the Companies Act 2006 and any other laws applicable to the Company and as provided in the Articles, the directors of the Company may exercise all the powers of the Company to borrow money, to mortgage or charge its undertakings, property and assets (present and future) and uncalled capital.

6.1.16 *Proceedings of the directors of the Company and committees*

- (a) The directors of the Company may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and determine the quorum necessary for the transaction of business. If not fixed by the directors, two directors of the Company shall constitute a quorum. Questions arising at any meeting shall be determined by a majority of votes and in the case of an equality of votes, the chairman shall have a second or casting vote.

- (b) The directors may elect a chairman and a vice chairman of their meetings and determine the period for which he is or they are to hold office. If no chairman or vice chairman is elected or if at any meeting neither the chairman nor a vice chairman is present at the time appointed for holding the same, the directors of the Company present shall choose someone of their number to be chairman of such meeting.
- (c) A duly convened meeting of the directors of the Company for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles.
- (d) A resolution in writing signed by all the directors of the Company entitled to receive notice of a meeting of the directors of the Company or by all members of a committee of the directors of the Company shall be as valid and effective for all purposes as a resolution of those directors of the Company passed at a meeting duly convened and held.

6.1.17 *Directors' permitted interests*

- (a) It is the duty of a director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts or may conflict with the interests of the Company without the authority of the directors. No such authority is required in relation to a conflict of interest arising in relation to a transaction or arrangement with the Company.
- (b) Under s.177 Companies Act 2006 if a director of a Company is in way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors. A director shall not vote (or, if he does vote, his vote shall not be counted) on any resolution of the directors in respect of any contract, arrangement, transaction or any other kind of proposal in which he has a direct or indirect interest unless:
 - (i) his interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (ii) he has an interest of which he is not aware; or
 - (iii) he has an interest only by virtue of an interest in shares, debentures or other securities of the Company; or
 - (iv) it concerns an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings; or
 - (v) it relates to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom the arrangement relates; or
 - (vi) it concerns the purchase or maintenance by the Company of insurance for the benefit of directors for the funding of expenditure incurred by directors in defending criminal, civil or regulatory proceedings or actions against him or them as directors of the Company; or
 - (vii) where a director is given a guarantee, or is to be given a guarantee, in respect of an obligation incurred by or on behalf of the Company or any subsidiary; or
 - (viii) such interest is authorised by ordinary resolution.
- (c) In any situation or matter permitted by, or authorised by Article 63 of the Articles a director shall not by reason of his office be accountable to the Company for any benefit which he derives from that situation or matter and no such contract, arrangement or transaction shall be avoided on the grounds of any such interest or benefit.

6.1.18 *Authorisation of directors' interests/potential conflicts of interest*

- (a) The directors have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duties of a director referred to in paragraph 6.1.17(a).
- (b) Authorisation of the matters under paragraph 6.1.18(a) shall be effective only if:
 - (i) any requirement as to the quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director (together, the "Interested directors"); and
 - (ii) the matter is agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

Dividends

6.1.19 The Company may declare a dividend to be paid to its members by ordinary resolution in general meeting according to their respective rights and interest in the profits. No dividend shall bear interest as against the Company.

6.1.20 Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. No amount paid up on a share in advance of calls shall be treated as paid up on the share. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share carries any particular rights as to dividends, such share shall rank for dividend accordingly.

6.1.21 The directors may declare and pay such interim dividends as appear to be justified by the profits of the Company available for distribution.

6.1.22 Every dividend shall belong and be paid to those members who shall be on the register of members of the Company at the day fixed for the purpose of determining the persons entitled to such dividend.

6.1.23 A dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled to it, or by direct bank transfer to such bank account as the member or person entitled to it directs. In the case of joint holders payment may be made to any one of them or to such person and to such address or such bank account as the joint holders may direct. The cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the member, person entitled or joint holders direct. If several persons are registered as joint holders of a share, any one of them may give an effectual receipt. All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Dividends unclaimed for twelve years after they became due for payment shall, unless the directors otherwise resolve, be forfeited and revert back to the Company.

