BELVOIR!

Property is personal

Belvoir Group PLC
Annual report and accounts 2019

We operate the **largest franchised property group in the UK,** supporting a network of **396 individual businesses** across five distinct brands, specialising in residential lettings, property sales and property-related financial services.

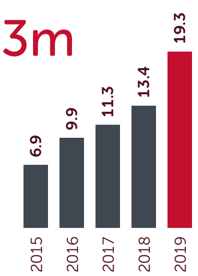
The Belvoir vision

We aim to extend our market share of the UK property sector through our model of operating multi-brand property franchise networks alongside other complementary property-related services.

Revenue (£m)

£19.3m

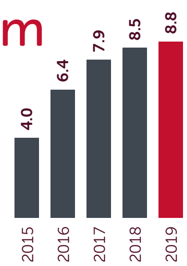
+43%



MSF (£m)

£8.8m

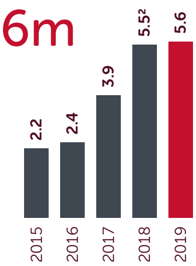
+4%



Profit before tax (£m)

£5.6m

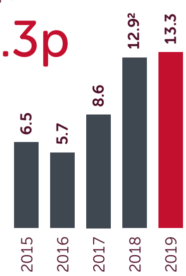
+2%[2]



EPS (p)

13.3p

+3%[2]



Operational highlights

- Exchanged on the acquisition of 17-office franchised estate agency network Lovelle in December 2019, with completion in January 2020
- 24 (2018: 26) assisted acquisitions adding over £6.6m (2018: £6.9m) to franchisee network revenue
- The Group now manages 68,550[1] (2018: 62,780) properties
- Average management service fees (MSF) per franchise office up 35% in four years
- 35% net increase in financial service advisers to 166 (2018: 123)
- Number of offices up to 396[1] (2018: 365)

Financial highlights

- Group revenue increased by 43% to £19.3m (2018: £13.4m)
- Growth in MSF of 4% to £8.8m (2018: £8.5m)
- Profit before tax of £5.6m (2018: £5.5m including net exceptional credit of £0.6m)
- Strong lettings bias reflected in gross profit ratio of 61% lettings:16% sales:19% financial services:4% other (2018: 67%:17%:10%:6%)
- Year-end cash of £3.6m (2018: £1.8m)
- Net debt down significantly to £6.9m (2018: £9.6m)

1. Includes Lovelle network of 17 offices and 1,550 managed properties.
2. 2018 included net exceptional credit of £0.6m.

Why invest in Belvoir?

Belvoir has a proven track record in delivering growth built around a business model of supporting networks of entrepreneurial business owners. This is underpinned by a strong bias towards lettings, providing a reliable recurring revenue stream.

1 Proven multi-brand franchise network model

5

brands

Harnessing entrepreneurial self-motivated franchisees coupled with central support from franchisor

Learn more about our brands from **page 2**

2 History of strong financial growth

23

years of unbroken profit growth with EPS more than doubled in 4 years

Learn more about our performance from **page 22**

3 High degree of recurring revenue

61%

gross profit from lettings/16% sales/ 19% financial services/4% other

Highly cash generative underpinned by recurring gross profit from core lettings business

Learn more about our risks from **page 20**

4 Diversification

£2.5m

gross profit contribution from financial services in 2019

Up from £0.3m in 2016

Learn more about our business model from **page 12**

5 Long-serving, experienced leadership team

11

years average length of service

Stable management team with 27 years average industry experience

Learn more about our leadership from **page 24**

Strategic report

Corporate governance

Financial statements

Shareholder information

Stay up to date with the latest investor videos and presentations at **belvoirgroup.com/investors**

Learn more about our stakeholder engagement from **page 29**

Supporting our customers throughout their property journey

We are the UK's largest property franchise group delivering residential lettings and sales, and property-related financial services through 396 individual businesses nationwide. We operate through two divisions: a network of property franchisees and a network of financial advisers, which combine to support our customers throughout their property journey.

About the Group

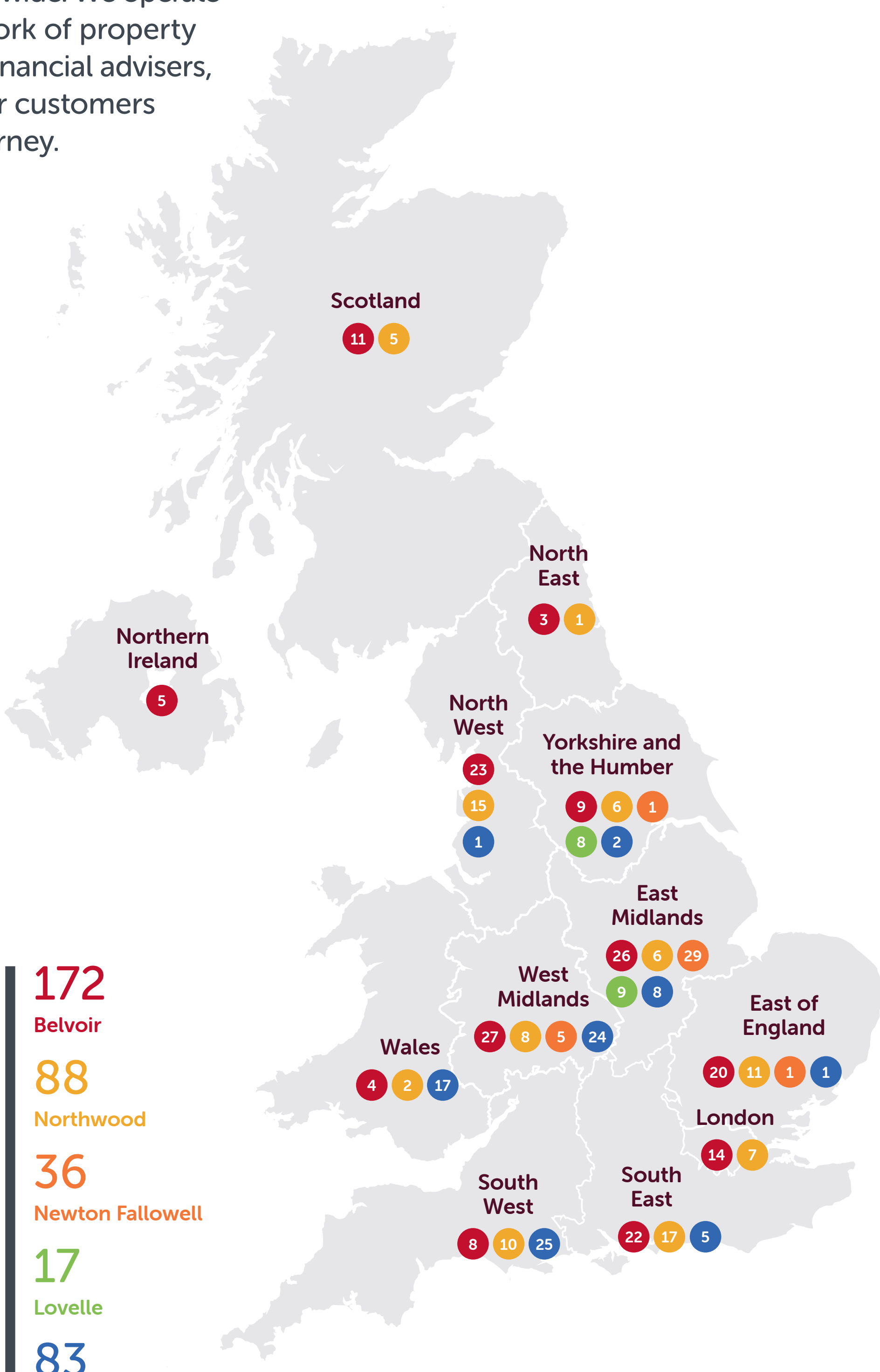
Belvoir was founded in 1995 as a specialist franchised lettings agent and extended its services to offer estate agency in 2014. Since 2015 the Belvoir Group has embarked on a multi-brand franchise strategy by acquiring the Newton Fallowell and Goodchilds networks in 2015, the Northwood network in 2016 and, very recently, the Lovelle network in January 2020. In 2017 we broadened our property-related services to encompass financial services through the acquisition of Brook Financial Services in 2017 and MAB (Gloucester) in 2018, such that we now operate a network of specialist financial advisers providing customers with mortgage and property-related financial services products.

Our 313 property franchisees and 166 financial service advisers operate through 396 individual business units nationwide with a portfolio of 68,550 managed properties, making Belvoir the UK's largest property franchise group with total revenue of £19.3m.

Nationwide reach

Belvoir operates in the residential lettings, sales and financial services markets through 396 individual business units across the UK.

offices
396
nationwide



172
Belvoir

88
Northwood

36
Newton Fallowell

17
Lovelle

83
Financial services

PROPERTIES UNDER MANAGEMENT
68,550

HOUSE SALES COMPLETED
7,433

MORTGAGES ARRANGED
9,342

Our nationwide networks

Property franchises

BELVOIR!

Belvoir

Established in 1995

Historically a lettings franchise, Belvoir now offers both sales and lettings services across the UK.

northwood Over & Above

Northwood

Established in 1995

Northwood also started as a specialist lettings franchise and now has nationwide coverage offering both sales and lettings.

NEWTON FALLOWELL

Newton Fallowell

Established in 1999

Originally an East Midlands-based estate agent but, with the Goodchilds offices rebranding to Newton Fallowell, this network is now a strong regional property brand covering both the East and West Midlands.

LOVELLE ESTATE AGENCY

Lovelle

Established in 2006

Originally a single office estate agent in Grimsby, Lovelle restructured into a franchise network in 2006 primarily offering sales.

Financial services

Mortgage Advice Bureau

Brook

Established in 2010

Brook trades as the largest appointed representative of the Mortgage Advice Bureau (MAB), one of the UK's leading networks for mortgage intermediaries. Brook manages a team of 48 mortgage and financial service advisers in Barnsley, and a network of 118 advisers who were brought onboard when the Group acquired MAB (Gloucester), based primarily in South Wales, the South West and the Midlands.

Brook leverages its expertise to introduce new mortgage products and financial services across all Group networks, whilst also building its client list through partnership with independent agents.

Leading the way in the property and franchising industries

—Michael Stoop, Chairman

As we enter a period of extreme economic uncertainty, I will report on both our strong performance in 2019 and our assessment of the impact of Covid-19 on our business and the actions that we are taking to weather the storm.

Performance

On the positive side, I can start by reporting that in 2019 Belvoir achieved its 23rd year of uninterrupted profit growth despite the introduction of the tenant fee ban, the turmoil surrounding Brexit and the build-up to the general election in December 2019. Revenues increased by an impressive 43% driven by a strong performance from our property franchise network and significant contributions from our financial services division. Profit before tax increased to £5.6m (2018: £5.5m), up £0.7m when taking the net exceptional credit of £0.6m in 2018 into account. These are excellent results given the backdrop of a relatively flat property market. The Group now operates through 396 individual businesses, with the average MSF per franchise office up 35% over the last four years. This increase confirms the attitude our franchisees take in developing and growing their businesses through portfolio acquisitions and becoming more active in the sales market, together with the addition of financial services. Meanwhile, our network of financial advisers is up to 166 from just 13 in 2016, demonstrating the effectiveness of our financial services strategy.

Governance

The Board continues to apply the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework as adopted last year. Within the Belvoir Group we promote a culture of good governance and we recognise how important our people are to the success of the Group. Our corporate governance structures and processes and how we engage with our stakeholders are reported upon in full later in this report.

Learn more about our governance from **page 24**

Board and senior management

On behalf of the Board, I would like to say thank you to our founder, Mike Goddard, who retired as Chairman in May 2019, for his entrepreneurial drive that has made Belvoir the company it is today.

Belvoir benefits from the longevity and stability of its highly skilled Executive Team of Directors and senior managers in providing the continuity of knowledge and experience that has underpinned the successful growth of the Group. This is of particular value in the difficult times we now find ourselves in the near term.

Learn more about our Board of Directors from **page 25**

Covid-19, dividend and outlook

Whilst trading in the year to date had been encouraging and in line with management expectations, Covid-19 has introduced huge uncertainty in the year ahead for our industry and the wider economy. Despite the resilience of our core lettings business, we will not be immune to the effects of reduced levels of property sales and mortgage transactions, and the higher risk of bad debts and non-payment of rent.

In accordance with the UK Government's guidance, with effect from 24 March our corporate offices have closed and our franchise and financial services offices have been advised to do likewise. We have considered the risk to the critical services we provide to franchisees and are satisfied that, even with our teams working remotely from home, we will still be able to provide the necessary support in a reasonable timeframe to enable our franchisees to continue to service our landlords and tenants to the extent that is possible under the current conditions. As a Board we are mindful of the risks and are advising our staff, our franchisees and our advisers on how best to protect themselves, their business and members of the public.

We will be working closely with our franchisees and advisers to support them in reshaping their businesses for the next few months and furthermore, how they can access the various Government financial support packages. We have also put in place our own financial measures to support our franchisees through the crisis.

These are uncharted times and it is difficult to predict how long the Covid-19 outbreak will affect the property industry and to what extent. In operating a franchise business model, Belvoir bears none of the costly infrastructure of a large corporate network, and the Board has been able to respond quickly and decisively to restructure our cost base to reflect the anticipated change in trading conditions. Having revised forecasts to model a range of possible downside outcomes for the rest of the calendar year together with sensitised forecasts for 2021, the Board is confident that the Group has a strong balance sheet with adequate resources to be able to weather the storm, and to operate within its bank covenants, for the foreseeable future. However, given the scale of the global crisis and the inevitable uncertainty, we have decided that it would be prudent not to propose a final dividend for 2019, conserving cash as a precaution. Despite these concerns, we are positive about our ability to manage the challenge of the current climate and thrive once markets return to normal levels, at which point we would expect to reinstate our progressive dividend policy.

Finally, I would like to thank all our staff for their contribution to achieving such a great performance in 2019 and for their support during the Covid-19 crisis.

Michael Stoop
Non-Executive Chairman

"The success of our franchisees remains our main priority as their performance lies at the heart of the ongoing success of the Belvoir Group."

Q&A with the Chairman

What attracted you to Belvoir?

I have been aware of Belvoir since it started operating in 1995. Having been involved with estate agency franchising since 1982, it was important for me to keep a close eye on what our competitors were doing! Once I decided to take a step back from day-to-day operations with another large franchise group, I was very keen to be able to offer my experience and services to a company that embraced the same morals and ethics of franchising in estate agency as my own. I had known Dorian Gonsalves and Mike Goddard for many years through our association as board directors of The Property Ombudsman (TPO) and I was always impressed with their professionalism and dedication in all that they did at both TPO and Belvoir.

How does your experience help the Group?

I hope my experience both as a Winkworth franchisee and as group managing director of Winkworth, Legal & General Franchising Ltd, and latterly The Property Franchise Group, stands me in good stead to help steer the Executive Board and Non-Executives in the direction of creating a "stand out" franchise proposition. This is for the benefit of our existing and future franchisees as the Group grows both organically and through further acquisitions.

What changes have you made so far?

I would like to think that our Board meetings are structured to ensure that we concentrate on performance in more detail, drill down to where we believe, as a Board, the real risks are within the business and challenge the Executive Team to ensure we are maximising profit whilst keeping a very tight control on overheads. In November I chaired a strategy day to ensure that the Executives and senior management are clear on the goals that we at Belvoir Group PLC are looking to achieve in the short to medium term.

How are you engaging with your key stakeholders?

I have personally engaged with all the key members of staff at Central Office as well as meeting many franchisees at the various industry conferences I attend during the course of the year. I am very keen to get feedback from franchisees and staff alike as it is imperative that their "voices" are heard at Board level and acted upon, where necessary. I have also met with customers and shareholders to canvas their thoughts and feedback.

What are your priorities for the year ahead?

With the unexpected consequences of the Covid-19 virus, our priority for 2020 is to support our franchisees and financial advisers through the difficult months ahead. We are having to reorganise our business to ensure that our Central Office support system and our franchisees can continue to operate from a "home environment". As a Board we have invaluable experience in the estate agency sector that has witnessed previous severe downturns. Whilst none as fundamental as the one we now face, we do know how to act swiftly and to take the action required to trade through such difficulties. We will ensure that our networks have the best possible advice and guidance to steer them through the challenging months ahead.

Responsive and resilient to changes in the industry

—**Dorian Gonsalves,** Chief Executive Officer

2019 was another very good year for the Group and is testament to the resilience of the Belvoir business model with both our property franchise and our financial services divisions performing exceptionally well.

Performance

The Group achieved a year of outstanding growth with revenue increasing 43% to £19.3m (2018: £13.4m). Our property division was up 6% and our financial services division was up 159%, with the Group more than overcoming the twin challenges of the tenant fee ban and markets subdued by the political and economic uncertainty.

Management Service Fees (MSF), the Company's core income from franchisees, increased by 4% to £8.8m (2018: £8.5m). In a year when our franchisees expected to lose 10% of their lettings revenue due to the tenant fee ban from 1 June and with the rental index at 1.4%, MSF from lettings increased by 3% with our franchisees having succeeded in mitigating the impact of the tenant fee ban by December 2019, ahead of management's expectations. Part of the mitigation arose from the ongoing success of the assisted acquisitions programme which supported 24 franchisees to make a local portfolio acquisition, adding £6.6m to franchise network revenue, 4,500 managed properties and around £0.6m p.a. of ongoing MSF. Mitigation by our lettings-biased Belvoir and Northwood franchisees also came from an increased focus on property sales. Against what was quite a flat year for the UK property sales market with house price inflation at 2.2% and house transactions down 0.9%, MSF from sales was up 16% across those two networks and up 9% across the Group. By Q4 2019 franchise network revenue was noticeably higher than it was in Q4 2018 demonstrating our franchisees' ability to overcome changes in the sector.

The Group's diversification into financial services has been a great success delivering significant growth in 2019 following the acquisition of MAB (Gloucester) in November 2018, and a 35% increase in the Group's financial services network. Contributing 19% of gross profit, financial services is of growing importance to the Group. By the year end Belvoir had 166 (2018: 123) financial advisers offering specialist high street mortgage advice both to our Group franchisees and to independent agents. Additionally, in November 2019 the Group announced an eight-year exclusivity agreement with Dacres, a 20-office estate agency network based in Yorkshire, to deliver financial services to its extensive client base.

Across all three areas of lettings, sales and financial services, Belvoir outperformed the market. Belvoir now has a portfolio of 68,550 (2018: 62,780) managed properties, a record level for the Group and which represents one of the largest portfolios in the UK. In 2019 Group house sales were up 9% to 7,433 (2018: 6,815) and the number of mortgages arranged was up 240% to 9,342 (2018: 2,746). The Group's network revenue, this being the total revenue across all our Group companies, our franchisees and our financial advisers, totalled £93m (2018: £83m).

Our strategic priorities

Given the current unprecedented economic conditions, our priorities in the short term are to ensure the safety of our staff and other stakeholders and to safeguard the business. The Board has sought to manage the impact on our short-term financial performance by reviewing overheads to remove non-critical costs and reducing headcount to match the foreseeable needs of the business whilst retaining key skills and infrastructure necessary to support franchisees and advisers. In addition the Board, brand managing directors and senior managers have volunteered to take a temporary salary reduction. The Board greatly appreciates the commitment of our staff throughout the Group during these difficult times. We are also reviewing the Government's stimulus package to ensure that the Group benefits from the financial help available.

Our franchise support team will be focused entirely on advising franchisees how to restructure their business to minimise costs in response to lower trading activity, how to access the Government support available to them and how to safely continue to deliver services to their landlords and vendors.

"Our assisted acquisition programme, launched in 2013, has supported 95 deals enabling many of these franchisees to double the size of their business overnight."

