

Company Registration No. 03570861 (England and Wales)

**NORTHWOOD GB LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**



# **NORTHWOOD GB LIMITED**

## **COMPANY INFORMATION**

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**Directors**

Gemma Goodson  
Dorian Gonsalves  
Louise George  
William Walker

**Secretary**

Louise George

**Company number**

03570861

**Registered office**

The Old Courthouse  
60a London Road  
Grantham  
NG31 6HR

**Independent Auditors**

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Herald Way  
East Midlands  
DE74 2UZ

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# **NORTHWOOD GB LIMITED**

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# **NORTHWOOD GB LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present the strategic report and audited financial statements for the year ended 31 December 2017.

#### **Review of the business**

Northwood GB Limited offers specialist residential lettings and estate agency services across the UK.

The principal activity of the Company in the year under review was that of selling, supporting and training residential property franchises.

The Company's results are shown in the Statement of Comprehensive Income on page 8 and the Statement of Financial Position on pages 9 to 10, showing a profit for the financial year of £1,298,791 (7 months to 31 Dec 2016 £32,452).

#### **Principal risks and uncertainties**

The directors consider that the risks set out below are the most significant risks in achieving the company's business goals. There could be additional risks and uncertainties which are not currently known to management or currently deemed to be less material, which may also have an adverse effect on the business.

- i. Ability to generate planned revenue and growth profit - There is no certainty that the Company will expand its share of the residential property market as this depends on current market conditions. The risks are mitigated by the directors constantly monitoring the market and supporting the key staff members providing advice, training and support in order to improve performance.
- ii. Legislative changes – The recent tax changes on interest relief against buy-to-let mortgages and higher stamp duty on second homes have cooled BTL landlord activity in the market. Furthermore, the introduction of a ban on tenant fees in 2018 following a year of consultation has led to uncertainty for both existing and potential new franchise owners.

The directors are focused on supporting the company in expanding their service offering:

- A drive to engage the franchise network on the upsale possibilities in the financial services sector including the commission on insurances, conveyancing and mortgages.
- Local acquisitions to expand lettings portfolios

#### **Financial risk management**

In addition the directors have set out policies, as below, that seek to reduce financial risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

#### **Credit risk**

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

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

#### **Liquidity risk**

Liquidity risk arises from the Company's management of working capital and is the risk that the Company 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 forecast cash inflows and outflows are monitored on a Group-wide monthly basis by Board of the ultimate parent company, Belvoir Lettings plc.

# **NORTHWOOD GB LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2017***

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### **Future developments**

The Company's strategy is to continue to grow the network organically, by proactive recruitment of new franchisees and through the financial support of our franchisees making local acquisitions.

On behalf of the board



Louise George

**Director**

10 April 2018

# **NORTHWOOD GB LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their annual report and audited financial statements for the year ended 31 December 2017.

#### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £1,400,000 (2016: £nil). The directors do not recommend payment of a final dividend. (2016; £nil)

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Gemma Goodson  
Dorian Gonsalves  
Louise George  
William Walker

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

#### **Independent Auditors**

In accordance with the company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the company will be put at a General Meeting.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Louise George

**Director**

10 April 2018

# **NORTHWOOD GB LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2017***

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# **NORTHWOOD GB LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF NORTHWOOD GB LIMITED**

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#### **Opinion**

In our opinion, Northwood GB Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law) and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Strategic report, Directors' report, Directors' responsibilities statement, Statement of comprehensive income, Statement of financial position and Statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### *Independence*

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

#### **Conclusions relating to going concern**

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

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

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

# **NORTHWOOD GB LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF NORTHWOOD GB LIMITED**

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### **Other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

### *Strategic Report and Directors' Report*

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

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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

# **NORTHWOOD GB LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF NORTHWOOD GB LIMITED**

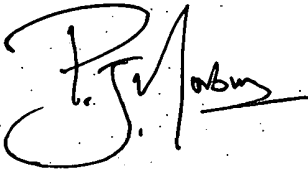
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### **Other required reporting Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