6.1.24 The directors may, if authorised by an Ordinary Resolution, offer any holders of Ordinary Shares one or more of the following options:

- (i) instead of taking the net cash amount due to them in respect of all or any part of any dividend declared or payable on any Ordinary Shares held by them, either to invest the cash in subscribing for unissued Ordinary Shares (payable in full or by instalments) or in paying up (in full or by instalments) any unpaid or partly paid Ordinary Shares held by them; or
- (ii) instead of taking the net cash amount due to them in respect of all or any part of any dividend, to elect to receive new Ordinary Shares credited as fully paid; or
- (iii) to forego their entitlement to all or any part of any dividend declared or payable on any Ordinary Shares and to take instead fully paid bonus Ordinary Shares; or

- (iv) any other option in respect of all or any part of any dividend on any Ordinary Shares held by them as the directors may determine.

6.1.25 The Company in general meeting may, upon the recommendation of the directors, resolve to apply the amount standing to the credit of any of the Company's distributable reserves in paying up in full unissued shares or debentures of the Company to be allotted and distributed amongst the members pro rata.

6.1.26 Additional Ordinary Shares allotted shall be issued as certificated shares (where the Ordinary Shares in respect of which they have been allotted were Certificated Shares) or as Uncertificated Shares (where the Ordinary Shares in respect of which they have been allotted were Uncertificated Shares).

Winding up

6.1.27 The balance of the assets available for distribution (subject to any special rights attaching to any class of shares) shall be applied in repaying to the members of the Company the amounts paid up on the shares held by them. Any surplus assets will belong to the holders of any Ordinary Shares that are in issue according to the numbers of shares held by them. With the authority of a special resolution, the Company may divide the whole or any part of the assets of the Company among the members in specie or kind. A Liquidator may for that purpose set such value as he deems fair upon any one or more class or classes of property and may determine how the division is carried out as between the members or different classes of members. He may, with the same authority, vest any part of the assets in trustees upon such trust for the benefit of members as the Liquidator (with the same authority) thinks fit.

Indemnity

6.1.28 Except insofar as prohibited or restricted by the Companies Act 2006 or any other laws, every director, auditor and other officer of the Company for the time being shall be indemnified against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of such appointment or office. Any such person shall be indemnified against any liability incurred by him in defending any proceedings in relation to the affairs of the Company in which judgment is given in his favour.

7. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares have been made eligible for settlement in CREST in accordance with the CREST Regulations. The Company has applied for the Placing Shares and the Existing Ordinary Shares to be admitted to CREST.

8. Additional Information on the Directors

8.1 In addition to directorships of the Company, the table below states the names of all companies and partnerships of which the Directors have been a director or partner at any time within the five years immediately preceding the date of this document:

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Michael John Stephen Goddard	Belvoir Property Management (U.K.) Limited Belvoir Financial Services Limited Belvoir Property Solutions Limited The Property Ombudsman Limited British Franchise Association	Ashton Property Services Limited Lime Orchard Limited Kilima Holdings Limited

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Carl Bruce Chadwick	Belvoir Property Management (U.K.) Limited Belvoir Property Solutions Limited Sunaxis Limited McGregors (Mansfield) Limited McGregors Corporate (Lincoln) Limited Sunaxis Investment Limited	PKF (UK) LLP Grant Thornton UK LLP Kilima Holdings Limited
Dorian Gonsalves	Belvoir Property Management (U.K.) Limited Belvoir Property Solutions Limited	DCSE Limited Kilima Holdings Limited
Karen Bach	Red Arc Developments Limited Clairmont House Limited Kids (Warrington and Luton) Limited Kids of Wilmslow Limited Kids Properties Limited Kidsunlimited Limited Nursery Education for Employment Development Limited Tadpoles Nurseries Limited E-Learning Foundation Kidsunlimited Group Ltd	Equinix (Services) Limited Equinix Corporation Limited Equinix Group Limited Equinix Investments Limited Equinix (UK) Limited Advanced Computer Software Group plc Advanced Health and Care Limited Adv Management Services Limited Adastra Software Limited Kewill PLC Interconnect Exchange Solutions Limited GalaxyLife Limited