Learn more about our strategy from **page 14**

Our financial support package for franchisees includes a six-month capital repayment holiday to those franchisees who have borrowed funds from Belvoir to grow through our assisted acquisitions programme. We have also waived our monthly minimum fees to franchisees so that MSF are wholly percentage based; this means any reduction in income for our franchisees is matched by a proportionate reduction in the MSF payable to Belvoir, and as such we share the burden of any downturn in revenue during the period of the crisis. We firmly believe in the resilience of our franchise model and we are confident that the short-term measures taken will enable the Group to support its franchisees during the lockdown period and to emerge from the crisis in a strong position to capitalise on business opportunities as the market returns to normal.

The Group's longer-term strategic priorities remain to position the Group to benefit from further consolidation within the sector at both franchisee and Group level, to introduce additional revenue streams to our franchisees and to extend our financial services network across the UK.

With the early 2020 acquisition of Lovelle, Belvoir has taken a further step in its multi-franchise strategy by bringing a new franchise network into the Group. From operating a single national franchise brand, Belvoir, with 162 offices five years ago, the Group now operates four franchise brands with 313 estate and lettings agency offices across the UK. A key focus for 2020 will be the integration of Lovelle into the Group.

We will continue to support franchisees to "buy and build" through our assisted acquisitions programme so that they can benefit from the further consolidation anticipated as smaller independent agents, struggling to overcome the financial impact of the tenant fee ban and contemplating the further regulation proposed in the Recommendations for Government on the Regulation of Property Agents (RoPA) report, decide to exit the sector.

The expansion of our financial adviser network remains a critical part of our strategy of offering local financial services advice through our property franchise offices. Our existing 166 advisers are primarily based in the South West, Wales, the West Midlands and Yorkshire, so our aim is to extend our financial services network across the rest of the UK.

Creating value

The healthy growth of our property franchisees and financial advisers, supported by our strategic priorities, underpins the creation of value for our stakeholders. At a Group level, our investment in additional franchise networks and in financial services has helped to deliver a 155% increase in profit before tax to £5.6m (2015: £2.2m) and a 105% increase in EPS to 13.3p (2015: 6.5p) over four years.

Lovelle acquisition

In January 2020 Belvoir acquired the Lovelle network, an independent predominantly franchised estate agency network operating in Lincolnshire and the Humber region. Based on performance in the year to July 2019 Lovelle was the largest agency in its region, delivering 1,425 completed sales transactions and managing 1,600 properties and was named the "Yorkshire and Humber Agency of the Year" at the 2019 Negotiator Awards. The Lovelle network comprises 17 estate agency branches, with ten offering property sales only, one offering lettings only and six offering both sales and lettings. Our objective is to find a franchise solution for each of the corporate-owned offices as we believe firmly that these offices will flourish under franchise ownership. Where possible we aim to support either an existing member of staff or franchisee to take on these offices.

The Lovelle offices will benefit from the economies of scale enjoyed from being part of a larger group in terms of better supplier terms and greater depth of central support covering marketing, IT, legal, compliance and business development. We hope that their franchisees will embrace the growth opportunities available through our assisted acquisitions programme and, as primarily sales-focused businesses, from the introduction of lettings. There is also the opportunity to significantly improve their income from financial services by working with Brook.

Our marketplace

Over the past three years, there has been a general slowdown in UK house price growth, driven mainly by low and, at times, falling prices in London, the South East and the East of England, possibly areas of the UK disproportionately affected by the ongoing uncertainty around Brexit. Against this backdrop we were delighted to report increases in Group income from property sales of 8% in 2018 and 9% in 2019, outperforming the market as we continue to build Belvoir's market share.

The main long-term recurring theme within the housing market is that supply remains constrained whilst demand continues to rise for all tenures. With the UK population forecast to grow by 3 million people by 2028 and the likelihood that there will be insufficient UK house building to address the ongoing supply deficit, we anticipate that in the medium term the sector will continue to see upward pressure on rents and house prices.

The publication of the RoPA report reflects the intention of the Government to professionalise the sector with the introduction of mandatory qualifications, a new system of regulation of property agents and a new licensing regime for agents. As a Group, Belvoir already embraces the high standards of training and compliance being recommended so we very much welcome these proposals aimed at improving the overall standards within the sector and creating a more level playing field for those, such as our franchisees, who already bear the cost of delivering a highly professional service.

Outlook

With the tenant fee ban now both behind us and mitigated, we had anticipated a more stable political and economic landscape in the year ahead, and trading in the early months of 2020 proved very encouraging. Covid-19 has rapidly changed that landscape and is expected to have a significant impact on trading in 2020. It is difficult to predict exactly how long this impact will continue, but we have secure financing, continue to operate within our covenants and remain confident that we will be well placed to capitalise on any upturn when it arises, and return to growth and winning market share.

Dorian Gonsalves
Chief Executive Officer

Watch the latest videos and webcasts at **belvoirgroup.com/news-media/videos-and-webcasts**

The housing market and our response to it

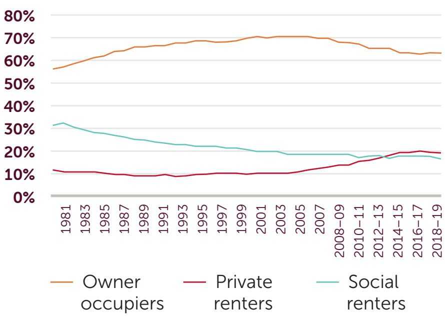
Since the recovery from the credit crunch and despite the uncertainty around Brexit, the mainstream property market has proved incredibly resilient.

Having had a very positive start to the year, that resilience in the property market is being challenged once again as a result of Covid-19. We have presented the trends as previously understood but it is too early to determine how these will be affected by Covid-19 and for how long.

Market trends
Property

Demand – will continue rising for all tenures

Trends in tenure (proportions) 1980 to 2018–19



- Since 2014, the proportion of those owning a home, renting or in social housing has remained very similar[1].
- Government policies to attract first-time buyers (FTBs) seem to be working. In 2019, FTBs, the lifeblood of the buying and selling market, reached 353,436[2], its highest since 2007.
- Also, since 2014 the proportion of 25–34 year olds in owner occupation increased from 36% to 41% and there are now almost equal proportions of this age group living in the private rented and owner occupied sectors[1].
- Between 2018 and 2028, the demand for property is still forecast to rise at a pace, with the ONS[3] estimating that the UK population will grow by 3 million people to 69.4 million in mid-2028.

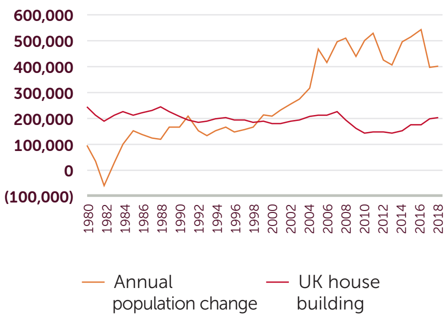
Our response

The growth in FTBs is good news for the sales market, as it fuels the rest of the home buying and selling market. With Help to Buy being restricted to FTBs from April 2021 and ending in March 2023, this could impact on FTB growth. However, the Government[4] has proposed a minimum "discount in perpetuity" of 30% for new homes which is currently under consultation.

We are encouraging and training our Belvoir franchisees who traditionally have been more geared towards lettings to gain skills in property sales so that they can benefit from trends in both markets.

Supply – remains constrained

UK annual population growth and completed housing new builds 1980–2018



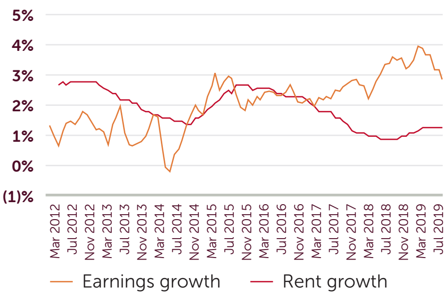
- Although UK house building has increased in recent years[5], when compared against the growth in population[6], we are still struggling to overcome the past and existing supply deficit.
- There are only 152,071[7] Build to Rent homes now under planning, under construction or completed. These are mostly centred around London and key regional cities and tend to be high density housing.
- Supply is expected to continue to tighten, helping to support the value of homes and rents into the future.
- PwC forecasts[8] that the market will "push real house price growth back up towards its long-term average rate" of around 3%.

Our response

The property market is fundamentally supported by an overall lack of supply versus demand. This, coupled with current low cost financing and a strong labour market, has led to the market remaining active, despite the uncertainty around Brexit and an economic slowdown towards the end of 2019. Until supply is increased to meet demand, there will be continued upward pressure on both rents and house prices. From a regional perspective, house price growth outside of London is expected to grow by the most in areas such as the Midlands, the North and Scotland where the Belvoir Group has a stronger presence.

Affordability – is key to both renters and owners

Rent and average weekly earnings growth



- Although rental growth[10] is at its highest for two years, earnings[11] are, in the main, rising at a faster rate.
- On average, outside of London, tenants are paying just over 30% of their earnings on rent which is considered "affordable".
- Given higher earnings growth and the relatively stable nature of renter affordability, there is scope for further rent increases in the coming year.
- FTB mortgage payments as a percentage of mean take home pay are at 31.2%[9], one of the lowest figures since 2003.

Our response

Although affordability is undoubtedly an issue in some areas across the country, in many of the areas where the Belvoir Group operates, low cost financing is helping to ensure those who can raise a deposit are actually being able to afford ongoing home costs more easily.

"As in all markets, there will always be challenges, but after 24 years we have learned how to mitigate the risks and find ways to turn changes to our advantage."

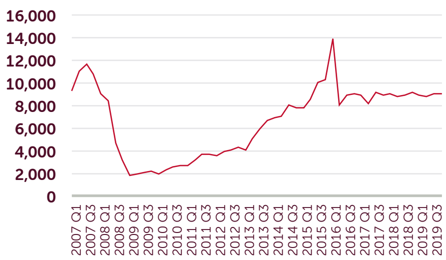
REVENUE FROM **+6%** LETTINGS

REVENUE FROM **+9%** SALES

REVENUE FROM **+150%** FINANCIAL SERVICES

BTL – investor demand for mortgages stabilised

Quarterly Buy to Let mortgage advances £millions 2007–2019



- In 2019 the number of BTL mortgage advances[12] suggested that the decline in new BTL investors was slowing, with BTL yields increasing.
- Whilst Government policies to dissuade new BTL investors from entering the market may have stopped a proportional rise in the rental sector, they do not appear to have resulted in a decline in the number of rental properties.
- Prior to recent events, BTL purchase volumes were holding up in housing markets with lower house prices and higher yields where the impact of the tax and regulatory changes is less pronounced.

Our response

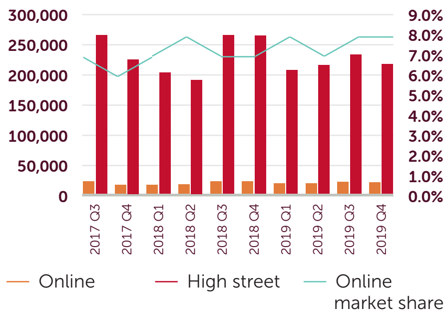
According to our own rental survey of Belvoir agents, average annual rents rose in 2019 by one of their highest: 4.0% higher year on year, and compared to the last four years, fewer offices are reporting landlords selling up.

It had been expected that wages would continue to outperform inflation in 2020[13] and that rising rental demand versus a shortage of supply would see rents continue to rise in 2020. This had the potential for higher yields making BTL more attractive to existing and new potential landlords.

It is too early to determine how Covid-19 will impact on this given the different dynamics involved.

Technology – delivering efficiencies

Online market share



- The property industry is going through a change in the way that we let and sell homes.
- Online agents' market share has become static at around 7.9%[14] of house sales over the past two years, with a number of noticeable online estate agency failures as online agents struggle to prove that they have a viable business model.
- There is a plethora of new "prop tech" companies offering a range of new tools to reduce the administration and costs of operating a property management service.

Our response

The Belvoir Group is investing in technology to stay ahead of the competition. We are currently half-way through the roll out of a new technology platform to our franchisees which provides both back-office efficiencies and improved customer experience. This is aimed at giving a first class online customer experience, whilst continuing to benefit from the advantage of offering a personal service delivered from fully staffed local offices.

Legislation – aimed at professionalising the sector

Laws and regulations that need to be followed to legally let a property in England and Wales

- In recent years the sector has faced new legislation, sometimes at short notice. 2019 saw the introduction of client money protection on 1 April and the ban on tenant fees on 1 June in England.
- Electrical safety checks, minimum energy efficiency standards (MEES), the introduction of a new lifetime deposit for tenants and the loss of Section 21 in England are all potential changes on the horizon.
- The pressure of such changes is contributing to the ongoing consolidation in the sector, with the number of UK estate agency branches down 143[15] in H1 2019.

Our response

Belvoir is used to accommodating new legislation and regulation and we welcome such changes as they tend to result in opportunities for the Group. The potential loss of Section 21 is likely to have minimal impact on our landlords, as our four-year-long survey of Belvoir letting agents shows that each quarter, 75% of offices or more carried out either no evictions or less than one. This reflects the strength of our tenant referencing and regular auditing of our offices to ensure compliance with legislation, Government regulation and our own high standards of conduct.

Market trends
Property continued

RoPA – professionalising property agents

For many years we, along with other industry professionals, have championed agents being regulated so everyone in the industry works to a minimum, professional standard and consumers are given the protection they deserve.

The new model proposed is for an independent property agent regulator which provides a system of licence to practise and a single, mandatory and legally enforceable Code of Practice for property agents. Agents, new and existing, will need to have minimum qualifications and invest in continued professional development. Enforcement is expected to be carried by the new regulator.[16]

Belvoir sees this as an enormous opportunity for its franchisees.

There will, however, be many small independent agents who do not have the resources or desire to take qualifications to do a job they have carried out for many years and they are likely to either close their agency doors or sell, leaving further opportunities for the Belvoir Group to expand and grow through acquisition.

In the future, it is recommended this legislation should allow for a change in the definition of a property agent to potentially include DIY landlords, freeholders and developers, paving the way for further growth opportunities from which RoPA compliant companies will benefit.

"All of our agents offer free redress to consumers by means of an ombudsman scheme. And in addition all offices have client money protection insurance (CMP) which protects consumers against potential financial losses.

All new franchisees undergo a rigorous training programme and we already offer continuous training to update franchise owners on the latest rules and regulations and business opportunities. As a Group our franchisees are used to abiding by our own code of practice. The implementation of RoPA, in whatever form it takes, will be done swiftly and efficiently and compliance will be ensured via our expert audit team."

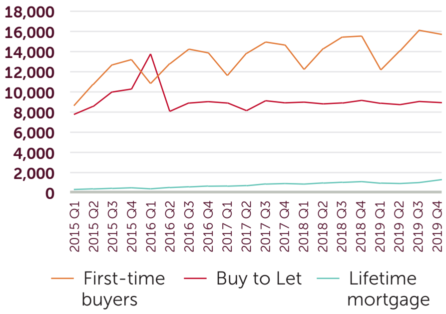
Dorian Gonsalves
Chief Executive Officer

1. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860076/2018-19_EHS_Headline_Report.pdf
2. https://www.ybs.co.uk/media-centre/2019-FTB-number-estimate/index.html
3. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2018based
4. https://www.gov.uk/government/consultations/first-homes
5. https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ukhousebuildingpermanentdwellingsstartedandcompleted
6. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/august2019
7. https://www.bpf.org.uk/what-we-do/bpf-build-rent-map-uk
8. https://www.pwc.co.uk/economic-services/ukeo/ukeo-housing-market-july-2019.pdf
9. https://www.nationwide.co.uk/about/house-price-index/download-data#xtab:affordability-benchmarks
10. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01
11. https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/january2020
12. https://www.ukfinance.org.uk/sites/default/files/uploads/Data%20(XLS%20and%20PDF)/UKF%20Mortgage%20Trends%20Update%20-%2015%20January%202020.pdf
13. https://www.bbc.co.uk/news/business-49328855
14. https://insight.twentyci.co.uk/blog
15. https://www.pwc.co.uk/press-room/press-releases/store-closures-hit-record-levels.html
16. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818244/Regulation_of_Property_Agents_final_report.pdf

Market trends
Financial services

Demand – at both ends of the age range

FTB, BTL and lifetime mortgages

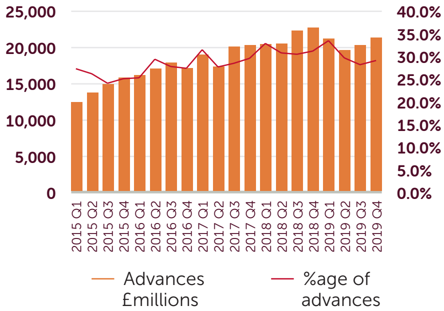


- First-time buyer (FTB) numbers have recovered to 2007 levels, driven by a demographic bulge in the number of 25–34 year olds[17], the Help to Buy equity loan scheme and support from the "bank of mum and dad". FTBs make up 36% of house sales and 50%[18] of mortgages, with Help to Buy equity loans accounting for 14% of all FTB purchases.
- Older homeowners are also fuelling demand with the over 70s increasingly opting for lifetime mortgages. Given the high level of housing equity of older homeowners, the lifetime lending market is expected to grow.
- The impact of the additional 3% stamp duty from April 2016 and the loss of mortgage interest tax relief from April 2017 on demand for BTL mortgages appears to have tailed off. Growth in outstanding BTL debt of around 4%[19] suggests a degree of stability in the BTL market.

Our response
The reliance on intermediaries, such as Brook, has grown significantly in recent years and intermediaries now account for 75% of the residential mortgage market up from 50% in 2009-2012, with 90% of BTL business, 80% of FTB business and 60% of the product transfer market going through an intermediary.

Remortgage activity – supported by low interest rates

Remortgages



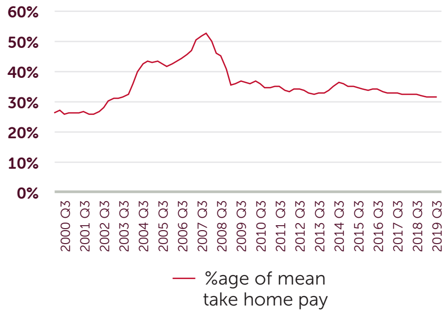
- Remortgage activity has been strong in recent years reflecting the low interest rates available, increased competition for mortgage business, increase in housing equity and refinancing by landlords looking to offset some of the negative cash flow impacts of the loss of mortgage tax relief.
- Meanwhile remortgage activity to fund equity release remains historically low at £12.3bn in 2019.
- 70% of mortgage balances are on a fixed rate, with two-year deals being overtaken by five-year deals in the past year or so. This shift reflects the continual narrowing of the relative pricing since 2014 and could lead to a weaker remortgage market in the next two to three years.

Our response
Brook proactively contacts our clients as their mortgage is approaching renewal so as to give them the best whole of market advice on their next mortgage.

The growth in the Brook client base over the past two years means that the drop in frequency of remortgages will be compensated by the larger client base with which we are working.

Affordability – tests to ensure prudent and sustainable mortgage lending

UK FTB affordability measure



- Since 2014 new regulations have been introduced to limit the level of borrowing through the introduction of an affordability test, a cap on high income multiples loans, underwriting restrictions on BTL lending and extra restrictions on specialist products including later life lending.
- Loan to income multiples (LTIs) have been increasing with mortgages at or above 4x income accounting for close to 30% of new lending.
- Meanwhile loan to value rates (LTVs) have also recovered, linked to the stronger FTB market, although still with limited availability of mortgages with LTVs greater than 95%.