**Paul Norbury (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP**

**10 April 2018**

**Chartered Accountants and Statutory Auditors**

**East Midlands**

# **NORTHWOOD GB LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017**

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|  |             | <b>Year ended<br/>31 December<br/>2017</b> | <b>7 Months<br/>ended 31<br/>December<br/>2016</b> |
|--|-------------|--|--|
|  | <b>Note</b> | <b>£</b>                                   | <b>£</b>   |
| <b>Revenue</b>   | <b>4</b>    | 2,803,023                                  | 1,609,138  |
| Cost of sales  |             | (62,103)                                   | (56,180)   |
| <b>Gross profit</b>  |             | <u>2,740,920</u>                           | <u>1,552,958</u>                                   |
| Administrative expenses  |             | (1,127,775)                                | (1,510,397)  |
| <b>Operating profit</b>  | <b>5</b>    | <u>1,613,145</u>                           | <u>42,561</u>                                      |
| Tax on profit  | <b>8</b>    | (314,354)                                  | (10,109)   |
| <b>Profit and total comprehensive income for<br/>the financial year/period</b> |             | <u><u>1,298,791</u></u>                    | <u><u>32,452</u></u>                               |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# NORTHWOOD GB LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

|  | Note | 2017<br>£      | 2016<br>£        |
|--|------|----------------|------------------|
| <b>Fixed assets</b>                          |      |                |                  |
| Intangible assets                            | 10   | 14,254         | 54,919           |
| Property, plant and equipment                | 11   | 96,839         | 134,627          |
|  |      | <u>111,093</u> | <u>189,546</u>   |
| <b>Current assets</b>                        |      |                |                  |
| Inventories                                  | 12   | -              | 16,348           |
| Trade and other receivables                  | 13   | 428,750        | 391,225          |
| Cash and cash equivalents                    |      | 391,803        | 630,242          |
|  |      | <u>820,553</u> | <u>1,037,815</u> |
| <b>Current liabilities</b>                   |      |                |                  |
| Trade and other payables                     | 14   | 222,580        | 78,655           |
| Taxation and social security                 |      | 287,117        | 613,151          |
|  |      | <u>509,697</u> | <u>691,806</u>   |
| <b>Net current assets</b>                    |      | <u>310,856</u> | <u>346,009</u>   |
| <b>Total assets less current liabilities</b> |      | <u>421,949</u> | <u>535,555</u>   |
| <b>Provisions for liabilities</b>            |      |                |                  |
| Deferred tax liabilities                     | 15   | 12,264         | 24,661           |
| <b>Net assets</b>                            |      | <u>409,685</u> | <u>510,894</u>   |
| <b>Equity</b>                                |      |                |                  |
| Called up share capital                      | 17   | 871            | 871              |
| Share premium account                        |      | 59,954         | 59,954           |
| Retained earnings                            |      | 348,860        | 450,069          |
| <b>Total equity</b>                          |      | <u>409,685</u> | <u>510,894</u>   |

# **NORTHWOOD GB LIMITED**

## **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2017**

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The financial statements on pages 8 to 24 were approved by the board of directors and authorised for issue on 10 April 2018 and are signed on its behalf by:



Louise George  
Director

**Company Registration No. 03570861**

# NORTHWOOD GB LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

|  | Note | Called up<br>share<br>capital<br>£ | Share<br>premium<br>account<br>£ | Retained<br>earnings<br>£ | Total equity<br>£ |
|--|------|------------------------------------|----------------------------------|---------------------------|-------------------|
| <b>Balance at 1 June 2016</b>                        |      | 800                                | -                                | 417,617                   | 418,417           |
| <b>Period ended 31 December 2016:</b>                |      |                                    |                                  |                           |                   |
| Profit and total comprehensive income for the period |      | -                                  | -                                | 32,452                    | 32,452            |
| Share option exercise                                |      | 71                                 | 59,954                           | -                         | 60,025            |
| <b>Balance at 31 December 2016</b>                   |      | 871                                | 59,954                           | 450,069                   | 510,894           |
| <b>Period ended 31 December 2017:</b>                |      |                                    |                                  |                           |                   |
| Profit and total comprehensive income for the year   |      | -                                  | -                                | 1,298,791                 | 1,298,791         |
| Dividends  | 9    | -                                  | -                                | (1,400,000)               | (1,400,000)       |
| <b>Balance at 31 December 2017</b>                   |      | 871                                | 59,954                           | 348,860                   | 409,685           |

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

#### Company information

Northwood GB Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The registered office is The Old Courthouse, 60a London Road, Grantham, NG31 6HR.