- 8.2 Michael Goddard, Carl Chadwick and Dorian Gonsalves were all directors of Kilima Holdings Limited which was voluntarily wound up on 16 February 2012 under section 110 Insolvency Act 1986 pursuant to the Reconstruction Agreement.
- 8.3 Dorian Gonsalves was a director of DCSE Limited which was dissolved on 2 June 2009 following a voluntary winding up petition lodged with the High Court. The Official Receiver was appointed to deal with the company's debt to creditors of £50,800 but there were insufficient assets to make a dividend to creditors. Dorian Gonsalves made a payment to one of the creditors, The Royal Bank of Scotland plc (who were owed £15,000) in full and final settlement of their debt. The other main creditor of the company was the other director of the company, Christopher Thomas Dillon, who was owed £33,000. No payment was made to him or any of the other unsecured creditors (who were owed £2,800 in aggregate).
- 8.4 Save as disclosed at 8.2 and 8.3 above, none of the Directors has been a director of a company or a partner in a partnership which has been placed in receivership, administration or insolvent liquidation (including a company or partnership voluntary arrangement) whilst he was a director of that company or a partner in that partnership or during the 12 months preceding such events.
- 8.5 None of the Directors: (i) has any unspent convictions; (ii) is or has been bankrupt or made any voluntary arrangement; (iii) has been the subject of public criticism by a statutory or regulatory authority (including recognised professional bodies); or (iv) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.
- 8.6 There are no potential conflicts of interest between any duties to the Company and their private interests and/or other duties in relation to the Directors.
- 8.7 No Director or member of a Director's family has a related financial product referenced to the Ordinary Shares.

9. Directors' Service Agreements and Letters of Appointment

9.1. The following service agreements and letters of appointment have been entered into by the Directors:

Michael Goddard

9.1.1 a service agreement dated 1 July 2010 between Belvoir and Michael Goddard under which Michael Goddard is employed, 2 days a week, as Chairman at a salary of £46,000 per annum and other benefits commensurate with his position (e.g. a bonus at the discretion of the Board, annual pension contribution, car allowance, private medical insurance and sick pay), terminable on 6 months' notice by either party. Michael Goddard is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with Belvoir and to confidentiality undertakings;

9.1.2 a letter of appointment dated 16 February 2012 between the Company and Michael Goddard pursuant to which Michael Goddard is appointed as a director of the Company, which appointment is terminable on 6 months' notice by either party;

Dorian Gonsalves

9.1.3 a service agreement dated 1 July 2010 between Belvoir and Dorian Gonsalves under which Dorian Gonsalves is employed, full-time, as Chief Executive Officer at a salary of £75,000 per annum and other benefits commensurate with his position (e.g. a bonus at the discretion of the Board, annual pension contribution, car and sick pay), terminable on 12 months' notice by either party. Dorian Gonsalves is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with Belvoir and to confidentiality undertakings;

9.1.4 a letter of appointment dated 16 February 2012 between the Company and Dorian Gonsalves pursuant to which Dorian Gonsalves is appointed as a director of the Company, which appointment is terminable on 12 months' notice by either party;

Carl Chadwick

9.1.5 a service agreement dated 23 August 2011 between Belvoir and Carl Chadwick under which Carl Chadwick is employed, 25 hours per week, as Finance Director at a salary of £53,333 per annum and other benefits commensurate with his position (e.g. a bonus at the discretion of the Board and sick pay), terminable on 3 months' notice by either party following Admission. Carl Chadwick is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with Belvoir and to confidentiality undertakings;

9.1.6 a letter of appointment dated 16 February 2012 between the Company and Carl Chadwick pursuant to which Carl Chadwick is appointed as an executive director of the Company, which appointment is terminable on 3 months' notice by either party;

Karen Bach

9.1.7 a letter of appointment dated 16 February 2012 between the Company and Karen Bach (nee White) pursuant to which she is appointed as non-executive director of the Company at an annual fee of £25,000 (plus VAT, if applicable) terminable on 3 months' notice by either party.

9.2 For the year ended 31 December 2010 the aggregate remuneration (including benefits) paid by the Group to its then directors was £272,635.