Our response
Brook operates as an Authorised Representative of Mortgage Advice Bureau, an AIM-listed company, and operates under its strict compliance regime. All advisers are subject to in-depth initial training and ongoing professional development to ensure that our clients are offered mortgage products to match their needs and affordability.

17. https://www.statista.com/statistics/281174/uk-population-by-age/
18. https://www.bankofengland.co.uk/statistics/mortgage-lenders-and-administrators/2019/2019-q3
19. http://www.imla.org.uk/resources/publications/imla-the-new-normalprospects-for-2020-and-2021.pdf

A winning franchise model

Our business model is built on 25 years of experience of operating a Central Office team providing support and guidance to a network of entrepreneurial individuals with the drive and local knowledge to deliver success.

Our difference

Service excellence
Our experience and focus on customer service have enabled us to stand out from the crowd and are critical to the success of our Group. Our property franchisees and financial advisers undergo intensive training and regular audits to ensure that they are equipped to deliver our required high standard of service.

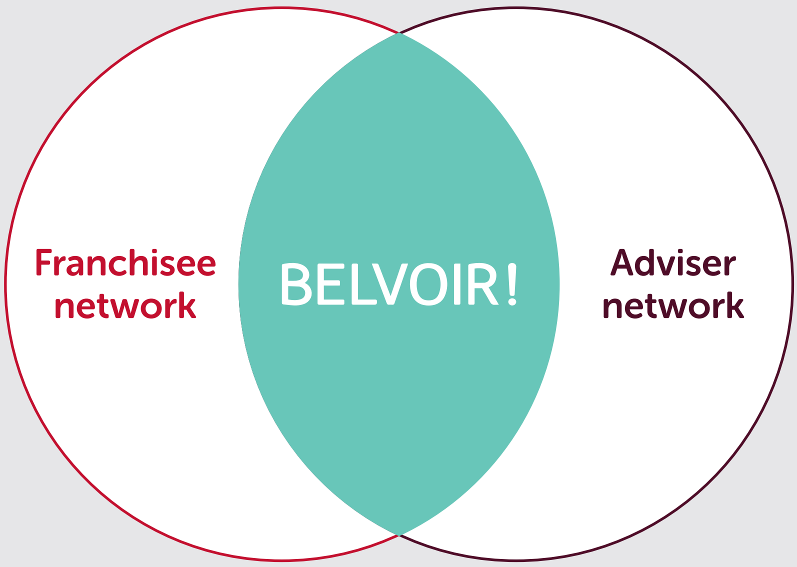
Greater financial stability
A strong lettings base providing a recurring revenue stream coupled with an increasing revenue stream from property sales and financial services provide the Group with greater financial stability. Our model also enables our property franchisees to build a capital asset which, unlike income-based franchise options, provides a financial return on exit.

Network model
Both our franchisees and advisers benefit from the backup and support of a Central Office team whilst operating their own business with the entrepreneurial drive of an owner-manager.

Proactive growth
We proactively identify suitable businesses for our property franchisees to bolt onto their existing business, whilst also initiating the roll out of additional property services, such as financial services, to be offered by our franchisees, providing the opportunity for accelerated and sustained growth.

Our process

Belvoir sits at the centre of our networks
Belvoir operates a network of property franchisees and a network of financial advisers supported by our Central Office team.



These two networks overlap with our property franchisees providing a lead source to our financial advisers who are well placed to provide mortgage and other property-related financial services advice to our landlords and our home owners. Our financial advisers benefit from the reliable lead source and our property franchisees benefit from an additional revenue stream.

Learn more about our strategy from **page 14**

Supporting both networks

Both networks are supported centrally to ensure that the individual franchise owners and financial advisers achieve their growth potential.

Selection

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

Induction

All new franchisees and advisers undertake an intensive induction programme on joining to ensure that they have the necessary skills and know-how to make their business a success.

Brand equity

Our brands are highly regarded and respected for their core values of professionalism and customer service. We invest continually in our brands to ensure that messaging remains fresh and relevant to our markets.

Networking

We facilitate a culture of learning from each other and sharing experiences through national and regional networking groups and at the annual conference held by each network.

Support

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

Training

In addition to the induction training, a continual programme of professional training and development is conducted both centrally and via webinars.

Delivering value

Franchisees and advisers

We provide a proactive support system, bringing the best and most up-to-date tools, advice, training and services to our business partners with group deals negotiated where possible.

6,130 hours

spent on training

Employees

We recognise the need to attract, retain and develop the best talent to our Central Office team, offering opportunities for ongoing learning and professional development, to ensure that we deliver a professional service to our networks.

29 staff

holding or training towards a professional qualification

Customers

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

4.5 ★★★★½

online star rating (independently generated by reputation.com)

Shareholders

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

EPS increased to

13.3p +3%

(2018: 12.9p*)

* 2018 reflected net exceptional credit of £0.6m.

Strategy for growth

In the medium term, once through the Covid-19 crisis, our strategy remains to leverage our property and franchising expertise to deliver both network growth and value for shareholders, underpinned by a highly professional network of franchisees and financial advisers with sound business ethics.

Group acquisitions strategy

Accelerating business growth through the acquisition of additional franchised lettings and estate agency networks and property-related services companies to the Belvoir Group

Milestones of 2019

- Brook acquired the financial services arm of Dacre, Son and Hartley and entered into an eight-year exclusive arrangement as its financial services partner
- Newton Fallowell exchanged contracts to acquire the trade and assets of Lovelle Estate Agents
- The final stage of Northwood integration saw the Fareham office close, reducing the cost base by a further £200,000 p.a.

Focus for the future

- The assimilation of Lovelle into the Belvoir Group including franchising the six corporate-owned branches
- Identify other property-related service companies to bring into the Group
- Position Belvoir to take advantage of further strategic consolidation within the property franchising sector

Links to KPIs

1 2 3 4 5 7 10

Links to risks

A

Assisted acquisitions programme

Increasing the market penetration of existing franchise territories through a proactive approach to finding them a local portfolio acquisition

Milestones of 2019

- 24 (2018: 26) transactions completed by franchisees under the assisted acquisitions programme
- Added £6.6m (2018: £6.9m) of acquired franchisee revenue to the network and £580,000 (2018: £643,000) p.a. in MSF
- 82 (2018: 81) franchisees enrolled on the acquisition research programme

Focus for the future

- Target to add around £5.0m p.a. of additional network revenue under the assisted acquisitions programme, dependent on market conditions
- Strengthen relations with business transfer agents and improve targeting of potential sellers
- Position our franchisees to take advantage of consolidation within the sector

Links to KPIs

1 3 4 6 7 8

Links to risks

A B D E

Recruitment

Increasing UK coverage of both our property franchise and financial services networks

Milestones of 2019

- Five new franchise owners joined the Group
- 67 new financial advisers joined the Group
- Six new franchise offices opened and eight existing offices were resold either to a new or an existing franchise owner

Focus for the future

- To continue to attract new franchise owners to the Group
- To open new offices and to facilitate the resale of existing property franchise offices
- To extend our financial services network of advisers across the UK

Links to KPIs

1 2 3 4 5 7 8 9 10

Links to risks

A B C D

Diversification

Continuing to expand our service offering with 85% of our franchisees now offering both lettings and property sales, and 40% of our franchisees introducing financial services

Milestones of 2019

- 16% of our lettings-biased Belvoir and Northwood franchisees reported over £50,000 of sales revenue in 2019
- Our sales-biased Newton Fallowell franchisees added five lettings portfolios by means of an assisted acquisition
- 95 offices are now offering financial services through a Brook financial adviser

Focus for the future

- To build a nationwide network of financial advisers within five years
- To encourage collaboration between property franchises and financial advisers to maximise conversion of mortgage leads
- Introduce block management to our franchisees as an additional property-related service

Links to KPIs

1 2 3 4 6 9 10

Links to risks

A E F

Marketing and PR

Continuous drive to increase brand awareness

Milestones of 2019

- Belvoir became the official agency sponsor for the LandlordZone website
- Northwood won Gold for Best Letting Agent of the Year and Best Franchise of the Year in the allAgents Awards based entirely on customer feedback
- Newton Fallowell launched its climate change initiative to plant a tree for every property sale

Focus for the future

- Increasing national advertising spend with Google to maximise brand awareness and generate more market appraisals
- Continue development of the Belvoir, Northwood, Newton Fallowell and Lovelle websites to increase traffic and improve conversion
- Fully integrate our website and property software to automate and improve the customer experience

Links to KPIs

1 3 4 6

Links to risks

A F

Links to KPIs

1. MSF
2. Net financial services commission
3. Profit before tax
4. EPS
5. Number of franchise offices
6. Average MSF per office
7. Number of managed properties
8. MSF p.a. from assisted acquisitions
9. Number of financial advisers
10. Number of mortgages arranged

Learn more about our KPIs from **page 16**

Links to risks

- A Ability to generate planned revenue and profit growth
- B Ability to recruit and retain skilled franchisees and financial advisers
- C Reputational risk
- D Ability to execute our assisted acquisitions strategy
- E Legislative and regulation changes
- F Online threat

Learn more about how we manage risk from **page 20**

Measuring our performance

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

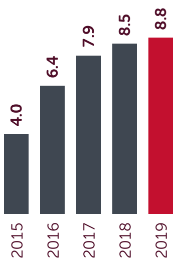
Financial KPIs

MSF (£m)

£8.8m

+4%

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



Comment
4% growth with lettings up 3% and sales up 9%

Links to strategy

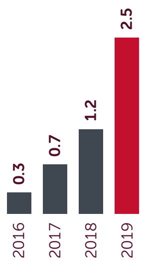
1 2 3 4 5

Net financial services commission (£m)

£2.5m

+109%

Definition
Commission receivable on financial services less commission payable to advisers



Comment
Having invested further in financial services, net commission is now an important KPI

Links to strategy

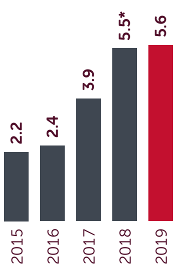
1 2 3 4 5

Profit before tax (£m)

£5.6m

+2%*

Definition
Profit before tax arising from ongoing operations



Comment
Organic growth and full year revenue from MAB Glos

Links to strategy

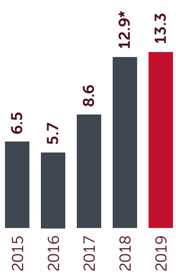
1 2 3 4 5

EPS (p)

13.3p

+3%*

Definition
Earnings per share



Comment
Increase in EPS reflecting enlarged Group and increased profitability*

Links to strategy

1 2 3 4 5

* 2018 included net exceptional credit of £0.6m.

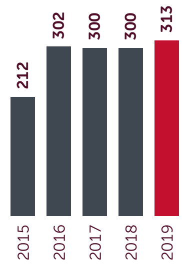
Non-financial KPIs

Number of franchise offices (#)

313

+4%

Definition
All our franchised offices have a physical high street presence



Comment
Increased high street presence reflects addition of the Lovelle network

Links to strategy

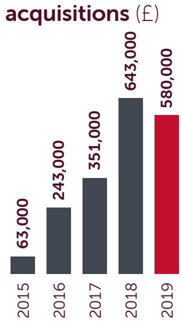
1 2 3 4 5

MSF p.a. from assisted acquisitions (£)

£580,000

-10%

Definition
Additional MSF p.a. arising from the assisted acquisitions programme



Comment
24 assisted acquisitions were completed in 2019 adding £6.6m of network revenue and £580,000 in recurring MSF

Links to strategy

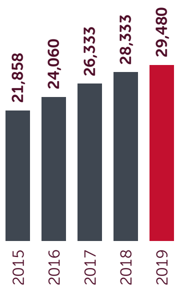
1 2 3 4 5

Average MSF per office (£)

£29,480

+4%

Definition
Total MSF divided by the number of franchised offices adjusted for part-year ownership of acquired franchise networks



Comment
Focus on growth through diversification and acquisition has increased the average size of our offices

Links to strategy

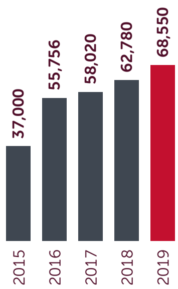
1 2 3 4 5

Number of managed properties (#)

68,550

+9%

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



Comment
Substantial increase from organic growth and portfolio acquisitions by our franchisees

Links to strategy

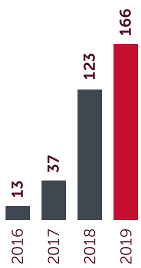
1 2 3 4 5

Number of financial advisers (#)

166

+35%

Definition
The number of advisers operating within Brook at the year end



Comment
Brook extended its footprint of advisers and is now working with 119 Group offices

Links to strategy

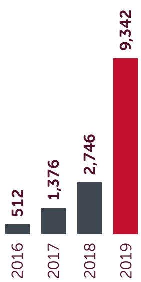
1 2 3 4 5

Number of mortgages arranged (#)

9,342

+240%

Definition
The number of mortgages written for clients of Brook during the year



Comment
Increased adviser numbers and lead sources resulting in increased written mortgage business

Links to strategy

1 2 3 4 5

Links to strategy

1. Group acquisitions strategy
2. Assisted acquisitions programme
3. Recruitment
4. Diversification
5. Marketing and PR

Learn more about our strategy from **page 14**

Exceptional people who exceed expectations

Belvoir is committed to recruiting, developing, retaining and rewarding highly motivated people who are talented, creative and focused on delivering excellence.

Our people comprise a highly skilled team of employees, property franchisees and financial services advisers who understand that trust, confidence and communication are of paramount importance when advising customers on their home and any associated mortgage. Our business would not thrive without exceptional people who exceed expectations.

Our employees

Belvoir believes that human capital management is key to ensuring that we have the necessary team to deliver future success, and therefore invests in a high level of employee engagement in order to attract and retain professional staff with the requisite skills.

We also invest in professional training to enable our employees to develop in their roles. During 2019 we sponsored five staff under the Apprenticeship Scheme, encompassing accountancy, IT, HR and business administration. We are delighted to report that Catalyn Bavister qualified as an Accounting Technician under the AAT Apprenticeship, and Sara Lenkiewicz attained her Business Apprenticeship and is now working towards her Chartered Institute of Personnel and Development level 3 qualification. Meanwhile, in 2019 Adam Egner was awarded Apprentice of the Year and Belvoir was awarded Business Development Centre Employer of the Year by Grantham College.

5 staff

sponsored under the Apprenticeship Scheme

Our franchisees

Our franchisees' ability to develop relationships built on trust and quality service lies at the heart of our success. A key part of our training programme focuses on our franchisees better understanding themselves and how they interact with other people so that they can develop strategies for building strong and enduring relationships with their customers.

In 2019 Belvoir Leamington Spa won not only the Belvoir Franchisee of the Year award, but also received the Gold award for Single Branch Lettings Agency of the Year at the Negotiator Awards. This was a wonderful accolade for our franchisees Sue and John Warburton who are excellent ambassadors for the Belvoir brand.

Our values

We believe in embracing the highest morals and ethics of franchising in estate agency in dealing with all stakeholders: our investors, our franchisees, our staff and our clients. Our core values of delivering excellent customer care and a quality, professional service, and being open and transparent when dealing with our stakeholders have been key to our success throughout our 24-year history.

Stay up to date at **belvoirgroup.com**

Our values

Integrity
We recognise that homes are of paramount importance to our customers so trust and integrity are essential in supporting our customers on their property journey.

Collaboration
Our mutual success relies on our property and financial services networks collaborating, all supported by our Central Office team.

Professional development
We see the training and development of our staff, our franchisees and our advisers as critical to the success of our business.

Entrepreneurial
Our model is underpinned by networks of highly motivated business owners.

Agility
Each office is in control of its own operations so is more able to react to local market and sector-wide conditions.

Case studies

Jason Treadwell, franchisee
Branch Manager, franchisee, cold start, resale, financial services

My life at Newton Fallowell started in the Grantham office in 2007 where I become Branch Manager. In March 2014 I was offered the opportunity to open a new office in Stamford as the franchisee, and from a cold start within six months we had listed more houses new to the market than anyone else.

In January 2016 I opened in Oakham and by 2017 we were leading the pack, against some exceptional long-standing agents. In 2019 Stamford and Oakham secured 39% and 44% of their respective markets.

As part of the Belvoir Group our interest in lettings was whetted so in 2018 we successfully launched lettings from both offices. Later that year I acquired Newton Fallowell Bourne as a resale, which has since seen an uplift of some 20%. Most recently, I have taken on a financial adviser through Brook and am already seeing significant upside to my income.

All of this has been made possible by having a great team, a great brand and valuable business support. Our goal is for all our customers to leave us a five-star review, which of course they do!

Phil Gee
Managing Director of Northwood

My career in estate agency started in 1981 working for a small agency before going on to join Whitegates, subsequently acquired by Legal & General. During my 24 years with L&G, I was part of the team lead by Michael Stoop, which converted the network from a corporate to a franchise one.

In 2009 I joined Northwood, a family run franchise network, as its National Operations Director. In 2016, when acquired by the Belvoir Group, Northwood was the largest independent property franchise network with 86 offices. The key factor in the owners choosing to sell to Belvoir was that the values of the two businesses were aligned, with honesty, trust and transparency being paramount.

As part of the Belvoir Group, I feel hugely supported in my role as Northwood Managing Director by the depth of knowledge and experience around me. I am immensely proud of the Northwood brand with 2019 being a record year for the network.

Over the past 39 years I have witnessed a huge amount of change in the industry. In my view people are the key and standing still is never an option.

Grace Milham
Standards and Operations Director

I joined Belvoir in 2011 as a Business Development Manager. Part of my responsibility was the overseeing of the Belvoir Castle contract which involved managing its property portfolio. I subsequently accepted the position of Commercial Director of the Belvoir Estate, working for the Duchess of Rutland.

In 2018 I returned to the Belvoir Group to find that it had more than doubled in size. As Standards and Operations Director I am responsible for the standards and compliance throughout our franchise network, with every office being audited once a year. As a law graduate, this role suits me perfectly, as it also involves communicating all the legislative and regulatory changes, of which there was a huge raft in 2019. I also undertake due diligence under our assisted acquisitions programme to ensure our franchisees are buying a well-maintained landlord portfolio with no nasty surprises.

I have huge admiration for Belvoir and believe our professional practice is akin to the law firms I have worked with in the past. In my opinion, Belvoir is head and shoulders above every other competitor in the market place and it's great to be back!

Giving back

Giving something back is important to our Group, and over the year our franchisees and our Central Office team have organised and participated in local fundraising activities including swimarathons, bake-offs, coffee mornings, firewalks, cycle rides and summer fetes to raise funds for a wide range of charities.

Our Northwood Aberdeen franchisee sees giving something back as integral to its business playing its part in the community. Since 2009 it has donated over £9,000 to charity. Each year its team elects a charity which receives £50 per month from the business. In 2019 it selected Charlie House, a local charity which supports children with complex disabilities and life limiting conditions. Not satisfied with supporting one charity, it also had an Easter hamper raffle raising £80 for the British Heart Foundation, did a firewalk to raise £1,200 for Sue Ryder, participated in the "30k for 30 years" challenge to raise £300 for Inspire, a charity supporting people with learning difficulties, and supported the "Cash for Kids" Christmas appeal by being a drop-off point for donations, donating £500 from a Christmas hamper raffle and giving up a day of its time to help sort gifts in the warehouse.

Learn more about how we engage with our communities from **page 29**

How we manage risk

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

Principal risks and uncertainties

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

Going concern statement

The Group's business model as set out on pages 12 and 13 has proved to be a robust and successful model for over 25 years. The Group's corporate strategy has been clearly set out to investors since flotation in 2012 and has resulted in Belvoir becoming the largest franchise property group within the UK. We continue to open new agencies across the UK and to support growth by assisting our franchisees to make local portfolio acquisitions and by making corporate-level acquisitions of other property franchise networks and property services-related companies. The Group has demonstrated strong growth from a mixture of like-for-like and acquisition-based growth as evidenced by increasing revenue and profitability over many years.