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of . The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Belvoir Lettings plc in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of Belvoir Lettings plc. The group accounts of Belvoir Lettings plc are available to the public and can be obtained as set out in note 20.

#### 1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.3 Revenue

Revenue represents income from management service fees (MSF), fees from the sale of franchise licences (initial franchise fees) and commission on resales of franchised offices.

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

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

#### 1.4 Intangible assets other than goodwill

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Company of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Company. Amortisation charges are included as adjusting items in operating costs in the Statement of Comprehensive Income.

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

Development expenditure – 25% straight line on cost

#### 1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                              |                                  |
|------------------------------|----------------------------------|
| Leasehold land and buildings | 10% straight line on cost        |
| Fixtures and fittings        | 25% to 33% straight line on cost |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

#### 1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

# **NORTHWOOD GB LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1 Accounting policies**

**(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **1.7 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **1.8 Fair value measurement**

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

#### **1.9 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **1.10 Financial assets**

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### ***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### ***Impairment of financial assets***

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

### 1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

### 1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.14 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.15 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

#### **1.16 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 1 Accounting policies

(Continued)

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

### 2 Adoption of new and revised standards and changes in accounting policies

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the company.

### 3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 4 Revenue

The Board as the chief operating decision maker reviews financial information for and makes decisions about the company's overall franchising business, and has identified a single operating segment, that of property sales & lettings franchising. Management do not report on a geographical basis and no customers represent greater than 10% of total revenue in any of the periods reported.

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

The directors believe there to be two material income streams which are split as follows:

|  | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|--|-----------------------------------|--|
|  | £                                 | £  |
| <b>Revenue analysed by class of business</b> |                                   |  |
| Management service fees                      | 2,669,457                         | 1,494,539                                |
| Initial fees and other income                | 35,833                            | 26,437                                   |
| Other income                                 | 97,733                            | 88,162                                   |
|  | <u>2,803,023</u>                  | <u>1,609,138</u>                         |

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 5 Operating profit

|   | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|---|-----------------------------------|--|
|   | £                                 | £  |
| Operating profit for the period is stated after charging/(crediting):                     |                                   |  |
| Fees payable to the company's auditor for the audit of the company's financial statements | 9,000                             | 5,000                                    |
| Depreciation of property, plant and equipment   | 37,788                            | 22,123                                   |
| Amortisation of intangible assets   | 40,665                            | 33,519                                   |
| Cost of inventories recognised as an expense  | 62,103                            | 56,180                                   |
| Operating lease expenditure   | 92,032                            | 76,600                                   |

Audit fees are borne by the Company's parent company, Belvoir Lettings plc. The consolidated accounts of its ultimate parent undertaking, Belvoir Lettings plc, disclose audit and non-audit fees on a consolidated basis.

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year/period was:

| Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|-----------------------------------|--|
| Number                            | Number                                   |
| 29                                | 22                                       |

Their aggregate remuneration comprised:

|                       | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|-----------------------|-----------------------------------|--|
|                       | £                                 | £  |
| Wages and salaries    | 712,368                           | 562,607                                  |
| Social security costs | 89,841                            | 63,204                                   |
| Pension costs         | 3,494                             | 240                                      |
|                       | 805,703                           | 626,051                                  |

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 7 Directors' remuneration

|   | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|---|-----------------------------------|--|
|   | £                                 | £  |
| Remuneration for qualifying services                          | 130,000                           | 111,170                                  |
| Company pension contributions to defined contribution schemes | 355                               | -  |
|   | <u>130,355</u>                    | <u>111,170</u>                           |