10. Directors' Shareholdings and Other Interests

10.1 On completion of the Placing and Second Admission, the number of shares held by the Directors (all of which are held beneficially except as shown below) in the existing share capital of the Company and (so far as is known to the Directors, having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with section 252 of the Companies Act 2006) will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>		<i>Per cent. of Ordinary Shares (%)</i>	
	<i>as at the date of this document</i>	<i>immediately following Second Admission</i>	<i>as at the date of this document</i>	<i>immediately following Second Admission</i>
Michael Goddard*	9,803,922	9,803,922	89.55	47.44
Dorian Gonsalves*	653,595	653,595	5.97	3.16
Carl Chadwick*	490,196	490,196	4.48	2.37
Karen Bach**	nil	26,667	nil	0.13

* on the assumption that the share issues the subject of the Acquisition Agreement have been completed

** Francois Bach, Karen Bach's husband, holds 13,334 Ordinary Shares

10.2 On Second Admission, the Directors will hold, in aggregate, 10,974,380 Ordinary Shares, representing 53.1 per cent. of the share capital of the Company.

10.3 Save as disclosed in paragraphs 10.1 and 14.1.6, none of the Directors has any interests, in the issued share capital or loan capital of any member of the Group, nor do (so far as is known to the Directors, having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with section 252 of the Companies Act 2006).

10.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

10.5 Dorian Gonsalves, following the grant of 161,812 options over Ordinary Shares as set out in paragraph 17 of Part 1, will be interested in share options to be held by him as follows. None of the other Directors have any interest in share options:

<i>Director</i>	<i>Exercise Price</i>	<i>No. of Ordinary Shares subject to option</i>	<i>Exercise Period</i>
Dorian Gonsalves	75p	161,812	23 February 2012-31 December 2018

11. Related Party Transactions

Save for the Reconstruction Agreement there are no material 'related party transactions' (within the meaning of the AIM Rules for Companies) required to be disclosed under the accounting standards applicable to the Company, to which the Company was a party during the period of the historical financial information and up to the date of this document.

12. Mandatory Bids, Squeeze-Out And Sell-Out Rules Relating To The Ordinary Shares

12.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, where:

12.1.1 any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which he is already interested, and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

12.1.2 any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does

not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested;

such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the City Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Panel should be consulted in advance in such cases.

12.2 Squeeze-out

Under sections 979 to 982 of the Companies Act 2006, if an offeror were to acquire 90 per cent. of the Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares, provided that no such notice may be served after the end of: (a) the period of three months beginning with the day after the last day on which the offer can be accepted; or (b) if earlier, and the offer is not one to which section 943(1) of the Companies Act 2006 applies, the period of six months beginning with the date of the offer.

Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.

The Company will hold the consideration on trust for the outstanding Shareholders.

12.3 Sell-out

Sections 983 to 985 of the Companies Act 2006 also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relating to all the Ordinary Shares is made at any time before the end of the period within which the offer could be accepted and the offeror held or had agreed to acquire not less than 90 per cent of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period, or, if longer a period of three months from the date of the notice.

If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

13. Significant shareholdings

13.1 Save for the holdings disclosed in paragraph 10.1 above and as set out below, as at the date of this document, the Company has not been notified of any holding which will, following Second Admission and completion of the Placing of all the Placing Shares, represent more than three per cent of the Further Enlarged Issued Share Capital of the Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally exercises or could exercise control over the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Per cent. of Further Enlarged Issued Share Capital (%)</i>
Mike Goddard	9,803,922	47.5
Legal & General Investment Management Limited	1,460,000	7.06
Amati Global Securities Limited	1,200,000	5.8
Midas Capital Partners Limited	805,000	3.89
Artemis Fund Managers Limited	800,000	3.87
Octopus Investments Limited	735,000	3.56
Dorian Gonsalves	653,595	3.16

- 13.2 None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.
- 13.3 Other than the protections afforded to shareholders under the City Code, there are no contracts in place to ensure that any shareholder, having a controlling interest in the Company, does not abuse that interest.

14. Material contracts

- 14.1 The following are all the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company or by a member of the Group: (i) within the two years immediately preceding the date of this document and which are, or may be, material to the Group:

14.1.1 Financial Services Business transfer agreement

Pursuant to an agreement dated 16 February 2012 between Kilima and (1) Belvoir (2), Kilima purchased the Financial Services Business for the sum of £1 such sum being left outstanding on intercompany loan account (but subsequently repaid when Belvoir declared a dividend of the same amount to Kilima on 16 February 2012).