At the year end, the Group had cash at bank of £3.6m and a bank term loan of £10.5m.

The impact of the Covid-19 pandemic has been considered by the Directors and the Group forecasts have been revised to take into account the impact on trading over the twelve months from the date of signing the financial statements. The forecasts have been assessed against a range of possible outcomes: significantly lower levels of income in line with lower lettings, sales and mortgage activity, reduced headcount, a lower cost base and extended payment terms to franchisees. The base case model reflects these sensitivities for the rest of this financial year. After consideration of these forecasts and making appropriate enquiries, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

Our risk management framework

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

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

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

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

Potential impact	Mitigating activities	Change in risk
Ability to generate planned revenue and profit growth		
Covid-19 is likely to have a short-term negative impact on our ability to grow as planned.	The risks associated with Covid-19 are being regularly reviewed by the Board and mitigating action taken wherever possible. Given the Covid-19 risks to our business arise due to extraneous factors, there may be limits to the level of direct action that can be taken. However, the Board will be prioritising the work of our business development managers to address how franchisees and advisers can minimise their costs, access Government aid and continue to trade. A number of financial measures have been put in place to support franchisees through the crisis.	**Increase in risk ▲** Our franchise business model has proved to be resilient to challenges, and we will be supporting franchisees to help them survive the threat of Covid-19. **Links to strategy** 1 2 3 4 5

Links to strategy

1 Group acquisitions strategy
2 Assisted acquisitions programme

Potential impact	Mitigating activities	Change in risk

Ability to recruit and retain skilled franchisees and financial advisers

The ability of the Group to attract new franchisees and advisers with the appropriate expertise and skills, in available and suitable locations, cannot be guaranteed. This is likely to be adversely affected by the outbreak of Covid-19, and any difficulties in finding appropriate individuals will have a detrimental effect on the growth of our networks.

The Board continually monitors the performance of the recruitment team and is focused on identifying innovative ways of attracting successful new joiners.

Increase in risk ▲
The unprecedented market conditions are expected to thwart interest from potential new franchisees and financial advisers.

Links to strategy

1 2 3 4 5

Reputational risk

The Group's reputation, in terms of the service it and its franchisees/advisers provide, the way in which it and its franchisees/advisers conduct their business, and the financial results which they achieve are central to the Group's future success. Failure by the franchisees/advisers to meet the expectations of their customers may have a material impact on the reputation of the brands within the Group.

New joiners are subject to an intensive training programme and subsequent monitoring and support from a dedicated business development mentor. The Group also offers ongoing training courses to ensure continuing professional development.

No change in risk ●
Our franchisees and advisers are both subject to ongoing training and compliance which minimises reputational risk.

Links to strategy

1 2 3 4 5

Ability to execute our assisted acquisitions strategy

The Group needs to continue to identify suitable acquisition targets for its franchisees and help to source the necessary funding through its assisted acquisitions programme. The downturn in the property market caused by Covid-19 will adversely affect the appetite of franchisees to make a portfolio acquisition in the short term but might lead to a greater number of portfolios available to our franchisees as we emerge from the crisis.

In 2019 the deals executed on behalf of franchisees were broadly level with the previous year with Belvoir providing 10% of the deal value in loans to franchisees. The year ended with a strong pipeline of potential acquisitions for 2020. The Board will continue to operate the assisted acquisitions programme so as to put our franchisees in the strongest position to capitalise on such opportunities once trading recovers.

Increase in risk ▲
We anticipate that the appetite for acquisitions will stall until after the crisis has passed. However, the impact of Covid-19 might lead to a greater number of agents leaving the sector, especially given the prospect of further regulation and the introduction of qualifications.

Links to strategy

1 2 3 4 5

Legislative and regulation changes

The introduction of a ban on tenant fees in June 2019 had an estimated potential adverse annualised impact on letting revenues for our franchisees of 10%.

The Government has clearly signalled that it intends to professionalise the sector with recommendations made within the RoPA report. This will introduce qualifications for property agents with no "get out" clause for experienced agents, licensing of agents and a new code of practice for the sector.

The Group worked closely with each franchisee to build a new business plan to mitigate the impact of the tenant fee ban.

The Board welcomes the proposed changes aimed at professionalising the sector. Our support system already covers in-depth upfront and ongoing training of all our franchisees and financial advisers. We also have a comprehensive system of audit and compliance to ensure best practice.

Decrease in risk ▼
Our franchisees have mitigated the tenant fee ban ahead of management expectations.

The recommendations of the RoPA report might deter new entrants to the sector.

Links to strategy

1 2 3 4 5

Online threat

The market share for online agencies offering a low cost solution has plateaued at around 7%, with some online organisations failing or being closed down. The Group needs to ensure that it can meet the demands of a new generation of landlords, tenants, buyers and sellers for whom a technical platform is second nature, and for whom a physical office presence is less critical.

The Board is pursuing a strategy of improving the customer journey via its traditional agency service through a better technology platform to give landlords, tenants, buyers and sellers greater online visibility and interaction.

No change in risk ●
The viability of online agencies has been brought into question and there is likely to be less willingness to fund new start-ups.

Links to strategy

1 2 3 4 5

3 Recruitment 4 Diversification 5 Marketing and PR

Learn more about our strategy from **page 14**

Delivering outstanding results

—**Louise George,** Chief Financial Officer

Our diversification in financial services provides a strategic growth opportunity for our franchisees, our advisers and the Group as a whole.

Revenue

Group revenue in 2019 increased by £5.8m to £19.3m (2018: £13.4m) of which £4.1m reflected the full year's impact of our 2018 acquisition of MAB Glos, £1.1m arose from the extension of our financial adviser network and £0.6m related to the continued growth of our property franchise division.

MSF, our key underlying revenue stream, increased by 4% to £8.8m (2018: £8.5m). Lettings MSF was up 3% to £7.3m (2018: £7.1m) in spite of the ban on tenant fees from 1 June which reduced franchisee income from lettings by 10%. This was in part mitigated by additional MSF arising from our successful assisted acquisitions programme. At the same time, our MSF from property sales increased by 9% to £1.5m (2018: £1.3m) as many of our lettings-biased franchisees looked to sales as a means to diversify their income.

Income from corporate-owned offices was up £0.3m primarily as a result of the acquisition of two lettings portfolios by Newton Fallowell for the Grantham corporate office, one in September 2018 and the other in May 2019. The Group continues to operate two corporate-owned offices, Belvoir Grantham and Newton Fallowell Grantham, both of which remain profitable and will be retained long term. In November 2019 we took back our Northwood Glossop office which will be operated as a corporate office until a franchise solution can be found.

Revenue from franchise sales in 2019 was £0.2m (2018: £0.2m). We opened six (2018: six) new offices in 2019 all of which were the result of an existing franchisee making an assisted acquisition in an adjacent territory. We also saw eight (2018: ten) existing franchisees sell their business with five going to a new franchise owner and three being acquired by an existing franchisee.

Other income remained static at £0.5m (2018: £0.5m).

Overall, our property division achieved 6% revenue growth with the ratio of lettings to sales remaining unchanged at 80:20 (2018: 80:20).

Revenue from our financial services division was up 159% to £8.5m (2018: £3.3m) partly having benefited from a full year of ownership of MAB Glos, acquired in November 2018, and partly due to a 35% increase in the number of advisers operating within our financial services network.

Gross profit

Gross profit increased by 17% to £13.2m (2018: £11.3m) with the gross profit ratio by business activity: lettings 61%, sales 16%, financial services 19% and other 4% (2018: 67%:17%:10%:6%) reflecting the increased importance of financial services.

Administrative expenses

Non-exceptional administrative expenses increased by £1.0m to £7.6m (2018: £6.6m). This increase reflected the £0.4m incremental cost of operating MAB Glos for a full year (2018: five weeks), £0.1m additional staff costs following the acquisition of two small landlord portfolios by Newton Fallowell and £0.1m increased operational costs of Brook to support growth in financial services. In 2018 the Group received a £0.2m repayment of employment taxes from HMRC in relation to the settlement of a Northwood employment scheme operated prior to Northwood being acquired by the Group.

Within administrative expenses there is a charge of £0.2m (2018: £0.2m) associated with the share options issued to Directors and certain staff between 2014 and 2018. Full disclosure is detailed in note 28 to the accounts.

There were no exceptional administrative expenses in 2019 (2018: £0.2m). The 2018 exceptional administrative costs related to £0.1m of professional fees associated with the acquisition of MAB Glos and £0.1m of Northwood restructuring costs.

Operating profit

Operating profit was £5.7m (2018: £4.5m), an increase of 25% over the prior year.

Exceptional items

There were no exceptional items in 2019, whereas in 2018 there was an exceptional credit of £0.8m relating to the change in fair value to contingent consideration following the final settlement of the Northwood consideration which was based on performance during the year to 31 May 2018.

Profit before taxation

Profit before taxation of £5.6m (2018: £5.5m) is after interest receivable on franchisee loans of £0.2m (2018: £0.3m), which is regarded by the Group as part of its ongoing operations to extend the network reach.

Prior year adjustments

The Directors have restated prior years in respect of the release of deferred taxation in relation to the amortisation of acquired intangibles and the recognition of a deferred tax asset associated with the current valuation of share options. The deferred tax liability has been restated to reflect the accumulative effect of £219,000 as at 1 January 2018 and a further £82,000 in 2018. The deferred tax asset has been restated to reflect the accumulative effect of £26,000 as at 1 January 2018 and a further £44,000 in 2018. The total impact on profit in 2018 was a credit of £126,000. Applying the same accounting treatment to 2019 has given rise to a comparative credit of £243,000. The difference is due to the uplift of the valuation of share options based on the increase in the share price during the year.

The liability for unearned indemnity commission (UIC), reported as a refund liability within current trade and other payables, has been restated to the gross liability payable by the Group, whereas in prior years this had been reported net of the element of the UIC liability recoverable from the financial advisers. As purely a matter of grossing up this has no impact on the net financial performance of the Group. Other debtors have been restated to reflect the corresponding indebtedness from financial advisers.

Taxation

The effective rate of corporation tax for the year was 16.6% (2018: 17.9%).

Earnings per share

Basic earnings per share was up 3% to 13.3p (2018: 12.9p) based on an average number of shares in issue in the year of 34,938,606 (2018: 34,638,939). When the dilutive effect of share options is incorporated, the earnings per share was 12.9p (2018: 12.6p).

Profit attributable to owners was £4.7m (2018: £4.5m), with the 2018 profit reflecting the net exceptional credit of £0.6m.

Dividends

The interim dividend of 3.4p (2018: 3.4p) was paid to shareholders on 24 October 2019. As a prudent measure given the uncertainty caused by Covid-19, the Board has decided not to propose a final dividend.

Cash flow

The net cash inflow from operations was £6.0m (2018: £4.6m) reflecting the enlarged Group.

The net cash used in investing activities was £0.3m (2018: £6.4m):

- Newton Fallowell Limited acquired the trade and assets of EBG for £0.2m; this comprised a small lettings portfolio which was brought into the corporate-owned Newton Fallowell Grantham office.
- Deferred consideration of £0.2m was paid relating to the acquisition of MAB Glos.
- Brook Financial Services acquired Purely Mortgage Consultants for £0.1m in cash.
- £0.05m was received following the sale of Belvoir Leeds South to the Belvoir Leeds North West franchisee.
- The net cash inflow from the franchise loan book was £0.1m (2018: £1.1m).
- Interest received on the franchise loan book was £0.2m (2018: £0.3m).

In March 2018 HSBC advanced the Group £12.0m out of which the existing NatWest loan of £6.5m was settled. During 2019 £0.9m (2018: £0.5m) was repaid against the HSBC loan and associated finance costs of £0.3m (2018: £0.3m). Dividend payments totalled £2.5m (2018: £2.4m). As a result, net cash outflow from financing activities totalled £4.0m (2018: net cash inflow of £2.3m).

Liquidity and capital resources

At the year end the Group had cash balances of £3.6m (2018: £1.8m) and a term loan of £10.5m (2018: £11.5m). The HSBC facility is repayable at £0.9m per year in half yearly repayments until March 2023 followed by a final repayment of £7.9m.

IFRS 16 Leases

With effect from 1 January 2019 operating leases, previously charged to administrative expenses, are now accounted for on the balance sheet. The associated asset is held as a right-of-use asset and the lease liability is accounted for within current and non-current liabilities. As a result, £0.6m was recognised as additional tangible fixed assets together with an equivalent additional lease liability as of 1 January 2019, and the 2019 operating charge of £0.2m was replaced by a depreciation charge of £0.2m and a nominal interest charge. This did not materially change our reporting of operating profit.

Unearned indemnity commission

Associated with our growing financial services division is the accounting treatment of unearned indemnity commission. This comprises three elements:

- The Group accounts for amounts withheld by Mortgage Advice Bureau from weekly commission payments in respect of unearned indemnity commission within other debtors. At the year end this balance was £1.2m (2018: £1.1m).
- Revenue is constrained to reflect the estimated clawback of commission by Mortgage Advice Bureau arising on the cancellation of life assurance policies within four years following inception and a refund liability is recognised for unearned indemnity commission. At the year end the refund liability was £1.1m (2018: £0.9m).
- Also, on a weekly basis the estimated clawback of commission recoverable from our financial advisers is accounted for within other debtors. At the year end this balance was £0.4m (2018: £0.3m).

Post-year-end acquisition

In January 2020 the Group acquired the business and assets of the estate agency business operated by Lovelle Estate Agency Limited and Lovelle Bacons LLP (collectively referred to as "Lovelle"), a predominantly franchised estate agency network operating in Lincolnshire and the Humber region. The overall consideration for the acquisition was £2.0m which was satisfied in cash from existing cash reserves. In the year to 31 March 2019 Lovelle made an operating profit of £500,000 and at that date had net assets of approximately £100,000.

Financial position

The Group continues to operate from a sound financial platform and is strongly cash generative. The opening cash balance of £3.6m enabled the Group to acquire the Lovelle network in January 2020. In the wake of the Covid-19 crisis, the Group has revised its forecasts against a range of possible downside outcomes and the Board has concluded that the Group has adequate resources to continue in operational existence, to meet its financial obligations including the 2020 bank loan repayment of £0.9m and to operate within its bank covenants, for the foreseeable future.

Key performance indicators

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

The Board regularly reviews the KPIs below to ensure that they remain relevant to the Group's operations.

The key financial indicators are as follows:

- management service fees;
- net financial services commission;
- profit before tax; and
- earnings per share.

The key non-financial indicators are as follows:

- number of franchised offices;
- number of managed properties;
- average MSF per franchised office;
- additional MSF arising from assisted acquisitions;
- number of financial advisers; and
- number of mortgages arranged.

The KPIs have been discussed in further detail throughout the Strategic report and are illustrated on pages 16 and 17.

Louise George
Chief Financial Officer

The Strategic report is contained on pages 1 to 23. It was approved by the Board on 27 March 2020.

Promoting a culture of good governance

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware;
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
- the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

High standards of corporate governance continue to be a key priority for the Belvoir Board. We continually review the framework within which we operate and the processes implemented to ensure that they reflect the complexities of our business and, whilst acknowledging our size, are also capable of adding value as the business grows. In 2018 the Board adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework.

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

Within Belvoir we promote a culture of good governance in dealing with all key stakeholders: our franchisees, our employees, our customers and our shareholders. This section of the annual report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31 December 2019.

Michael Stoop
Non-Executive Chairman

Board of Directors

An experienced Board

Belvoir has a highly experienced Board of Directors with a commitment to driving profitability and long-term shareholder value. The Directors of the Company who were in office during the year up to the date of signing the financial statements were:

Michael Stoop
Non-Executive Chairman
Appointment March 2018

Experience
Michael has over 40 years' experience of the franchise property market, initially with Winkworth as both a franchisee and as the group managing director. This was followed by 22 years as managing director of Legal and General's estate agency network, Xperience, which he was instrumental in converting into a wholly franchised network of 95 offices. In 2014, this was sold to The Property Franchise Group plc, where Michael was group managing director until he stood down in 2016.

Key skills
Estate agency/franchising

Committee membership
Audit Committee member
Remuneration Committee Chairman

Dorian Gonsalves
Chief Executive Officer
Appointment April 2005

Experience
Dorian has extensive experience in the property industry having spent seven years with Countrywide before joining Belvoir in 2005 as Business Development Manager. Appointed Sales Director a year later and subsequently Chief Executive Officer, Dorian also spent five years as a director of The Property Ombudsman. Dorian has a deep understanding of franchising and the strategic vision to deliver a successful franchise operation.

Key skills
Strategic business planning/franchising/ people management

Louise George
Chief Financial Officer
Appointment June 2014

Experience
Louise is a Chartered Accountant having qualified with Ernst & Young in 1991. She has over 16 years' board-level experience with AIM-listed companies overseeing a wide range of corporate transactions. Over the past five years Louise has undertaken the seven significant acquisitions for the Group. Louise, who is also a Chartered Secretary, serves as Company Secretary to the Group.

Key skills
Financial management/mergers and acquisitions

Mark Newton
Executive Director
Appointment March 2016

Experience
Mark, a Chartered Surveyor, has over 40 years' experience of estate agency having joined Black Horse Agencies in 1984 and subsequently becoming managing director of Legal & General Estate Agents. In 1999 Mark established Newton Fallowell, which he built into a network of 30 franchised offices before selling to Belvoir in July 2015. Mark has Board-level responsibility for the diversification into financial services.

Key skills
Estate agency/financial services

Paul George
Non-Executive Director
Appointment June 2018

Experience
Paul has extensive experience in audit, transaction services and consultancy over a 17-year period with KPMG, the last four years of which were as an audit partner, and four years as executive director of Proudfoot Consulting (now MCG plc), a business specialising in helping multi-national companies improve their operational effectiveness. He joined the Financial Reporting Council (FRC) in 2004 and is currently executive director with responsibility for corporate governance and reporting.

Key skills
Corporate reporting/corporate governance

Committee membership
Audit Committee Chairman
Remuneration Committee member

Mike Goddard, who served on the Board as Chairman during the year, stood down on 16 May 2019.

An established Board with complementary skills

The Board has adopted the QCA Code as the basis of the Group's governance framework and set out below is a summary of how, at 31 December 2019 and for the year then ended, the Company was applying the key requirements of the Code.

Board of Directors

At the start of the year the Board comprised a Chairman, three Executive Directors and two Non-Executive Directors. Following the resignation of Mike Goddard in May 2019, Michael Stoop was appointed as Non-Executive Chairman. The Board is not currently actively looking for an additional Non-Executive Director. Since May, the Board has comprised a Non-Executive Chairman, three Executive Directors and one Non-Executive Director. At every AGM one-third of the Directors must retire by rotation. Notwithstanding their small shareholdings, both Michael Stoop and Paul George are considered to be independent.

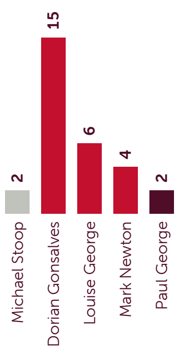
The Board has ten scheduled meetings a year, but meets more frequently if required, and has full and timely access to all relevant information to enable it to carry out its duties.

The Board reserves for itself a range of key decisions such as strategy, acquisitions, significant contracts and internal controls, to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Directors who are responsible for the executive management of the business.

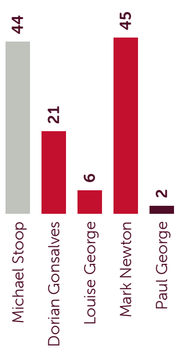
Board experience

As of the date of this report.