### 8 Tax on profit

|   | Year ended 31<br>December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|---|-----------------------------------|--|
|   | £                                 | £  |
| <b>Current tax</b>  |                                   |  |
| UK corporation tax on profits for the current year/period | 324,432                           | 19,533                                   |
| Adjustments in respect of prior periods                   | 1,656                             | -  |
| <b>Total UK current tax</b>                               | <u>326,088</u>                    | <u>19,533</u>                            |
| <b>Deferred tax</b>                                       |                                   |  |
| Origination and reversal of temporary differences         | (11,734)                          | (9,424)                                  |
|   | <u></u>                           | <u></u>                                  |
| <b>Total tax charge</b>                                   | <u>314,354</u>                    | <u>10,109</u>                            |

The charge for the year/period can be reconciled to the profit per the income statement as follows:

|   | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|---|-----------------------------------|--|
|   | £                                 | £  |
| Profit before taxation  | <u>1,613,145</u>                  | <u>42,561</u>                            |
| Expected tax charge based on a corporation tax rate of 19.25%   | 310,530                           | 8,512                                    |
| Effect of expenses not deductible in determining taxable profit | 527                               | 2,013                                    |
| Adjustment in respect of prior years                            | 1,656                             | -  |
| Effect of change in UK corporation tax rate                     | 1,641                             | (416)                                    |
| <b>Taxation charge for the period</b>                           | <u>314,354</u>                    | <u>10,109</u>                            |

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

| 9 | Dividends | Year ended<br>31 December<br>2017<br>per share £ | 7 Months<br>ended 31<br>December<br>2016<br>per share £ | Year ended<br>31 December<br>2017<br>£ | 7 Months<br>ended 31<br>December<br>2016<br>£ |
|---|-----------|--|---|--|---|
|---|-----------|--|---|--|---|

Amounts recognised as distributions to equity holders:

#### Ordinary A

|                       |       |   |           |   |
|-----------------------|-------|---|-----------|---|
| Interim dividend paid | 16.07 | - | 1,400,000 | - |
|-----------------------|-------|---|-----------|---|

#### 10 Intangible assets

|                                 | Software cost<br>£ |
|---------------------------------|--------------------|
| <b>Cost</b>                     |                    |
| At 31 December 2016             | 229,335            |
| At 31 December 2017             | 229,335            |
| <b>Accumulated Amortisation</b> |                    |
| At 31 December 2016             | 174,416            |
| Charge for the year             | 40,665             |
| At 31 December 2017             | 215,081            |
| <b>Carrying amount</b>          |                    |
| At 31 December 2017             | 14,254             |
| At 31 December 2016             | 54,919             |

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 11 Property, plant and equipment

|  | Leasehold<br>land and<br>buildings<br>£ | Fixtures and<br>fittings<br>£ | Total<br>£ |
|--|---|-------------------------------|------------|
| <b>Cost</b>                                    |   |                               |            |
| At 31 December 2016                            | 34,619                                  | 321,791                       | 356,410    |
| At 31 December 2017                            | 34,619                                  | 321,791                       | 356,410    |
| <b>Accumulated depreciation and impairment</b> |   |                               |            |
| At 31 December 2016                            | 30,913                                  | 190,870                       | 221,783    |
| Charge for the year                            | 3,283                                   | 34,505                        | 37,788     |
| At 31 December 2017                            | 34,196                                  | 225,375                       | 259,571    |
| <b>Carrying amount</b>                         |   |                               |            |
| At 31 December 2017                            | 423                                     | 96,416                        | 96,839     |
| At 31 December 2016                            | 3,706                                   | 130,921                       | 134,627    |

#### 12 Inventories

|                | Year ended<br>31 December<br>2017<br>£ | 7 Months<br>ended 31<br>December<br>2016<br>£ |
|----------------|--|---|
| Finished goods | -                                      | 16,348  |