14.1.2 Reconstruction Agreement

- (a) Pursuant to a reconstruction agreement dated 16 February 2012 between Kilima (in liquidation) (1) John Allen of Mabe Allen LLP (“the Liquidators”) (2) BPSL (3) and BFSL, the Liquidators were appointed to liquidate Kilima pursuant to a members’ voluntary liquidation and to distribute its assets. The shares in Belvoir held by Kilima were transferred to BPSL in consideration for BPSL, at the direction of the Liquidators, allotting shares in BPSL to the shareholders of Kilima (such allotments comprising 60 ordinary shares in BPSL to Michael Goddard, 35 ordinary shares in BPSL to Stephanie Goddard, 4 ordinary shares in BPSL to Dorian Gonsalves and 3 ordinary shares in BPSL to Carl Chadwick) and the Financial Services Business was transferred to BFSL in consideration for BFSL, at the direction of the Liquidators, allotting shares in BFSL to the shareholders of Kilima (such allotments comprising 60 ordinary shares in BFSL to Michael Goddard, 35 ordinary shares in BFSL to Stephanie Goddard, 4 ordinary shares in BFSL to Dorian Gonsalves and 3 ordinary shares in BFSL to Carl Chadwick).
- (b) The Reconstruction Agreement contains an indemnity from BPSL and BFSL in which they jointly and severally agree to indemnify the Liquidators from any claims or costs in relation to the members voluntary liquidation of Kilima including in relation to: any debts, claims or liabilities not assumed or discharged pursuant to the Reconstruction Agreement; the transfer of the share capital of Belvoir to BPSL or the transfer of the Financial Services Business to BFSL; and any claim by any person to any right or title to the shares in Belvoir or the Financial Services Business.
- (c) The Reconstruction Agreement contains an indemnity from BFSL to BPSL and Belvoir in relation to any future liabilities of the Financial Services Business.

14.1.3 Managed Services Agreement

Pursuant to an agreement dated 16 February 2012 between Belvoir (1) and BFSL (2), Belvoir agrees to provide various services to BFSL in relation to the Financial Services Business (such services including the provision of personnel and other back office support) at rates to be agreed at the time of supply. In addition, Belvoir agrees that BFSL shall act as Belvoir’s appointed representative until such time as BFSL obtains its own authorisation from the FSA to undertake the Financial Services Business.

14.1.4 Acquisition Agreement

- (a) Pursuant to a share sale and purchase agreement dated 16 February 2012 between the Company (1), Michael Goddard (2), Stephanie Goddard (3), Carl Chadwick (4) and

Dorian Gonsalves (5), the Company agreed to purchase the entire issued share capital of BPSL subject to First Admission.

- (b) The consideration payable by the Company for the entire issued share capital of BPSL is: (i) subject to First Admission, the issue and allotment of 5,326,422 Ordinary Shares to Michael Goddard, 355,095 Ordinary Shares to Dorian Gonsalves and 266,196 Ordinary Shares to Carl Chadwick, and (ii) on, and subject to, Second Admission, at the sole discretion of Stephanie Goddard, either the issue and allotment to her of 5,718,955 Ordinary Shares or, subject to Second Admission raising sufficient funds, the payment in cash to Stephanie Goddard of up to £4,289,216.
- (c) The Acquisition Agreement provides that, in the event that Second Admission does not raise £4,289,216 in total, Stephanie Goddard shall be entitled to a cash payment equal to the amount raised by Second Admission and such number of Ordinary Shares at the Placing Price which, when aggregated with the cash payment, equals £4,289,216.
- (d) Stephanie Goddard has irrevocably undertaken to sell her shares in BPSL to the Company in consideration for either: (i) a payment in cash of up to £4,289,216; or (ii) in the event that Second Admission does not raise £4,289,216 in total, a cash payment equal to the amount raised by Second Admission and such number of Ordinary Shares at the Placing Price which, when aggregated with the cash payment, equals £4,289,216.