Length of tenure (years)



Industry experience (years)



Board composition, diversity and experience

Composition and roles

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

- **3** Executive
- **1** Non-Executive
- **1** Non-Executive Chairman

Diversity

- **4** Male
- **1** Female

Sector experience

- **45%** Property
- **29%** Franchising
- **26%** Finance

There is a clear division of responsibilities at the head of the Company between the Chairman running the Board and the Chief Executive Officer running the Group's operations.

The role of the Chairman is to manage the Board in the best interests of its stakeholders, to ensure that shareholders' views are communicated to the Board and to be responsible for ensuring the Board's integrity and effectiveness.

The role of the Chief Executive Officer is to manage the Group on a day-to-day basis, to ensure that Board decisions are implemented effectively and to develop and propose Group strategy to the Board.

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

The role of Company Secretary is undertaken by the Chief Financial Officer, Louise George, who is a qualified company secretary with the skills and capability to deliver this function effectively.

Board Committees

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

Remuneration Committee

The Remuneration Committee has two scheduled meetings a year and is responsible for determining the contractual terms, remuneration and other benefits of the Executive Directors. The Remuneration Committee comprised Mike Goddard (until 16 May 2019), Paul George and Michael Stoop, who acted as the Chairman.

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' remuneration report on pages 32 and 33.

Audit Committee

The Audit Committee has three scheduled meetings a year. The Audit Committee comprised Michael Stoop and Paul George, who acted as the Chairman and is considered to have recent and relevant financial and legal knowledge and experience.

Paul George reports in further detail on the work and responsibilities of the Audit Committee on page 31.

Internal control

The Board is responsible for the Company's system of internal control and has delegated the review of its effectiveness to the Audit Committee. This is reported on in detail within the Audit Committee report on page 31.

Financial reporting

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

Attendance at meetings

Meetings attended	Main Board	Remuneration Committee	Audit Committee
Total number of meetings	●●●●●●●●●●	●●	●●●●
Mike Goddard	●●●●●◌◌◌◌◌	●◌	◌◌◌◌
Dorian Gonsalves	●●●●●●●●●●	◌◌	◌◌◌◌
Louise George	●●●●●●●●●●	◌◌	●●●●
Mark Newton	●●●●●●●●●●	◌◌	◌◌◌◌
Michael Stoop	●●●●●●●●●●	●●	●●●●
Paul George	●●●●●●●●●●	●●	●●●●

● Meetings attended
○ Meetings missed
◌ Not due to attend

Relations with shareholders

Keeping investors informed is an essential part of the Company's corporate communications strategy and is achieved by means of an active investor relations programme. The aim is to ensure that the Company's business model, strategic goals and future prospects are clearly understood by the investment community. The Company operates a high level of transparency with regards to its operations by providing consistent information across all channels of communication. The Board places a high emphasis on shareholder engagement and, through an open and transparent dialogue with shareholders, aims to ensure that shareholders' objectives and views on the Company's performance are understood. The Chairman makes himself available to major shareholders on request and periodically attends meetings with and gives presentations to shareholders. The CEO conducts interviews covering key events during our corporate calendar which are published online and made available through our corporate website.

The Group's corporate website, www.belvoirgroup.com, aims to provide investors with the required information to fully understand the business, including the annual and interim report, and to potentially make an investment decision. The website is regularly reviewed and updated to reflect new information.

All shareholders will receive at least 21 clear days' notice of the Annual General Meeting, which is normally attended by all Directors. Shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

Board effectiveness

Board effectiveness is a dynamic process

Our small Board allows us to continually assess the appropriateness of our agendas, and the information needed to support the Board's role in setting strategy, overseeing performance and decision making. To supplement this ongoing process, we initiated a survey of all Board members in late 2018 and have been responding to the issues raised throughout 2019. The key stages of this review were as follows:

Stage one

November 2018

Board approval for an internally facilitated effectiveness review, the form and content of the proposed questions and the follow up process.

Stage two

January 2019

Preliminary discussion of completed questionnaires.

Stage three

February 2019

Further discussion on the completed questionnaires and agreement to hold a Board strategy day outside of the normal schedule of meetings to cover strategy, Board composition and succession planning.

Stage four

October 2019 strategy meeting

The Board discussed and agreed a high level three-year strategy for the Group including targeted growth, how to retain senior staff and Board composition.

2019 key shareholder engagements

January	Assisted acquisitions update Pre-close trading update	RNS/CEO video interview RNS/CEO video interview
April	Preliminary results Annual report published	Meetings/RNS/CEO video interview Report
May	AGM trading update and Board changes AGM Proactive Investor Forum (London)	RNS/CEO video interview Meeting CEO presentation
July	Change of adviser Change of name	RNS RNS
August	Pre-close trading update	RNS/CEO video interview
September	Interim results Shares investor evening (London) Shares investor evening (Edinburgh) Placing to sell founder shares	Meetings/RNS/CEO video interview CEO presentation CEO presentation RNS
October	Shares investor evening (Manchester)	CEO presentation
November	Financial services growth Mello investor show (London)	RNS/CEO video interview Two-day event including two CEO presentations
December	Acquisition of franchise network	RNS/CEO video interview

How we engage with our stakeholders

Directors' s172 statement

Businesses do not operate in isolation. Without a good understanding of who are the key stakeholders and their needs, a business will fail to deliver sustainable value to shareholders and other stakeholders.

The Directors take their duties under s172 (1) of the Companies Act 2016 seriously and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172 (1) (a–f) in the decisions taken during the year ended 31 December 2019. We set on page 2 our aim to support customers throughout their property journey. We do this primarily through our franchisees and our network of financial advisers. The Board considers its key stakeholders to be its franchisees and financial advisers, employees, the communities in which we operate, shareholders and regulators. The Board takes seriously the views of these stakeholders in setting and implementing our strategy. To the extent that it is relevant, in addition to the stakeholders discussed below, the impact on the environment and the community in which the Group operates is considered when making decisions.

We set out below how we have engaged with key stakeholders which provides valuable input into the Board's decision making. This engagement sets the context for the strategy set out on pages 14 and 15. In particular our engagement with shareholders has influenced our acquisition, capital structure and dividend policy. Our engagement with our franchisees has influenced our assisted acquisitions programme, our diversification into financial services, the roll out of our new technology programme and our response to the tenant fee ban. Our employees are fundamental to the execution of our strategy. We aim to be a responsible employer providing a fair package of pay and benefits including opportunities for personal development and sharing in the financial success of the Group.

Our approach

Franchisees and advisers

- Periodic meetings are held with their dedicated Business Development Manager to build relations and to provide business support.
- Regional networking groups enabling franchisees meet and share ideas with their network Managing Director or Franchise Director.
- Annual conference attended by the Executive Team for its network and also by the PLC Executive Team.

Employees

- All staff have an annual personal development review and regular one-to-one meetings with their line manager to monitor performance against the agreed plan.
- The CEO and CFO hold meetings once a year with each department and conduct twice-yearly Company-wide briefings, enabling sharing of information and gathering of employee feedback.
- Senior and long-serving staff are incentivised through the Company Share Option Plan. In January 2020, options over 285,689 shares were issued to long-serving staff.

Communities

- Since 2016 our Central Office has supported six young people from our local community through the Apprenticeship Scheme.
- In 2019 Belvoir and Newton Fallowell sponsored two lanes in the Grantham Swimarathon, an event that raises around £30,000 for local charities and good causes.
- Newton Fallowell launched an initiative, in partnership with Grantham-based Woodland Trust, to plant a tree for every house sold by its network.

Shareholders

- Investor roadshows at the time of our preliminary and interim results enabling our institutional investors to meet with the CEO and CFO.
- Exhibiting, presenting and networking at private investor events enabling direct access to our CEO, CFO and Non-Executive Directors.
- All recorded CEO interviews are made available online through our PLC website, belvoirgroup.com.

Regulators

- We attend quarterly meetings of The Lettings Industry Council, an industry group at the forefront of communicating with the Ministry of Housing Community and Local Government.
- Our Chairman, Michael Stoop, is a non-executive director of The Property Ombudsman and also chairman of its Industry Forum.
- Belvoir participates in all discussions on key industry legislation and regulatory changes, the current focus concerning the new regulations proposed in the RoPA report.

Learn more about how we engage with our franchisees, our staff and our communities from **page 18**

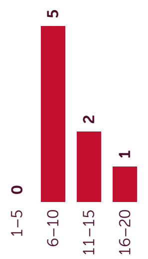
Senior team diversity and experience

As of 31 December 2019.

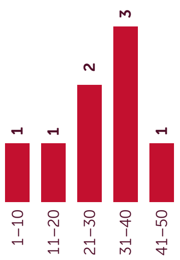
Gender diversity

- **6** Male
- **2** Female

Length of service (years)



Industry experience (years)



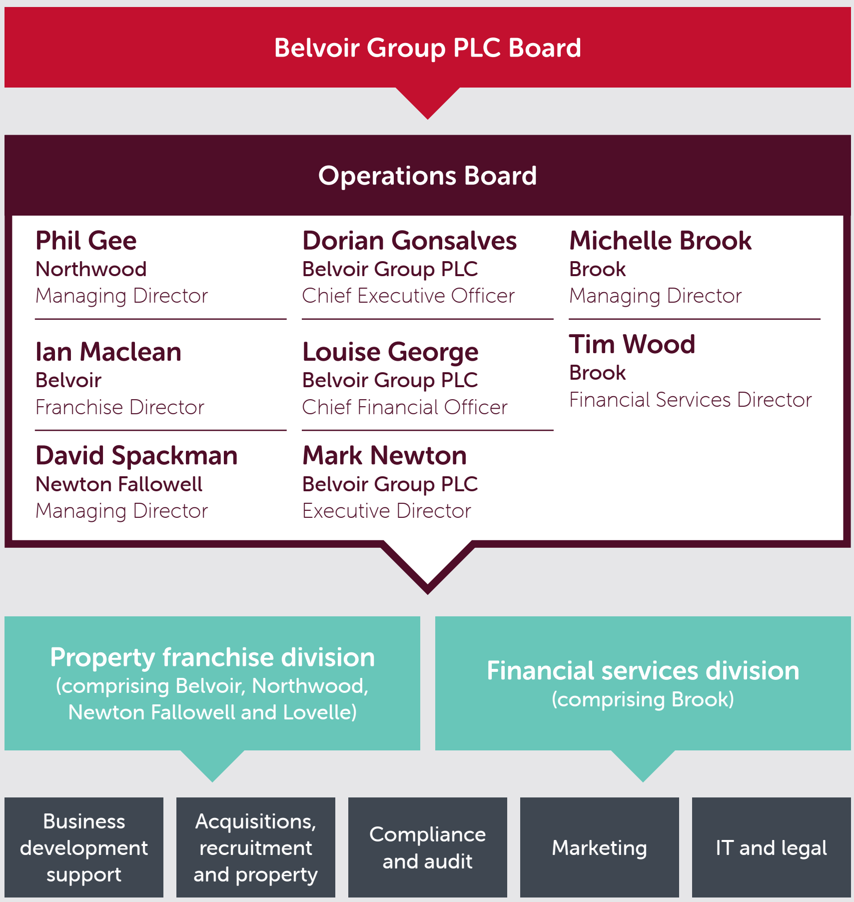
Operations Board

The Operations Board comprises the Executive Directors and the heads of each business unit. The Operations Board meets monthly and is responsible for executing the strategy as set out by the Board. This is conducted through two sub-boards: one for the property franchise division and one for the financial services division. The three Executive Directors attend the meetings for both divisions to ensure the effective roll out of the strategic integration of our property franchise and financial services networks.

Each of our senior team is a capable manager with considerable sector experience averaging 27 years and length of service averaging eleven years.

"The Operations Board meets monthly and is responsible for executing the strategy as set out by the Board."

Group operations structure



Audit Committee report

Evaluating the effectiveness of the audit process

—**Paul George,** Non-Executive Director

As Audit Committee Chair, I have great pleasure in reporting to you how we have discharged our responsibilities during the year.

The Audit Committee's responsibilities are for ensuring the integrity of the financial statements of the Group and the effectiveness of the Group's underlying internal controls on behalf of the Board. I am a firm believer that to achieve these responsibilities the Committee needs an open and transparent culture, the required skills and expertise and excellent support. We are fortunate in this regard.

The Audit Committee comprised Michael Stoop and me. We are both independent and combine extensive industry knowledge with a deep understanding of corporate reporting, governance and audit. The Committee receives great support from Louise George, our Finance Director, and Julie Wilson, our Group Financial Controller, and input from our auditor, which attended all meetings during the year. There is an excellent flow of information from the Executive Team, an open dialogue on the key judgements and respect for the challenge provided by the auditor.

The Audit Committee has three scheduled meetings a year. However, in 2019 we held an additional meeting in June to review our statutory auditor. Following discussion with our finance team and proposals from potential auditors we recommended the appointment of BDO as auditor for the year ended 31 December 2019. The recommendation was based on its commitment to providing a high quality audit at a fair price. I take this opportunity to thank PwC for its work over the previous four years.

Ahead of the interim results we met to review the interim accounts and in particular focused on the impact of the new accounting standard for leasing and the key judgements made in preparing the results. In October we met to consider the key risks faced by the Group, the controls to mitigate those risks and the audit plan in light of the risks and underlying controls. Following discussion with the auditor regarding consideration of the approach to the Group audit and the risk of material misstatement within the subsidiary accounts, the Audit Committee recommended to the Board that the parent company should provide a parent company guarantee to each subsidiary and dispense with the need for an audit of the subsidiary accounts.

In line with best practice, in March I had a one-to-one discussion with the audit partner to discuss progress on the audit and any emerging issues. The key issue discussed during the audit was the accounting for deferred tax. The Directors concluded that in previous years we should have recognised a credit for deferred tax as a result of the amortisation of acquired intangible assets. This gave rise to a non-cash adjustment. Later in March the Audit Committee discussed the report from the auditor on its work, the 2019 preliminary announcement and the annual report and accounts. No other significant issues emerged from the audit, and the Committee satisfied itself on the approach to the key judgements and as a result recommended to the Board the approval of the preliminary announcement and the annual report and accounts. So far as the Committee is aware there were no matters of disagreement between the auditor and management.

During the year BDO provided non-audit services to the Group, including tax advice. The fees paid for these services are outlined in note 3. The use of BDO for non-audit work has been carefully evaluated by the Audit Committee and was not considered to have impaired its independence and objectivity.

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

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

Finally, I would like to thank Michael and all attendees of the meetings during the year for the open and constructive way in which we met our responsibilities.

Paul George
Non-Executive Director
27 March 2020

Setting the overall policy on remuneration

—**Michael Stoop,** Non-Executive Director

The Directors present the Directors' remuneration report for the year ended 31 December 2019.

The Remuneration Committee sets the overall policy on remuneration and other terms of employment of Directors. The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate Directors of the right calibre. When assessing the pay and benefits of the Directors, the Remuneration Committee takes account of remuneration and benefits information in the marketplace and the pay and employment conditions elsewhere in the Group. In 2017 the Remuneration Committee put in place a remuneration plan for the Executive Team comprising a fixed salary, a variable annual bonus based on achieving certain budgeted short-term targets and a long-term share option element linked to performance targets over the period to 31 December 2020. The provisions of the plan reflected the increasing responsibilities of the Executive Team given the enlarged Group and incorporated longer-term objectives to ensure that the Executive Team is incentivised to maximise profitability and shareholder return.

Remuneration for Non-Executive Directors consists of fees for their services in connection with Board and Committee meetings. These fees are to be determined by the Committee without the involvement of the Non-Executive Director concerned. Non-Executive Directors do not participate in any Group pension or share option schemes.

All Directors are subject to retirement by rotation.

Basic salary or fees

Basic salary or fees for each Director are reviewed annually by the Remuneration Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar posts.

Annual bonus

The Company operates a bonus scheme to incentivise Executive Directors to meet the financial and strategic objectives of the Group. During the financial year ended 31 December 2019, a total bonus of £249,000 (2018: £188,000) was awarded to the Directors.

Pension

During the year pension contributions of £45,000 (2018: £36,000) were paid to Executive Directors.

Taxable benefits

The Directors' taxable benefits are tabled opposite.

Service contracts

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

Board members	Notice period
Dorian Gonsalves	Twelve months' notice
Louise George	Twelve months' notice
Mark Newton	Three months' notice
Michael Stoop	Six months' notice
Paul George	Three months' notice

Company policy on external appointments

The Company recognises that its Directors are likely to be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive and Non-Executive Directors are, therefore, subject to the approval of the Company's Board, allowed to accept non-executive appointments, as long as these are not with competing companies and are not likely to lead to conflicts of interest. Executive and Non-Executive Directors are allowed to retain the fees paid.

Audited information

Details of the Directors' shareholding interests and remuneration for the financial year ended 31 December 2019, disclosed opposite, have been audited by the Group's external auditor.

Share options

The Remuneration Committee is responsible for awarding options over ordinary shares to Executive Directors and certain senior managers under the Enterprise Management Incentive (EMI) and Company Share Option (CSOP) plans and the Belvoir Performance Share Plan, a long-term incentive plan (LTIP). These schemes are intended to offer long-term incentives to Directors and senior management. The Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of Directors and staff. Options outstanding as at 31 December 2019 are tabled below:

Directors' share options	Share option scheme	Number	Exercise price	Date of grant	Vesting period	Expiry date
Executive Directors						
Dorian Gonsalves	Unapproved	163,399[1]	£0.75	16/02/2012	Two years	31/12/2020
Dorian Gonsalves	EMI scheme	200,000	£1.32	04/07/2014	Three years	04/07/2024
Dorian Gonsalves	LTIP	540,000	£0.01	01/08/2017	41 months	31/12/2020
Louise George	EMI scheme	175,000	£1.32	04/07/2014	Three years	04/07/2024
Louise George	LTIP	432,000	£0.01	01/08/2017	41 months	31/12/2020
Mark Newton	LTIP	144,000	£0.01	08/02/2018	35 months	31/12/2020

1. Dorian Gonsalves exercised 163,399 unapproved share options on 17 January 2020.

Directors' emoluments

The figures below represent emoluments earned by Directors during the relevant financial year and relate to the period of each Director's membership of the Board. Benefits incorporate all benefits assessable to tax arising from employment by the Group.

Directors' emoluments	Salary and fees £'000	Bonus £'000	Pension £'000	Benefits £'000	**Total 2019 £'000**	Total 2018 £'000
Executive Directors						
Mike Goddard (resigned 16 May 2019)	22	–	–	4	**26**	60
Dorian Gonsalves	188	113	19	1	**321**	302
Louise George	158	94	16	3	**271**	252
Mark Newton	112	41[2]	5	8	**166**	121
	480	248	40	16	**784**	735
Non-Executive Directors						
Michael Stoop	45	–	–	1	**46**	23
Paul George	35	–	–	–	**35**	18
Nicholas Leeming	–	–	–	–	**–**	12
Andrew Borkowski	–	–	–	–	**–**	18
	80	–	–	1	**81**	71
Total remuneration	560	248	40	17	**865**	806

2. The bonus due to Mark Newton will be paid into his pension fund.

Directors' interests

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

	31 December 2019		31 December 2018 (or date of appointment if later)	
Directors' interests	**Shares**	**Options**	Shares	Options
Dorian Gonsalves	**463,595**	**903,399**	463,595	903,399
Louise George	**56,607**	**607,000**	56,607	607,000
Mark Newton	**435,507**	**144,000**	435,507	144,000
Michael Stoop	**20,000**	**–**	10,000	–
Paul George	**20,000**	**–**	10,000	–

Resolution

A resolution to shareholders to approve the Directors' remuneration report will be put forward at the Annual General Meeting.