#### 13 Trade and other receivables

|                                      | Year ended<br>31 December<br>2017<br>£ | 7 Months<br>ended 31<br>December<br>2016<br>£ |
|--------------------------------------|--|---|
| Trade receivables                    | 524,835                                | 626,017                                       |
| Provision for bad and doubtful debts | (196,176)                              | (357,890)                                     |
|                                      | 328,659                                | 268,127                                       |
| Other receivables                    | 57,583                                 | 77,938  |
| Prepayments and accrued income       | 42,508                                 | 45,160  |
|                                      | 428,750                                | 391,225                                       |

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 14 Trade and other payables

|  | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|--|-----------------------------------|--|
|  | £                                 | £  |
| Trade payables                           | 28,634                            | 30,003                                   |
| Amounts due to fellow group undertakings | 158,844                           | -  |
| Accruals                                 | 3,871                             | 37,486                                   |
| Other payables                           | 31,231                            | 11,166                                   |
|  | <u>222,580</u>                    | <u>78,655</u>                            |

### 15 Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current year and prior reporting period.

|   | ACAs<br>£     |
|---|---------------|
| Deferred tax liability at 1 June 2016         | 34,086        |
| <b>Deferred tax movements in prior period</b> |               |
| Credit to profit or loss                      | (8,108)       |
| Effect of change in tax rate - profit or loss | (1,317)       |
| Deferred tax liability at 31 December 2016    | <u>24,661</u> |
| <b>Deferred tax movements in current year</b> |               |
| Credit to profit or loss                      | (12,397)      |
| Deferred tax liability at 31 December 2017    | <u>12,264</u> |

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                          | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|--------------------------|-----------------------------------|--|
|                          | £                                 | £  |
| Deferred tax liabilities | <u>12,264</u>                     | <u>24,661</u>                            |

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 16 Retirement benefit schemes

##### Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £3,494 (7 Months ended 31 December 2016 - £240).

#### 17 Called up share capital

|   | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|---|-----------------------------------|--|
|   | £                                 | £  |
| <b>Ordinary share capital</b>                                     |                                   |  |
| <b>Authorised</b>   |                                   |  |
| 60,000 Ordinary A of 1p each (2016; 60,000 Ordinary A of 1p each) | 600                               | 600                                      |
| 20,000 Ordinary B of 1p each (2016; 20,000 Ordinary B of 1p each) | 200                               | 200                                      |
| 7,112 Ordinary C of 1p each (2016; 7,112 Ordinary C of 1p each)   | 71                                | 71                                       |
|   | <u>871</u>                        | <u>871</u>                               |
| <b>Issued and fully paid</b>                                      |                                   |  |
| 87,100 Ordinary A of 1p each (2016; 87,100 Ordinary A of 1p each) | <u>871</u>                        | <u>871</u>                               |

All classes of shares have attached to them full voting and capital distribution (including winding up) rights. The ordinary A shares have the right to the first £150,000 worth of dividends before a dividend can be declared on the B and C classes of shares.

# NORTHWOOD GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 18 Operating lease commitments

##### Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

|   | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|---|-----------------------------------|--|
|   | £                                 | £  |
| Minimum lease payments under operating leases | 92,032                            | 76,600                                   |

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | Year ended<br>31 December<br>2017 | 7 Months<br>ended 31<br>December<br>2016 |
|----------------------------|-----------------------------------|--|
|                            | £                                 | £  |
| Within one year            | 70,112                            | 97,166                                   |
| Between two and five years | 42,125                            | 112,039                                  |
|                            | <u>112,237</u>                    | <u>209,205</u>                           |

#### 19 Directors' transactions

As at 31 December 2017 the directors' loan accounts were overdrawn totalling £nil (31 December 2016: £3,688; W Walker £3,479 and G Goodson £209)

#### 20 Controlling party

The immediate and ultimate parent undertaking and controlling party and the smallest and largest group to consolidate these financial statements is Belvoir Lettings plc. Copies of the Belvoir Lettings plc consolidated financial statements can be obtained from the Company Secretary at The Old Courthouse, 60a London Road, Grantham, NG31 6HR.