14.1.5 *Placing Agreement*

- (a) Under the Placing Agreement dated 16 February 2012, Seymour Pierce has agreed (conditionally, *inter alia*, in the case of the Placing of the First Tranche Placing Shares on First Admission taking place no later than 8.00 a.m. on 21 February 2012 (or such later date as the Company, and Seymour Pierce may agree, being in any event not later than 8.00 a.m. on 13 March 2012) and conditionally, *inter alia*, in the case of the Placing of the Second Tranche Placing Shares on Second Admission taking place no later than 8.00 a.m. on 22 February 2012 (or such later date as the Company, and Seymour Pierce may agree, being in any event not later than 8.00 a.m. on 13 March 2012) as agent for the Company to procure subscribers for the Placing Shares at the Placing Price.
- (b) Under the Placing Agreement and subject to it becoming unconditional, the Company has agreed in relation to Seymour Pierce: (a) to pay a corporate finance fee of £150,000; (b) a placing commission of 5 per cent of the gross amount of any funds raised for the Company pursuant to the Placing.
- (c) The Placing Agreement contains representations, warranties and indemnities given by the Company, tax indemnities given by Michael Goddard and Stephanie Goddard, and representations and warranties given by Stephanie Goddard, Michael Goddard, Carl Chadwick and Dorian Gonsalves to Seymour Pierce as to the accuracy of the information contained in this document and other matters relating to the Company and its business. Seymour Pierce is entitled to terminate the Placing Agreement in certain specified circumstances prior to First and also Second Admission.

14.1.6 *Term Loan*

- (a) Pursuant to a facility agreement dated 30 September 2011, National Westminster Bank plc granted Kilima the Term Loan. The Term Loan was drawn down in one tranche on 30 September 2011.
- (b) Prior to the liquidation of Kilima, National Westminster Bank plc entered into a new facility agreement with Belvoir in respect of the Term Loan. The new facility agreement is on the same terms as the previous facility agreement, save that certain terms relating to restrictions on the level of dividends that may be declared and change of control provisions, which were not appropriate for a public limited company, have been deleted. The new facility agreement is dated 10 February 2012.

- (c) The Term Loan was secured by the existing debentures and legal charges given by Kilima and Belvoir in favour of National Westminster Bank plc.
- (d) The Term Loan is subject to certain financial covenants in relation to the Group and repayable over four years, with interest charged at 4.25 per cent. above LIBOR (being the British Bankers' Association Interest Settlement Rate for Sterling) rate from time to time. An arrangement fee of £51,000 was paid on drawdown of the loan on 30 September 2011. A further arrangement fee of £7,500 was paid in relation to the new facility agreement, together with legal fees of approximately £1,500 for work undertaken by National Westminster Bank plc's solicitors in relation to the new facility agreement.
- (e) The Term Loan is repayable in full on the occurrence of certain events of default including, without limitation, non payment, breach of obligations or insolvency of Belvoir or other analogous proceedings.

14.1.7 *Nominated adviser and broker agreement*

The Company is party to a nominated adviser and broker agreement dated 16 February 2012 made between the Company (1) the Directors (2) and Seymour Pierce (3), pursuant to which the Company has appointed Seymour Pierce to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The agreement contains certain undertakings and indemnities given by the Company and the Directors in respect of, *inter alia*, compliance with applicable laws and regulations and is for a fixed initial term of 1 year from First Admission and continues subsequently until terminated on not less than 3 months' notice given by the Company to Seymour Pierce or by Seymour Pierce to the Company (but can be immediately terminated in certain circumstances).

14.1.8 *EMI Option Agreements*

- (a) On 28 September 2011, Carl Chadwick was granted an EMI option over 3 ordinary shares in Kilima and Dorian Gonsalves was granted an EMI option over 4 ordinary shares in Kilima.
- (b) In accordance with the rules of the EMI option scheme, immediately prior to the voluntary wind up of Kilima pursuant to the Reconstruction Agreement, Carl Chadwick exercised his options over 3 ordinary shares in Kilima and Dorian Gonsalves exercised his options over 4 ordinary shares in Kilima.
- (c) The exercise price for each of Carl Chadwick's options and Dorian Gonsalves' options was £28,500 per ordinary share in Kilima.
- (d) The option exercise monies paid by Carl Chadwick and Dorian Gonsalves, which totalled £199,500, was one of the assets used by the liquidator to pay the costs of the liquidation and related matters, with the balance of the monies being distributed *pro rata* to the then shareholders of Kilima (being Michael Goddard, Stephanie Goddard, Carl Chadwick and Dorian Gonsalves).