By order of the Board

Michael Stoop
Non-Executive Chairman
27 March 2020

Focusing on supporting our stakeholders and delivering shareholder value

—Louise George, Chief Financial Officer

The Directors present their annual report and audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are detailed on page 25.

Dividends

The Company paid its interim dividend for the financial year ended 31 December 2019 of 3.4p per ordinary share on 24 October 2019.

The Board has decided that it would be prudent not to recommend a final dividend for the financial year ended 31 December 2019 as a prudent measure given the uncertainty caused by Covid-19.

Future developments

The Board continues to deliver growth through the support of the Group's franchise property networks to promote organic growth, expansion into new territories, the financial and commercial support of franchisee-led assisted acquisitions and diversification into financial services. Furthermore, the Board is pursuing strategic growth through the acquisition of other franchised property networks and complementary businesses (such as financial services) operating under a similar business model, building on the Group's strength as a highly regarded franchisor within the residential property sales and lettings sector.

Capital and equity structure

Details of the ordinary shares of the Company are shown in note 21 of these financial statements.

Directors' indemnity

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

Employees

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

Going concern and Covid-19

The Group and the Company's financial statements have been prepared on a going concern basis, having taken into account the possible financial impact of Covid-19. Having revised the forecasts for at least twelve months from the date of signing of the financial statements to reflect a significantly lower level of income, a reduced cost base and extended payment terms to franchisees, against a range of possible downside outcomes, and making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence, and to operate within its bank covenants, for the foreseeable future.

Aside from Covid-19, there are no other matters of which the Directors are aware that may impact on the Group's and Company's ability to continue as a going concern by reference to guidance by the Financial Reporting Council on going concern assessment.

Financial and risk management policies

Details of the Group's financial and risk management policies are discussed in note 24 of these financial statements.

Directors' s172 statement

The Directors take their duties under s172 (1) of the Companies Act 2016 seriously and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172 (1) (a–f) in the decisions taken during the year ended 31 December 2019. We set out on page 29 how we have engaged with key stakeholders which provides valuable input into the Board's decision making. This engagement sets the context for the strategy set out on pages 14 and 15. In particular our engagement with shareholders has influenced our acquisition, capital structure and dividend policy. Our engagement with our franchisees has influenced our assisted acquisitions programme, diversification into financial services, the roll out of our new technology programme and our response to the tenant fee ban. Our employees are fundamental to the execution of our strategy. We aim to be a responsible employee providing a fair package of pay and benefits including opportunities for personal development and sharing in the financial success of the Group.

Statement of Directors' responsibilities

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 Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the parent company financial statements in accordance with IFRS as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section, confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Exemption from audit by parent guarantee

Belvoir Group PLC has agreed to guarantee the liabilities of its trading subsidiaries, thereby allowing them to take exemption from an audit under Section 479A of the Companies Act 2006. See note 12.

Independent auditor

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

By order of the Board

Louise George
Chief Financial Officer
27 March 2020

Independent auditor's report
To the members of Belvoir Group PLC

Opinion
We have audited the financial statements of Belvoir Group PLC (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the Group statement of comprehensive income, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 Group's or the parent 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.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of Covid-19 on the financial statements The Directors have prepared the financial statements on a going concern basis. The Directors' assessment of the impact of Covid-19 on the going concern of the Group is described in note 1. At the time of approval of the financial statements there are unprecedented levels of uncertainty related to the impact of Covid-19 on all businesses including the Group. The Directors have had to address significant levels of estimation uncertainty in forecasting the expected impact on the Group's future operating results and cash flows including modelling downside sensitivities. The Directors have also applied judgement as to the level of disclosure given in the financial statements in relation to this matter. Given the level of estimation uncertainty and judgement involved in relation to the impact Covid-19 has on the presentation of the financial statements it was considered to be a significant risk.	We reviewed management's Covid-19 budgets and sensitivities which covered the period to December 2021. As part of our work we: • confirmed the arithmetic accuracy of the forecasting model; • reviewed the accuracy of the historical forecasting carried out by the Board; • challenged the extent of the downside sensitivities included in the model and reviewed additional stress testing of worst case scenarios; • obtained evidence of cost saving measures that had been included in the forecasting model; and • obtained confirmation from the Group's bankers on the calculation of covenants during the forecasting period. We also reviewed the disclosures in the annual report to ensure that they were consistent with the Directors' review and supporting Covid-19 budgets and provided suitable information to the user of the financial statements. **Key observations** We are content that the Board has carried out a detailed review of the different scenarios arising from Covid-19 and that the disclosure in the financial statements is adequate.

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of franchisee loan debtors The Group's accounting policy and significant judgements and key sources of estimation uncertainty are described in note 1. Details of the impairment provisions are included in note 16. The Group provides loans to franchisees which are held as a financial asset measured at amortised cost. Management applies an expected credit loss model in determining the recoverability of the franchisee loans that requires judgement and estimation. There is a risk that impairment provision against franchisee loans may be understated or overstated due to the significant judgements and estimates involved.	We performed a review of the Group's loans to franchisees and examined management's assessment of their recoverability. We challenged the inputs to the recoverability assessment including estimates used in the expected credit loss calculations, probability of cash shortfall using the Group's model and repayment of the loans after the reporting date. We have tested a sample of loan debtors to supporting evidence to check that post-year-end repayments have been received in line with the original loan agreement. We have compared key inputs used in the expected credit loss model being a multiple of revenue against market data to support management's assessment. **Key observations** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that the impairment provision against franchisee loans is materially misstated.
Carrying value of intangible assets, including goodwill, in the Group and investments in the parent company The Group's accounting policy and significant judgements and key sources of estimation uncertainty are described in note 1. Details of the impairment considerations are included in note 11. A significant proportion of the Group's net assets comprises goodwill and intangible assets that arise on consolidation. Goodwill and other intangible assets are tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit (CGU), based on a value-in-use calculation, to the carrying value. Management assesses each trading subsidiary to be a CGU and goodwill is allocated to each CGU. Furthermore, other intangible assets and cost of investments in subsidiaries are tested for impairment where an indicator of impairment arises. Management's review found no evidence of impairment in any of the cash-generating units, nor indicators of impairment in relation to other intangible assets or investments in subsidiaries. The risk that goodwill, intangible assets and fixed assets investment may be impaired is considered significant due to the level of judgement involved in the impairment review and the opportunity for management bias within the impairment model assumptions.	We reviewed the Group's intangible assets and fixed assets investment and examined for indicators of impairment. We also reviewed the impairment model prepared by management and challenged the judgements adopted and estimates applied in the value in use for each CGU including: • the identification of CGUs being consistent with the requirements of IAS 36 Impairment of Assets; • review of the integrity of the value in use model and appropriateness of discount rate used with the assistance of our valuation specialists; and • the assumptions in the forecasts of future trading performance and cash generation. This included challenging the robustness of the key assumptions such as the growth rate by sensitising this against past performance based on facts and circumstances at the balance sheet date. Our audit procedures for the review of operating cash flows and forecast growth rates included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board. We used market data to independently calculate a discount rate for comparison and also performed our own sensitivity analysis upon the key valuation inputs. **Key observations** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that there is a material impairment misstatement in respect of the carrying value of intangible assets and goodwill in the Group or investments in the parent company.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinion.

Materiality

Materiality is assessed as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £280,000, which was based on 5% of profit before tax. Profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance.

Materiality for the parent company was set at £266,000 using a benchmark of 1% of total assets, capped by reference to 95% of Group materiality. Total assets is considered an appropriate benchmark as the main purpose of the parent company is to hold the investments in subsidiaries.

Performance materiality

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality was set at 65% of Group and parent company materiality, being £182,000 and £173,000 respectively.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £14,000, which was set at 5% of Group materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Component materiality

Our audit work on each of the significant component audits was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality. Component materiality levels varied between £58,000 and £266,000 ranging between 21% and 95% of Group materiality. Performance materiality was set at 65% of component materiality and has been applied at each component level.

We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement due to fraud.

The Group manages its operations from one single location in Grantham, UK. At the statement of financial position date, the Group consisted of the parent company, five trading subsidiaries (all of which operate within the UK) and a number of dormant subsidiaries.

The Group engagement team has carried out full scope audit procedures on the parent company and four trading subsidiaries, which were identified as the significant components of the Group. We focused on these entities given their significance to the Group's financial position and performance.

The audit procedures performed on the remaining non-significant subsidiaries were limited to analytical review procedures and discussions with Group management.

This work together with the additional procedures performed at the Group level, including over the Group consolidation, provided the evidence required to form our opinion on the Group financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, within the Directors' report, set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Nottingham
United Kingdom
27 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group statement of comprehensive income
For the financial year ended 31 December 2019

	Notes	2019 £'000	2018 £'000 As restated
Continuing operations			
Revenue	2	**19,252**	13,433
Cost of sales	3	**(6,036)**	(2,103)
Gross profit		**13,216**	11,330
Administrative expenses			
Non-exceptional	3	**(7,556)**	(6,616)
Exceptional	4	**—**	(169)
		(7,556)	(6,785)
Operating profit		**5,660**	4,545
Changes in fair value to contingent consideration	4	**—**	809
Finance costs	6	**(342)**	(226)
Finance income	6	**230**	265
Other income	7	**32**	87
Profit before taxation		**5,580**	5,480
Taxation	8	**(928)**	(980)
Profit and total comprehensive income for the financial year		**4,652**	4,500
Profit for the year attributable to the equity holders of the parent company		**4,652**	4,500
Earnings per share attributable to equity holders of the parent company			
Basic	10	**13.3p**	12.9p
Diluted	10	**12.9p**	12.6p

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

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

Statements of financial position
As at 31 December 2019

	Notes	Group 2019 £'000	Group 31/12/2018 £'000 As restated	Group 01/01/2018 £'000 As restated	Company 2019 £'000	Company 2018 £'000
Assets						
Non-current assets						
Intangible assets	11	**29,069**	29,156	26,162	**—**	—
Investments	12	**—**	—	—	**39,910**	39,722
Financial assets	13	**159**	159	—	**—**	—
Property, plant and equipment	14	**593**	646	635	**44**	35
Right-of-use assets	15	**616**	—	—	**—**	—
Trade and other receivables	16	**2,053**	2,768	3,617	**—**	—
		32,490	32,729	30,414	**39,954**	39,757
Current assets						
Trade and other receivables	16	**4,575**	3,998	2,813	**6,729**	6,490
Cash and cash equivalents	17	**3,586**	1,798	1,350	**1,412**	214
		8,161	5,796	4,163	**8,141**	6,704
Total assets		**40,651**	38,525	34,577	**48,095**	46,461
Liabilities						
Non-current liabilities						
Lease liabilities	15	**442**	—	—	**—**	—
Interest-bearing loans and borrowings	19	**9,591**	10,452	5,578	**9,591**	10,452
Deferred tax liability	25	**1,440**	1,647	1,744	**7**	6
		11,473	12,099	7,322	**9,598**	10,458
Current liabilities						
Trade and other payables	18	**3,141**	2,768	6,137	**264**	1,169
Lease liabilities	15	**178**	—	—	**—**	—
Interest-bearing loans and borrowings	19	**861**	925	866	**861**	925
Corporation tax liability		**711**	769	566	**—**	—
		4,891	4,462	7,569	**1,125**	2,094
Total liabilities		**16,364**	16,561	14,891	**10,723**	12,552
Total net assets		**24,287**	21,964	19,686	**37,372**	33,909
Equity						
Shareholders' equity						
Share capital	21	**349**	349	349	**349**	349
Share premium	21	**12,006**	12,006	12,006	**12,006**	12,006
Share-based payments reserve		**524**	337	148	**524**	337
Revaluation reserve		**162**	162	162	**(50)**	(50)
Merger reserve		**(5,774)**	(5,774)	(5,774)	**8,101**	8,101
Retained earnings		**17,020**	14,884	12,795	**16,442**	13,166
Total equity		**24,287**	21,964	19,686	**37,372**	33,909

A third Group statement of financial position as at 1 January 2018 has been shown above to show the effect of the prior year restatement as detailed in note 30. These restatements had no impact on the Company.

The Company made a profit after tax in the year of £5,792,000 (2018: £3,505,000).

The financial statements on pages 40 to 63 were approved and authorised for issue by the Board on 27 March 2020 and signed on its behalf by:

Louise George
Chief Financial Officer

Registered number 07848163

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

Statements of changes in equity
For the financial year ended 31 December 2019

Group

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000 As restated	Total equity £'000 As restated
Balance at 1 January 2018		349	12,006	148	162	(5,774)	12,795	19,686
Changes in equity								
Issue of equity share capital	21	—	—	—	—	—	—	—
Share-based payments	28	—	—	189	—	—	—	189
Dividends	9	—	—	—	—	—	(2,411)	(2,411)
Transactions with owners		—	—	189	—	—	(2,411)	(2,222)
Profit and total comprehensive income for the financial year		—	—	—	—	—	4,500	4,500
Balance at 31 December 2018		349	12,006	337	162	(5,774)	14,884	21,964
Issue of equity share capital	21	—	—	—	—	—	—	—
Share-based payments	28	—	—	187	—	—	—	187
Dividends	9	—	—	—	—	—	(2,516)	(2,516)
Transactions with owners		—	—	187	—	—	(2,516)	(2,329)
Profit and total comprehensive income for the financial year		—	—	—	—	—	4,652	4,652
Balance at 31 December 2019		**349**	**12,006**	**524**	**162**	**(5,774)**	**17,020**	**24,287**

Company

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		349	12,006	148	(50)	8,101	12,072	32,626
Changes in equity								
Issue of equity share capital	21	—	—	—	—	—	—	—
Share-based payments	28	—	—	189	—	—	—	189
Dividends	9	—	—	—	—	—	(2,411)	(2,411)
Transactions with owners		—	—	189	—	—	(2,411)	(2,222)
Profit and total comprehensive income for the financial year		—	—	—	—	—	3,505	3,505
Balance at 31 December 2018		349	12,006	337	(50)	8,101	13,166	33,909
Issue of equity share capital	21	—	—	—	—	—	—	—
Share-based payments	28	—	—	187	—	—	—	187
Dividends	9	—	—	—	—	—	(2,516)	(2,516)
Transactions with owners		—	—	187	—	—	(2,516)	(2,329)
Profit and total comprehensive income for the financial year		—	—	—	—	—	5,792	5,792
Balance at 31 December 2019		**349**	**12,006**	**524**	**(50)**	**8,101**	**16,442**	**37,372**

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

Statements of cash flows
For the financial year ended 31 December 2019

		Group		Company	
	Notes	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Operating activities					
Cash generated from/(used in) operating activities	22	**7,285**	5,612	**(2,090)**	(2,216)
Tax paid		**(1,237)**	(1,018)	**—**	—
Net cash flows generated from/(used in) operating activities		**6,048**	4,594	**(2,090)**	(2,216)
Investing activities					
Acquisitions net of cash acquired	26	**(338)**	(3,595)	**—**	—
Deferred and contingent consideration		**(243)**	(4,236)	**—**	(4,236)
Capital expenditure on property, plant and equipment	14	**(99)**	(140)	**(24)**	(2)
Disposal of corporate offices		**54**	45	**—**	—
Franchisee loans granted		**(1,242)**	(729)	**—**	—
Loans repaid by franchisees		**1,380**	1,806	**—**	—
Finance income received	6	**230**	265	**2**	4
Return of funds from escrow		**—**	145	**—**	145
Dividends received	27	**—**	—	**7,100**	4,000
Net cash flows (used in)/generated from investing activities		**(258)**	(6,439)	**7,078**	(89)
Financing activities					
Bank loan advance		**—**	12,000	**—**	12,000
Loan repayments		**(938)**	(7,000)	**(938)**	(7,000)
Equity dividends paid	9	**(2,516)**	(2,411)	**(2,516)**	(2,411)
Lease payments	15	**(212)**	—	**—**	—
Finance costs		**(336)**	(296)	**(336)**	(296)
Net cash (used in)/generated from financing activities		**(4,002)**	2,293	**(3,790)**	2,293
Net change in cash and cash equivalents		**1,788**	448	**1,198**	(12)
Cash and cash equivalents at the beginning of the financial year		**1,798**	1,350	**214**	226
Cash and cash equivalents at the end of the financial year	17	**3,586**	1,798	**1,412**	214

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

1 Accounting policies

General information

Belvoir Group PLC is the ultimate parent company of the Group, whose principal activity during the year under review was that of selling, supporting and training residential property franchises. The Group also operates a network of financial service advisers who, through our franchise property networks, provide advice to our residential property clients.

Belvoir Group PLC, a public company limited by shares listed on AIM, is incorporated and domiciled in the United Kingdom.

Registered office

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

Basis of preparation

The Group and Company financial statements have been prepared under the historical cost convention with the exception of the freehold property which has been revalued and financial assets which are included at fair value through profit or loss. Being listed on AIM, the Company is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern and Covid-19

The impact of the Covid-19 pandemic has been considered by the Directors, as further explained in the Chairman's statement and the Chief Executive Officer's statement. The Directors have revised the forecasts for the Group taking into account the impact of Covid-19 on trading over the twelve months from the date of signing the financial statements. The forecasts have been assessed against a range of possible downside outcomes: significantly lower levels of income in line with lower lettings, sales and mortgage activity, reduced headcount, a lower cost base and extended payment terms to franchisees. The base case model reflects these sensitivities for the rest of this financial year.

After consideration of these forecasts and making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence and to meet their bank covenants for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. Aside from Covid-19, there are no other matters, of which the Directors are aware, that may impact on the Group and Company's ability to continue as a going concern by reference to the guidance issued by the Financial Reporting Council on going concern assessment.

Standards adopted for the first time

There is one new standard, IFRS 16 Leases, effective for annual periods beginning after 1 January 2019. The adoption of this standard, applying the simplified transition approach and no restatement of comparative amounts for the year ended 31 December 2018, has not had an impact on the Group's financial statements, except the following, set out below:

- IFRS 16 Leases came into effect on 1 January 2019 addressing the definition of a lease, and recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases are now accounted for on balance sheet for lessees. The Directors reviewed the contracts for all property, vehicle and equipment leases held by the Group to identify any additional lease arrangements that needed to be recognised under IFRS 16. As a result, £0.6m was recognised as additional tangible fixed assets together with an additional lease liability as of 1 January 2019, and the 2019 operating charge of £0.2m was replaced by a depreciation charge of £0.2m and a nominal interest charge. This did not materially change our reporting of operating profit. See note 23 for the effect of changes in accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective

There are no new standards, amendments to existing standards or interpretations that are effective as at 31 December 2019 relevant to the Group.

Basis of consolidation

The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2019. Subsidiaries are entities over which the Group obtains and exercises control through voting rights. Income, expenditure, unrealised gains and intra-Group balances arising from transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

At the time of the IPO, the acquisition of the trading subsidiaries was achieved principally by way of share for share exchange and the difference between the par value of the shares issued and the fair value of the cost of investment was recorded as an addition to the merger reserve. The parent company statement of financial position shows a merger reserve of £8,101,000 and an investment of £12,450,000. On a Group basis, an accounting policy was adopted based on the pooling of interests method. Under this method, the financial statements of the parties to the combination are aggregated and presented as though the combining entities had always been part of the same group. The investment by Belvoir Group PLC in Belvoir Property Management (UK) Limited was eliminated and the difference between the fair value and nominal value of the shares was adjusted through the merger reserve in the Group statement of financial position.

Subsequent acquisitions of subsidiaries outside of common control business combinations are dealt with by the acquisition method. The acquisition method involves recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition.

Acquisitions which include an element of deferred consideration which is contingent on events after the acquisition date are recognised at the date of acquisition based on all information available at that date. Any subsequent changes to these amounts are recognised through the income statement.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition-related transaction costs are recorded as an exceptional administrative expense in the Group statement of comprehensive income.