14.1.9 *Share buy back Agreement*

On 29 September 2011, Kilima purchased Andrew Goddard's 5 ordinary shares in Kilima for a total consideration of £900,000 and the shares were cancelled.

15. Franchise Agreement

15.1 Belvoir has 142 residential lettings offices across the UK operated by Franchisees. Belvoir has a number of standard Franchise Agreements for use with the Franchisees depending on whether the Franchisee is trading as a company, LLP or a sole trader. The current standard agreements are very similar and the only variations relate to changes arising from the different legal entities used.

15.2 The standard Franchise Agreements were drafted in 2010 but some Franchisees are subject to the terms of earlier versions of the Franchise Agreements as those Franchise Agreements were entered

into before 2010. However, there are only minor differences between the earlier versions of the Franchise Agreements still in use and the 2010 standard Franchise Agreements. There are some variations to the standard terms of the Franchise Agreement with a limited number of individual Franchisees which cater for special circumstances.

15.3 The Franchise Agreement grants the Franchisee the right to exclusively trade a territory under the Belvoir name for a period of five years. Franchisees can apply to renew the term of the franchise between nine and six months before the expiry of the current term. Renewal of the Franchise Agreement is dependent on the Franchisee having previously complied with its obligations under the agreement and, if the Franchisee renews, it will be on the terms of the standard Franchise Agreement which is current at the time of renewal.

15.4 The standard agreements contain the following key provisions:

15.4.1 the Franchisee must pay an initial fee of £22,500 plus VAT to Belvoir on the grant of the franchise as well as a monthly management services fee equal to 12 per cent. of the gross turnover of the franchise;

15.4.2 the Franchisee must undertake compulsory training and obtain various items of equipment to operate the franchise from the Franchisee's premises;

15.4.3 Belvoir is to provide advice and guidance to the Franchisee on operating the franchise and carry out regular quality inspections of the franchise;

15.4.4 the Franchisee acknowledges and agrees that the goodwill of the franchise belongs to and vests in Belvoir and the Franchisee is not entitled to any payment for goodwill on termination of the Franchise Agreement;

15.4.5 the Franchisee must pay a minimum level of MSF to Belvoir if gross turnover drops below a certain level;

15.4.6 Belvoir has the right to terminate the Franchise Agreement in certain circumstances including, but not limited to: (i) if Belvoir considers the Franchisee to be misusing or impairing the goodwill of the business; or (ii) if the Franchisee does not pay the management service fee when due; or (iii) if the Franchisee does not operate the franchise in accordance with Belvoir's operating manual; or (iv) if the Franchisee suffers an insolvency event;

15.4.7 on termination: (i) Belvoir has the right to operate the franchise in place of the Franchisee and, if Belvoir chooses, to purchase the Franchisee's interest in the premises from which the franchise is operated at market value and the Franchisee's equipment at a 20 per cent. discount to market value; and (ii) the Franchisee must assign all contracts to Belvoir, return all information relating to the franchise to Belvoir, pay all creditors in full and all sums owing to Belvoir;

15.4.8 for a period of one year following termination of the agreement, the Franchisee must not: (i) compete with Belvoir in the franchisee's territory or the territory of another Franchisee of Belvoir; or (ii) employ or seek to employ any other Franchisee of Belvoir, or any person who is or was in the last two years employed by the Franchisee or Belvoir in a management capacity, in a competitive business; or (iii) solicit business from any person who was during the previous two years a customer of the Franchisee or divert any customer from Belvoir.

15.5 As the standard Franchise Agreements were drafted in 2010, the agreements will be reviewed following Second Admission in order to assess whether they need to be updated. One clause, which prohibits the Franchisee using the internet for marketing or a website for any purpose without Belvoir's consent, is unenforceable but as Belvoir does not enforce this clause in practice, the clause has not been an issue to date. Belvoir has confirmed that it will amend the clause following the assessment of the standard Franchise Agreement following Second Admission.

16. Litigation

- 16.1 The Company has been pursuing a former franchisee for arrears of MSF. On 27 January 2012, the Company's debt collection agents received a claim for approximately £500,000, alleging misrepresentation. The Company considers that the claim has no merit and has been advised to mount a robust defence and counterclaim.
- 16.2 Save as disclosed above, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability nor are the Directors aware of such proceedings, pending or threatened, against any member of the Group.

17. Working Capital

In the opinion of the Directors, having made due and careful enquiry and taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Group will from the time of First Admission be sufficient for its present requirements, that is for at least 12 months from the date of First Admission.

18. No Significant Change

There has been no significant change in the financial or trading position of the Group since 30 September 2011, the date to which the latest financial information for Belvoir has been published.

19. Miscellaneous

- 19.1 The average number of employees of the Group for each financial year for the period covered by the historical financial information set out in Part 3 of this document up to the date of this document is 29 (2008), 26 (2009), 27 (2010), 29 (to September 2011). All current employees other than 7 current employees who work in the Company owned outlet at 23 St Peters Hill, Grantham, Lincolnshire, NG31 6QF are, or were, employed at the Group's head office at 60a London Road, Grantham, Lincolnshire and are, or were, employed in a variety of roles in supporting the Group's franchise network or the corporate and/or administrative functions of the Group.
- 19.2 The financial information set out in Part 3 of this document does not constitute statutory accounts for Belvoir.
- 19.3 Grant Thornton UK LLP is a limited liability partnership in England and Wales and its registered office is at Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. Grant Thornton UK LLP, registered as an auditor with the Institute of Chartered Accountants in England and Wales, was appointed as auditor of the Company in 2006 and has given and has not withdrawn its written consent to the report in Part 3 of this document the inclusion of its name and references to it in the form and context in which it is included, and has authorised the contents of its report for the purpose of schedule 2 of the AIM Rules for Companies.
- 19.4 Seymour Pierce Limited is registered in England and Wales under number 02104188 and its registered office is at 20 Old Bailey London EC4M 7EN. Seymour Pierce Limited is authorised and regulated by the FSA. Seymour Pierce Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 19.5 Information in this document which has been sourced from third parties has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.6 Assuming that First Admission and Second Admission take place, the total costs, charges and expenses payable by the Company in connection with First Admission, Second Admission and the Placing are estimated to be £1 million (exclusive of VAT). The net proceeds of the Placing will be £6.3 million.

- 19.7 Sunaxis Limited, a company wholly owned by Carl Chadwick, has provided services to the Company and in consideration for the provision of those services has received the sum of £84,000 in the last 12 months.
- 19.8 Save as referred to in paragraph 19.7 above there has been no person (excluding professional advisers named in this document or trade suppliers) who has (i) received, directly or indirectly, from the Company within the 12 months preceding the date of the application for First Admission; or (ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly from the Company on or after First Admission, any of the following: (a) fees of £10,000 or more, (b) securities in the Company of £10,000 or more value or (c) any other benefit with a value of £10,000 or more as at the date of First Admission.
- 19.9 The Directors and the Company are not aware of the existence of any takeover offers by third parties in respect of the share capital of the Company.
- 19.10 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 19.11 Save as set out in this document, the Company is not dependent on patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 19.12 Save as disclosed in this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.
- 19.13 The Directors are not aware of any other information that they should reasonably consider as necessary for the investors to form a full understanding of (i) the assets and liabilities, financial position, profits and losses, and prospects of the Group and of the Ordinary Shares; (ii) the rights attached to the Ordinary Shares; and (iii) any other matter contained in this document.

20. Documents Available for Inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this document for a period of one month from the date of Second Admission at the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN:

- 20.1 the memorandum of association of the Company and the Articles;
- 20.2 the audited financial statements of Belvoir for the three financial years ended 31 December 2010;
- 20.3 the report of Grant Thornton UK LLP set out in Section A of Part 3 of this document;
- 20.4 the letters of consent referred to in paragraphs 19.3 and 19.4 of this document; and
- 20.5 this document.

A copy of this document is also available free of charge on the Company's website at www.belvoirlettingsplc.com

Dated: 16 February 2012