1 Accounting policies continued

Basis of consolidation continued

Goodwill is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill (where the fair value of the assets acquired exceeds the purchase price) is recognised immediately after the acquisition in the Group statement of comprehensive income.

Revenue recognition

Revenue represents income from management service fees (MSF), fees from the sale of franchise licences (initial franchise fees), commission on resales of franchised offices, fees generated from corporate-owned offices and commission receivable on financial services.

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 branding, training, 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.

Corporate-owned offices are those that are operated directly by the Group and not by franchises. These corporate offices invoice landlords on a monthly basis and so recognise the income during the period in which the work is carried out. Corporate revenue also arises from fees on property sales which are recognised by reference to the legal exchange date of the housing transaction as all obligations have been fulfilled at that point.

Commission from financial services is recognised on amounts receivable on a weekly basis from the Mortgage Advice Bureau on policies written by Brook Financial Services Limited and MAB (Gloucester) Limited. There is a clawback of the commission on the cancellation of the life policy within four years of taking out the policy. The commission income is therefore considered to represent variable consideration and the transaction price of commission income is determined by using the expected value method, such that revenue is recognised only to the extent that it is highly probable that there will not be a significant reversal of revenue recognised in future periods. The sum of the range of probabilities of clawback in different scenarios based on historical trends is used to calculate the extent to which the variable consideration is reduced and a refund liability is recognised in current liabilities.

Cost of sales

Costs attributable to cost of sales comprise amounts paid to advisers and introducer commission paid to companies in relation to financial services.

Exceptional items

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

Dividend

Dividend income is recognised in the Company from its subsidiary companies when the right to receive payment is established.

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

Intangible assets

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

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

Trade names/brands	–	between 10 and 20 years
Customer relationships	–	15 years
Master franchise agreements	–	25 years

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

Acquired customer relationships are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship, which is reassessed annually. Customer relationship assets are being written off over a remaining life of 15 years.

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

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

1 Accounting policies continued

Property, plant and equipment
Freehold land and buildings held at the date of transition to IFRS were measured at fair value, which became their deemed cost, and, going forward, these assets are carried at amortised cost, less accumulated depreciation and any provision for impairment. Other property, plant and equipment is stated at historical cost, less accumulated depreciation and any provision for impairment.

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

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

Material residual value estimates and expected useful lives are updated as required.

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

Leases
Right-of-use assets are stated at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease, less accumulated depreciation. Depreciation is calculated so as to write off the value of an asset over the lease term.

The lease liabilities associated with right-of-use assets are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease.

Low value and short-term leases have not been capitalised as right-of-use assets or recognised in the lease liability. The lease payments are charged to administrative expenses.

Impairment testing of goodwill, other intangible assets, and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units). Typically this will be at an acquired network or company level other than for certain corporate offices that have been brought back into the Group.

Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the management monitors goodwill.

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

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell, reflecting market conditions, and the value in use based on estimated future cash flows from each cash generating unit, discounted at a suitable rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budgets, adjusted as necessary to exclude any future restructuring to which the Group is not yet committed.

Impairment losses for cash generating units reduce first the carrying value of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment charges are included in operating costs in the statement of comprehensive income.

Investments
Investments in subsidiaries are stated at cost less provision for impairment.

Taxation
Current tax is the tax currently payable based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences, at the tax rate that is substantively enacted at the balance sheet date. Deferred tax is generally provided on the difference between the carrying amount of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

On 31 May 2019 the Group acquired the assets and trade of Escritt Barrel and Golding Partners. No tax relief is available on either the goodwill or customer lists acquired. Whilst the initial book value of goodwill is higher than the tax base, no deferred liability is accounted for and any subsequent impairments should be treated as permanent differences for tax and have no impact on deferred tax. The value of the acquired customer lists is amortised over 15 years. An initial deferred tax liability is recognised and reduced subsequently in line with amortisation creating a deferred tax credit.

1 Accounting policies continued

Client money

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

Financial assets

The classification of financial assets is based on the way a financial asset is managed and its contractual cash flow characteristics.

Financial assets are measured at amortised cost if both of the following conditions are met and the financial asset or liability is not designated as at fair value through profit and loss (FVTPL):

- the financial asset is held with the objective of collecting or remitting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Neither the Group nor Company has any financial assets measured as fair value through other comprehensive income (FVOCI); the treatment of financial instruments measured at FVTPL is set out below.

The amortised cost of financial assets is reduced by impairment losses as described below. Interest income, impairments and gains or losses on derecognition are recognised through the statement of comprehensive income.

Financial assets are initially measured at fair value; trade receivables are held at their original invoiced value, as the interest that would be recognised from discounting future cash flows over the short credit period is not considered to be material.

Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets. The simplified approach for calculating impairment of financial assets has been used for trade receivables. Lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. The loans to franchisees policy below sets out the impairment rules applied to them.

Cash and cash equivalents

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

Loans to franchisees

Impairment provisions against loans to franchisees are recognised based on an expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of these financial assets and is calculated by considering the cash shortfalls that would be incurred and probability of these cash shortfalls using the Group's model. Where a significant increase in credit risk is identified lifetime expected credit losses are recognised; alternatively if there has not been a significant increase in credit risk a twelve-month expected credit loss is recognised. Such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in the statement of comprehensive income. On confirmation that the franchisee loan will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Other debtors

The Group recognises amounts withheld by Mortgage Advice Bureau from weekly commission payments in respect of unearned indemnity commission as a financial asset. This financial asset has no credit terms and management assesses that the credit risk and probability of default is low. As such no provision for impairment is made.

On a weekly basis the estimated clawback of commission recoverable from our financial advisers arising on the cancellation of life assurance policies within four years of inception is accounted for within other debtors. An assessment is made on the recoverability of these amounts and the Board has determined the expected credit loss within twelve months to be insignificant.

Financial assets held at fair value through profit and loss

Financial assets at fair value through profit or loss currently comprise share options in an AIM-listed company. The fair value is derived from an assessment of the expected value at the point at which the share options vest taking into account the vesting conditions and share price volatility.

Amounts owed by Group undertakings

Amounts due from Group undertakings represent dividends due from the subsidiary at the year end and interest-free loans which are repayable on demand. In assessing the expected credit loss, the general approach has been applied. The subsidiary has resources to repay the amount outstanding at the year end on demand and as such the probability of default is considered to be very low and any expected credit loss is insignificant. There has been no change in credit risk since initial recognition.

Financial liabilities

Financial liabilities comprise trade payables, borrowings, lease liabilities and other short-term monetary liabilities, which are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

Refund liability

As there is a potential for clawback on financial services commissions, revenue is constrained such that it is recognised only to the extent that it is highly probable that it will not reverse in future periods. The refund liability is recognised for indemnity commission if the highly probable test for revenue recognition has not been met. The refund liability is made against new written policies on a weekly basis to reflect the estimated clawback by Mortgage Advice Bureau (Holdings) plc. These clawbacks arise on the cancellation of life assurance policies within four years following inception.

1 Accounting policies continued

Share-based employee remuneration

The Group operates an Enterprise Management Incentive (EMI) scheme and a Company Share Option Plan (CSOP), and issues equity-settled share-based payments to certain Executive Directors and employees. The Group also operates the Belvoir Group Performance Share Plan 2017 to incentivise, retain and reward key Executive Directors.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The level of vesting is reviewed annually, and the charge is adjusted to reflect actual and estimated levels of vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the services received is measured based on the Black Scholes option pricing model. This model takes into account the following variables: exercise price, share price at date of grant, expected term, expected share price volatility, risk-free interest rate and expected dividend yield. Expected volatility is estimated by considering historical average share price volatility.

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

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

Equity

Equity comprises the following:

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

Significant judgements and key sources of estimation uncertainty

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

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

Significant judgements

Acquisition accounting

On acquisition the assets and liabilities acquired are assessed to determine the fair value to be recognised on consolidation into the Group. The fair value of customer relationships is recognised on each individual acquisition and requires the exercise of management judgement in each case to identify relevant assets. The assessment is based on management knowledge of the sector and of the operating characteristics of the business acquired.

Customer relationships are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue. Changes to the useful life would increase or decrease the level of amortisation charged to the income statement in the year.

Any contingent consideration payable is subject to certain performance criteria and is determined by reference to recent and forecast performance. The exercise of management judgement is required to assess the level of contingent consideration payable and subsequently the total consideration payable and goodwill arising on the calculation.

Recoverability of franchise debtors

The recoverability of loans to franchisees is assessed by management by assessing credit risk of the loan. A Board approved model is used to determine if there has been a significant increase in credit risk by comparing the carrying value of the loan to the underlying valuation of the franchisee using a revenue multiple and an assessment of current trading performance. The multiple is determined by historical data.

Key sources of estimation uncertainty

Carrying value of intangible assets

The carrying value of intangibles is subject to impairment review. In the current year the intangible assets recognised on acquisition have been tested for impairment based on the Board approved cash forecast for the next five years which includes a sales growth rate and gross margin estimates.

The discount rate used to get the present value of the cash flow is based on a WACC analysis which takes into account estimates of the risk-free rate, equity risk premium and company size premium. Further detail is given in note 11, which includes sensitivity analysis performed on management's estimates.

1 Accounting policies continued

Key sources of estimation uncertainty continued

Carrying value of investments

The carrying value of investments is recognised against each subsidiary and requires the exercise of management judgement in each case. This is assessed annually for impairment against the discounted cash flow for each cash generating unit based on management's estimates of growth and discount rates. Potential impairment of carrying values or changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. Further details on the movement on investments are presented in note 12.

Refund liability

The liability relates to the estimated value of repaying commission received upfront on life assurance policies that may lapse in a period of up to four years following inception. The potential liability for unearned indemnity commission is assessed by management based on an estimation of the level of policy cancellation and the associated clawback of commission. The estimate is based on historical trends of cancellation in different scenarios and the liability is calculated as the sum of the range of probabilities of clawback in the different scenarios.

2 Segmental information

The Executive Committee of the Board, as the chief operating decision maker, reviews financial information for and makes decisions about the Group's overall franchising business. In the year ended 31 December 2019 the Board identified two operating segments, that of franchisor of property agents and property-related financial services.

The Directors consider gross profit as the key performance measure. The reported segment is consistent with the Group's internal reporting for performance measurement and resources allocation.

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

	Lettings		Property sales		Total revenue	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Management service fees	**7,292**	7,107	**1,464**	1,349	**8,756**	8,456
Corporate-owned offices	**725**	481	**586**	540	**1,311**	1,021
	8,017	7,588	**2,050**	1,889	**10,067**	9,477
Initial franchise fees and other resale commissions					**176**	198
Other income					**476**	468
Franchise property division					**10,719**	10,143
Commission receivable on financial services					**8,533**	3,290
Financial services division					**8,533**	3,290
Total revenue					**19,252**	13,433

Gross profit for the two divisions is split as follows:

	Gross profit	
	2019 £'000	2018 £'000
Property franchise division	**10,719**	10,143
Financial services division	**2,497**	1,187
Total gross profit	**13,216**	11,330

Profit for the financial year

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The profit on ordinary activities after taxation of the Company for the year was £5,792,000 (2018: £3,505,000).

3 Cost of sales and administrative expenses
Group
Cost of sales and administrative expenses (non-exceptional) by nature:

	2019 £'000	2018 £'000
Staff costs	**5,221**	4,559
Depreciation	**336**	127
Amortisation	**471**	454
Marketing	**423**	326
Auditor's remuneration		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	**58**	53
– Tax compliance services	**12**	16
– Statutory audit of subsidiaries	**—**	45
Operating lease expenditure	**—**	247
Other cost of sales and administrative expenses	**7,071**	2,892
	13,592	8,719

4 Exceptional items
Group
A total of £nil (2018: credit of £640,000) in relation to exceptional items in the year arose from:

	2019 £'000	2018 £'000
Transaction costs on acquisition	**—**	104
Restructuring costs	**—**	65
Exceptional administration costs	**—**	169
Reduction in fair value to contingent consideration of Northwood	**—**	(809)
	—	(640)

5 Directors and employees
Group
Staff costs (including Directors)

	2019 £'000	2018 £'000
Wages and salaries	**4,438**	3,880
Social security costs	**483**	410
Pension costs	**113**	80
Share-based payment charge	**187**	189
	5,221	4,559
The average monthly number of employees during the year was as follows:		
Management and administration	**113**	107

Key management personnel is defined as the Directors of the Group.

The Company has no employees.

Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	**825**	770
Social security costs	**105**	98
Other pension costs	**40**	36
	970	904
Executive Directors	**881**	825
Non-Executive Directors	**89**	79
	970	904

During the year no options (2018: 144,000) over ordinary shares were granted to Directors under the Belvoir Group Performance Share Plan and none (2018: none) were exercised by Directors under the Company's EMI or unapproved schemes.

6 Finance income and costs
Group
Finance costs

	2019 £'000	2018 £'000
Bank interest	**321**	226
Operating lease interest	**21**	—
	342	226

Finance income

	2019 £'000	2018 £'000
Deposit account interest	**14**	9
Interest on franchisee loans	**216**	256
	230	265

7 Other income
Group
Financial asset

	2019 £'000	2018 £'000
Share options in Mortgage Advice Bureau (Holdings) plc	**32**	87

Other income relates to the release of the value of 40,000 share options in Mortgage Advice Bureau (Holdings) plc ("MAB options") for the year to 31 December 2019. This is reported on further in note 13.

8 Taxation
Group

	2019 £'000	2018 £'000
UK corporation tax at 19% (2018: 19%)		
Current taxation on profits for the year	**1,199**	1,043
Adjustments in respect of prior years	**(17)**	73
Deferred taxation origination and reversal of temporary differences	**(254)**	(136)
Total tax charge in the statement of comprehensive income	**928**	980

Factors affecting the tax charge for the year:

	2019 £'000	2018 £'000
Profit before taxation	**5,580**	5,480
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**1,060**	1,041
Effects of:		
– Expenses/(income) not deductible for tax purposes	**43**	(75)
– Adjustment in respect of prior years	**(17)**	73
– Remeasurement of deferred tax	**2**	1
– Recognition of deferred tax asset	**(160)**	(44)
– Other timing differences	**—**	(16)
Total tax charge in statement of comprehensive income	**928**	980

The proposed reduction in the corporation tax rate to 17% with effect from 6 September 2016 had been substantively enacted as at the year end and therefore the closing deferred tax balance has been translated at 17%. The Government has pledged to maintain the 19% tax rate in the future following the general election. This pledge had not been substantively enacted as at 31 December 2019.

9 Dividends
Group

	2019 £'000	2018 £'000
Final dividend for 2018		
3.8p per share paid 26 May 2019 (2018: 3.5p per share paid 31 May 2018)	**1,328**	1,223
Interim dividend for 2019		
3.4p per share paid 24 October 2019 (2018: 3.4p per share paid 2 November 2018)	**1,188**	1,188
Total dividend paid	**2,516**	2,411

As a prudent measure due to the uncertainty caused by Covid-19, the Directors have decided not to propose a final dividend for 2019.

10 Earnings per share
Group
Earnings per share is calculated by dividing the profit for the financial year by the weighted average number of ordinary shares in issue during the year. Options over ordinary shares and rights of conversion are described in note 28. The calculation of diluted earnings per share is derived from earnings per share, adjusted to allow for the issue of shares under these instruments.

	2019 £'000	2018 £'000 As restated
Profit for the financial year	**4,652**	4,500

Weighted average number of ordinary shares	Number	Number
Basic	**34,939**	34,939
Diluted	**35,934**	35,727

Earnings per share	Pence	Pence
Basic	**13.3p**	12.9p
Diluted	**12.9p**	12.6p

11 Intangible assets
Group

	Brand £'000	Goodwill £'000	Master franchise agreements £'000	Customer relationships £'000	Total £'000
Gross carrying amount					
At 1 January 2018	551	16,202	9,832	822	27,407
Additions	—	3,302	—	247	3,549
Disposals	—	(13)	—	(111)	(124)
At 31 December 2018	551	19,491	9,832	958	30,832
Additions (note 26)	—	109	—	329	438
Disposals	—	—	—	(54)	(54)
At 31 December 2019	**551**	**19,600**	**9,832**	**1,233**	**31,216**
Amortisation and impairment					
At 1 January 2018	48	—	734	463	1,245
Amortisation for the year	31	—	392	31	454
Disposals	—	—	—	(23)	(23)
At 31 December 2018	79	—	1,126	471	1,676
Amortisation for the year	29	—	393	49	471
At 31 December 2019	**108**	**—**	**1,519**	**520**	**2,147**
Net book value					
At 31 December 2019	**443**	**19,600**	**8,313**	**713**	**29,069**
At 31 December 2018	472	19,491	8,706	487	29,156

11 Intangible assets continued

Group continued

On 31 May 2019 Newton Fallowell Limited acquired the estate and lettings agency assets and trade of Escritt Barrel and Golding Partners. The Group recognises 75% of an acquired lettings portfolio as customer relationships, which are amortised over 15 years, and 25% as goodwill. This gave rise to additional goodwill of £92,000.

On 6 November 2019 Brook Financial Services Limited ("Brook") acquired Purely Mortgage Consultants Limited (PMC), the financial services subsidiary of Dacre, Son and Hartley ("Dacres"), a 20-office estate agency network based in Yorkshire. This generated goodwill of £17,000 and intangibles of £97,000. The intangibles will be amortised over eight years in line with the eight-year exclusivity agreement entered into with Dacres for the provision of financial services to its estate agency network.

On 8 November 2019 Belvoir Property Management (UK) Limited sold the assets and trade of Belvoir Leeds South to the Belvoir Leeds North West franchisee which took on Leeds South as a second territory. This gave rise to a disposal against customer relationships of £54,000.

Goodwill is deemed to have an indefinite useful life. It is currently carried at cost and tested annually for impairment by reference to the value of the relevant cash generating units (CGUs) to their recoverable amount. The Group has defined its key CGUs as Northwood, Newton Fallowell (incorporating Goodchilds, Uplong and EBG), Brook (incorporating PMC), MAB Glos and corporate-owned Belvoir offices. Where the recoverable amount is less than the carrying value, an impairment arises. During the year, goodwill was tested for impairment, with no impairment charge arising.

	At 31 December 2018 £'000	Additions £'000	Disposals £'000	**At 31 December 2019 £'000**
Newton Fallowell (incorporating Goodchilds, Uplong and EBG)	5,777	92	—	**5,869**
Northwood	8,373	—	—	**8,373**
Brook (incorporating PMC)	1,996	17	—	**2,013**
MAB Glos	3,197	—	—	**3,197**
Corporate-owned Belvoir offices	148	—	—	**148**
Total	19,491	109	—	**19,600**

The recoverable amount of all CGUs has been determined based on a value-in-use calculation. These calculations use pre-tax cash flow projections over a period of five years assuming an annual growth rate of 2% followed by a terminal growth rate of 2% (2018: 2%), discounted at a pre-tax discount rate of 9% (2018: 10%) equivalent to the Group's weighted average cost of capital. Assumptions on sales growth are within those applied in the approved budgets for the upcoming year and strategic projections representing the best estimate of future performance.

The Directors do not consider goodwill to be impaired. The Directors believe that no reasonable possible change in assumptions, based on facts and circumstances in place at the year end date will cause the value in use to fall below the carrying value and hence impair the goodwill.

12 Investments

Investments in subsidiaries

	Company £'000
Cost	
At 1 January 2018	39,533
Additions	189
At 31 December 2018	39,722
Additions	187
At 31 December 2019	**39,910**
Provision for impairment	
At 1 January 2018, 31 December 2018 and 31 December 2019	—
Net book value	
At 31 December 2019	**39,910**
At 31 December 2018	39,722

The Company addition of £187,000 (2018: £189,000) related to the obligation to settle the share-based remuneration awarded to employees of Belvoir Property Management (UK) Limited during the five years ended 31 December 2019.

On 6 November 2019 the assets and trade of Purely Mortgage Consultants Limited were transferred to Brook Financial Services Limited at which point Purely Mortgage Consultants Limited became dormant.

On 2 April 2019 Newton & Derry Financial Services Limited was dissolved and on 14 January 2020 Belvoir Lettings (Cumbria) Limited was dissolved.

12 Investments continued

Investments in subsidiaries continued

As at 31 December 2019 the Company owned 100% of the ordinary share capital and voting rights of the following companies:

Subsidiary	Country of incorporation	Company number	Principal activity
Belvoir Property Management (UK) Limited[4]	England and Wales	3141281	Property sales and letting franchising
Newton Fallowell Limited[4]	England and Wales	5372232	Property sales and letting franchising
Northwood GB Limited[4]	England and Wales	3570861	Property sales and letting franchising
Brook Financial Services Limited[4]	England and Wales	7311674	Financial services
MAB (Gloucester) Limited[1,4]	England and Wales	09668913	Financial services
Purely Mortgage Consultants Limited[1,4]	England and Wales	6521922	Financial services
Goodchilds Estate Agents & Lettings Limited	England and Wales	05249161	Dormant
Claygold Property Limited[2]	England and Wales	02649237	Dormant
Redwoods Estate Agents Limited[2]	England and Wales	03416122	Dormant
Uplong Limited[3]	England and Wales	05816728	Dormant
Newton & Derry Limited[3]	England and Wales	3695733	Dormant

1. Subsidiary of Brook Financial Services Limited.
2. Subsidiary of Belvoir Property Management (UK) Limited.
3. Subsidiary of Newton Fallowell Limited.
4. The Company has agreed to guarantee the liabilities of its trading subsidiaries, thereby allowing them to take exemption from an audit under Section 479A of the Companies Act 2006.

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

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

13 Financial assets

Financial assets at fair value through profit or loss

	Group £'000
Cost	
At 1 January 2018	–
Additions – share options in Mortgage Advice Bureau (Holdings) plc	159
At 31 December 2018 and 31 December 2019	**159**
Provision for impairment	
At 1 January 2018, 31 December 2018 and 31 December 2019	–
Net book value	
At 31 December 2018 and 31 December 2019	**159**

Financial assets at fair value through profit or loss comprises 40,000 share options in Mortgage Advice Bureau (Holdings) plc ("MAB options") which vest in May 2020.

The MAB options have been valued using the following inputs to the Black Scholes model:

Expected volatility (based on closing prices since 2015)	36%
Expected life	5 years
Risk-free rate	0.5%
Expected dividend yield	4.3%

The Group recognised the following income relating to equity-settled share-based financial assets at fair value through profit or loss:

	2019 £'000	2018 £'000
MAB share options (note 7)	**32**	87

14 Property, plant and equipment

	Group				Company
	Freehold land £'000	Freehold property £'000	Fixtures and fittings £'000	Total £'000	Fixtures and fittings £'000
Cost					
At 1 January 2018	150	235	1,147	1,532	55
Additions	—	—	140	140	2
Disposals	—	—	(10)	(10)	—
At 31 December 2018	150	235	1,277	1,662	57
Additions	—	—	99	99	24
Acquisitions	—	—	4	4	—
Disposals	—	—	(201)	(201)	—
At 31 December 2019	**150**	**235**	**1,179**	**1,564**	**81**
Accumulated depreciation					
At 1 January 2018	—	46	851	897	10
Charge for the year	—	4	123	127	12
Disposals	—	—	(8)	(8)	—
At 31 December 2018	—	50	966	1,016	22
Charge for the year	—	4	138	142	15
Acquisitions	—	—	2	2	—
Disposals	—	—	(189)	(189)	—
At 31 December 2019	**—**	**54**	**917**	**971**	**37**
Net book value					
At 31 December 2019	**150**	**181**	**262**	**593**	**44**
At 31 December 2018	150	185	311	646	35

15 Leases

Right-of-use assets

	Group			
	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2019	587	48	3	638
Additions	—	173	—	173
Amortisation	(112)	(81)	(2)	(195)
At 31 December 2019	**475**	**140**	**1**	**616**

Lease liabilities

	Group			
	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
At 1 January 2019	587	48	3	638
Additions	—	173	—	173
Interest expense	16	5	—	21
Lease payments	(121)	(89)	(2)	(212)
At 31 December 2019	**482**	**137**	**1**	**620**

15 Leases continued
Maturity of lease liabilities

	Group				
	Up to 6 months £'000	6–12 months £'000	1–5 years £'000	Over 5 years £'000	Total £'000
Lease liabilities	**91**	**87**	**437**	**5**	**620**

16 Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current				
Trade receivables	**1,378**	1,395	**—**	—
Loans to franchisees	**1,101**	669	**—**	—
Other debtors	**1,607**	1,429	**19**	—
Prepayments	**242**	298	**40**	37
Accrued income	**247**	207	**—**	—
Amounts owed by Group undertakings	**—**	—	**6,670**	6,453
	4,575	3,998	**6,729**	6,490
Non-current				
Loans to franchisees	**2,053**	2,768	**—**	—

As of 31 December 2019 trade receivables of £1,248,000 (2018: £1,074,000) were not due. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers and isolated items not deemed to be indicative of future credit losses. Trade receivables are collected using direct debit and historical credit losses are immaterial. At 31 December 2019 the Group has recognised a lifetime expected credit loss of £48,000 (2018: £50,000).

At the year end £92,000 (2018: £43,000) of the franchise loan repayments were past the due date. Loans to franchisees are spread across varying terms. In determining the lifetime expected credit losses, the Risk Management Committee primarily considers the recoverability of indebtedness from franchisees. There have been no changes to the estimation techniques or the significant assumptions made during the financial year. The recoverable amount is assessed by management as being the average of the multiples paid in acquiring portfolios during the year on behalf of our franchisees under our assisted acquisitions programme. Where relevant, forward-looking information has been incorporated into management's assessment. The franchisee indebtedness risk profile has been assessed as follows:

- lower risk: loans where recoverable amounts are higher than indebtedness and the probability of default is considered less than 1%, the impact of which would not be material; and
- higher risk (significant increase in credit risk): loans where recoverable amounts are lower than indebtedness.

During the year the lifetime expected credit loss on franchisee indebtedness was increased by £144,000.

	Group	
	2019 £'000	2018 £'000
Lower risk gross carrying value amount	**2,610**	3,115
Loss provision	**—**	—
Lower risk net carrying value amount	**2,610**	3,115
Higher risk gross carrying value amount	**962**	634
Loss provision:		
At 1 January	**(374)**	(313)
Increase in provision during the year	**(144)**	(61)
At 31 December	**(518)**	(374)
Higher risk net carrying value amount	**544**	322
Total net carrying value amount	**3,154**	3,437

Included within other debtors is £379,000 (2018: £269,000) due from financial advisers relating to commissions that are refundable to the Group when a life policy is cancelled within 48 months of the policy being written. As these balances have no credit terms, they can be recovered directly from subsequent new business entered into with the financial adviser.

17 Cash and cash equivalents

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cash and cash equivalents	**3,586**	1,798	**1,412**	214

18 Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000 As restated	**2019 £'000**	2018 £'000
Current				
Trade payables	**612**	486	**4**	63
Refund liability	**1,110**	874	**—**	—
Other taxes and social security	**628**	565	**—**	—
Accruals	**566**	396	**60**	74
Deferred income	**25**	54	**—**	—
Other creditors	**163**	150	**—**	—
Deferred and contingent consideration	**37**	243	**—**	—
Amounts owed to Group undertakings	**—**	—	**200**	1,032
	3,141	2,768	**264**	1,169

19 Borrowings

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current				
Bank loans – term loan	**861**	925	**861**	925
Long term				
Bank loans – term loan	**9,591**	10,452	**9,591**	10,452
	10,452	11,377	**10,452**	11,377

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

20 Maturity of borrowings

	2019 £'000	2018 £'000
Group and Company		
Repayable in less than six months	**587**	658
Repayable in seven to twelve months	**581**	572
Current portion of long-term borrowings	**1,168**	1,230
Repayable in years one to five	**10,181**	11,279
Total borrowings	**11,349**	12,509
Less: interest included	**(897)**	(1,132)
Total debt	**10,452**	11,377
Less: cash and cash equivalents	**(3,585)**	(1,798)
Net debt	**6,867**	9,579

Borrowings comprise a term loan of £10,537,000 (2018: £11,475,000) secured by a fixed and floating charge over the Group assets and is repayable in half yearly instalments of £445,000 from June 2020 with a final payment of £7,868,000 in March 2023 and bears interest at 1.95% over the LIBOR rate. The arrangement fee of £144,000 is being amortised over the life of the loan, which gave rise to a charge to the profit and loss account of £29,000 (2018: £22,000). All bank covenants were complied with throughout the year.

21 Called up share capital

	2019		2018	
	Number	**£'000**	Number	£'000
Group and Company				
Allotted, issued and fully paid				
Ordinary shares of 1p each	**34,938,606**	**349**	34,938,606	349

	Group and Company Number	Nominal share capital £'000	Share premium £'000
At 1 January 2018	34,938,606	349	12,006
At 31 December 2018	34,938,606	349	12,006
At 31 December 2019	**34,938,606**	**349**	**12,006**

22 Reconciliation of profit before taxation to cash generated from operations

Group

	2019 £'000	2018 £'000
Profit before taxation	**5,580**	5,480
Depreciation and amortisation charges (including impairment)	**819**	581
Share-based payment charge	**187**	189
Impairment of franchisee loan book	**158**	272
Impairment on sale of Newton Fallowell Newark trade and assets	**—**	88
(Profit)/loss on disposal of corporate offices	**(2)**	15
Changes in fair value to contingent consideration	**—**	(809)
Amortisation of debt costs	**29**	52
Finance costs	**321**	226
Interest paid on lease liabilities	**21**	—
Finance income	**(230)**	(265)
MAB share option recognition and related income	**(32)**	(87)
	6,851	5,742
Increase in trade and other receivables	**(145)**	(1,393)
Increase in trade and other payables	**579**	1,263
Cash generated from operations	**7,285**	5,612

Company

	2019 £'000	2018 £'000
Profit before taxation	**5,792**	3,504
Dividend received	**(7,100)**	(4,000)
Changes in fair value to contingent consideration	**—**	(809)
Amortisation of debt costs	**29**	—
Finance income	**(2)**	—
Finance costs	**321**	223
Depreciation and amortisation charges	**14**	12
	(946)	(1,070)
Increase in trade and other receivables	**(239)**	(1,559)
(Decrease)/increase in trade and other payables	**(905)**	413
Cash used in operations	**(2,090)**	(2,216)

23 Effects of new accounting policies

Transition method and practical expedients utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than twelve months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of twelve months or less. The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	£'000
Minimum operating lease commitment at 31 December 2018	773
Less: short-term leases not recognised under IFRS 16	(61)
Less: low value leases not recognised under IFRS 16	(20)
Undiscounted lease payments	692
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(54)
Lease liability as at 1 January 2019	638

24 Financial instruments

Capital management policy

The Group manages its capital to ensure its operations are adequately provided for as described below. The principal risks faced by the Group are detailed on pages 20 and 21. The Group's objective when managing capital is to safeguard its ability to continue as a going concern and so provide increasing shareholder value. The Group is meeting this objective through a combination of underlying organic growth and targeted growth by acquisition, which will generate regular and increasing returns to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to the shareholders comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Financial instruments – risk management

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

- interest rate risk;
- credit risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are included in the summary below.

Summary of financial assets and financial liabilities by category:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Financial assets				
Trade receivables	**1,378**	1,395	**—**	—
Other receivables	**1,854**	1,636	**6,689**	6,453
Loans to franchisees	**3,154**	3,437	**—**	—
Cash and cash equivalents	**3,586**	1,798	**1,412**	213
	9,972	8,266	**8,101**	6,666

24 Financial instruments continued

Principal financial instruments continued

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Financial liabilities				
Trade payables	**612**	486	**4**	63
Refund liability	**1,110**	874	**—**	—
Loans and borrowings	**10,452**	11,377	**10,452**	11,377
Other creditors	**163**	150	**200**	1,032
Lease liabilities	**620**	—	**—**	—
Contingent consideration	**37**	243	**—**	—
	12,994	13,130	**10,656**	12,472
Maturity analysis of financial liabilities:				
In less than one year				
Trade payables	**612**	486	**4**	63
Refund liability	**1,110**	874	**—**	—
Loans and borrowings	**861**	925	**861**	925
Other creditors	**163**	150	**200**	1,032
Lease liabilities	**178**	—	**—**	—
Contingent consideration	**37**	243	**—**	—
	2,961	2,678	**1,065**	2,020
In more than one year				
Lease liabilities	**442**	—	**—**	—
Long-term borrowings	**9,591**	10,452	**9,591**	10,452
	10,033	10,452	**9,591**	10,452

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

General objectives, policies and processes

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

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

Interest rate risk

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

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

Credit risk

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

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

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

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.

24 Financial instruments continued

Fair values of financial instruments

Financial assets and liabilities are carried at amortised cost which equates to fair value. The Group's management assessed that the fair values of cash, trade receivables, trade payables and other current liabilities approximates their carrying amounts largely due to the short-term maturities of these instruments.

25 Deferred taxation

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Balance at 1 January	**1,647**	1,744	**6**	8
Acquisition in the year – attributable to intangible assets	**48**	38	**—**	—
(Credited)/charged to the income statement	**(255)**	(135)	**1**	(2)
Balance at 31 December	**1,440**	1,647	**7**	6
Deferred taxation has been provided as follows:				
Attributable to intangible assets	**1,623**	1,658	**—**	—
Accelerated capital allowances	**47**	59	**7**	6
Recognition of deferred tax asset	**(230)**	(70)	**—**	—
	1,440	1,647	**7**	6

Amounts provided in respect of deferred tax are computed at 17% (2018: 17%). There are no temporary differences for which deferred tax balances are unrecognised.

26 Acquisitions

On 31 May 2019 Newton Fallowell Limited, a Group subsidiary, acquired the assets and trade of Escritt Barrel and Golding Partners for £243,000. Escritt Barrel and Golding Partners, established in 1860, operated an estate and lettings agency and had a portfolio of 249 landlord properties. The business has been transferred into the Newton Fallowell Grantham shop and integrated into the existing lettings and sales operations.

On 6 November 2019 Brook Financial Services Limited ("Brook") acquired Purely Mortgage Consultants Limited (PMC) for £100,000 from Dacre, Son and Hartley ("Dacres"), a 20-office estate agency network based in Yorkshire. Brook simultaneously entered into an eight-year exclusivity agreement with Dacres for the ongoing provision of financial services to its network.

In October 2019 Northwood GB Limited took back the Glossop franchise which is now being managed by our Central Office in Grantham until a new franchise owner is appointed.

The above transactions met the definition of a business combination and have been accounted for using the acquisition method under IFRS 3. The assets and liabilities below are shown at their book values which have been, in general, assessed as also being the provisional fair values at acquisition.

	NW Glossop £'000	EBG £'000	PMC £'000	Total £'000
Intangible assets – customer relationships	32	182	97	311
Tangible assets	—	—	2	2
Cash and cash equivalents	—	—	1	1
Deferred tax liabilities	—	(31)	(17)	(48)
Identifiable net assets acquired	**32**	**151**	**83**	**266**
Goodwill on acquisition	—	92	17	109
Consideration	**32**	**243**	**100**	**375**
Consideration settled in cash	32	206	100	338
Deferred consideration	—	37	—	37
Total consideration	**32**	**243**	**100**	**375**

The goodwill represents the value attributable to the new businesses and the assembled and trained workforce. Deferred tax at 17% has been provided on the value of intangible assets defined as customer contracts.

Post-acquisition financial results

Immediately following acquisition, the trade and assets of EBG were absorbed into Newton Fallowell Limited and PMC was hived up into Brook Financial Services Limited so it has not been practical to extract post-acquisition financial results.

27 Related party disclosures

During the year the Group paid fees of £15,000 (2018: £17,000) to The Property Ombudsman Limited, a company of which Dorian Gonsalves was a director until 4 July 2018 and of which Michael Stoop is a director. The balance outstanding as at 31 December 2019 was £nil (2018: £nil).

During 2018 and 2019, emoluments were paid to two persons each related to different Directors of £139 (2018: £1,118) and £nil (2018: £1,490). The amounts paid were commensurate with other employees performing a similar role with a similar level of qualification and experience.

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

	24 October 2019	16 May 2019	2 November 2018
	2019 interim £'000	2018 final £'000	2018 interim £'000
Mike Goddard (resigned May 2019)	—	171	189
Dorian Gonsalves	16	18	16
Louise George	2	2	2
Mark Newton	15	17	15
Michael Stoop	—	—	—
Paul George	—	—	—
Total dividends	**33**	**208**	**222**

During the year Belvoir Group PLC received a dividend of £7.1m (2018: £4.0m) from its subsidiary companies.

At the year end the Company was owed/(owing) the following amounts by subsidiary companies, all of which are payable on demand:

	2019 £'000	2018 £'000
Belvoir Property Management (UK) Limited	**2,370**	3,337
Newton Fallowell Limited	**404**	(618)
Northwood GB Limited	**(199)**	(413)
Brook Financial Services Limited	**3,896**	3,116
Goodchilds Estate Agents & Lettings Limited	**(1)**	(1)

28 Share-based employee remuneration

The following share options issued were outstanding as at 31 December 2019:

Share option scheme	Date of issue	Quantity	Exercise price £	Vesting period	Expiry date
Unapproved scheme	16/02/2012	163,399	0.75	2 years	31/12/2020
Enterprise management incentive	04/07/2014	495,000	1.32	3 years	04/07/2024
Enterprise management incentive	24/09/2014	60,000	1.32	3 years	24/09/2024
Enterprise management incentive	23/12/2015	60,000	1.16	3 years	23/12/2025
Long-term incentive plan	31/07/2017	972,000	0.01	3 years and 5 months	31/07/2027
Long-term incentive plan	08/02/2018	144,000	0.01	2 years and 11 months	31/07/2027
Company Share Option Plan	03/01/2018	276,672	0.98	3 years	03/01/2018
		2,171,071			

Movement in the number of share options was as follows:

	2019 Number	2018 Number
Share option movement		
At 1 January	**2,171,071**	1,830,399
Options granted in the year	**—**	486,039
Options lapsed in the year	**(22,000)**	(145,367)
At 31 December	**2,149,071**	2,171,071
Exercisable at the end of the year	**778,399**	778,399

28 Share-based employee remuneration continued

Options have been valued using the following inputs to the Black Scholes model:

Expected volatility (based on closing prices in the year prior to issue)	45%
Expected life	3.5 to 4 years
Risk-free rate	0.5%
Expected dividend yield	6.9%

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

	2019 £'000	2018 £'000
Employee benefits (note 5)	187	189

29 Contingent liabilities

Belvoir Group PLC and its subsidiaries have a cross-company guarantee, which creates a fixed and floating charge on the assets of each company. As at 31 December 2019 the outstanding contingent liability under this agreement amounted to £10,537,000 (2018: £11,475,000).

30 Prior year restatement

The Directors have decided to restate the following items:

Unearned indemnity commission

In prior years the liability to unearned indemnity commission net of amounts recoverable from financial advisers was treated as an accrual which was offset by an amount recoverable from the financial advisers. The liability and asset are due to and from different counterparties and should not be offset. This has been restated to recognise the gross unearned indemnity commission as a refund liability and the amount recoverable from the financial advisers within other debtors.

Deferred tax on acquired intangibles

The Group has not previously released the deferred tax liability in line with amortisation on acquired intangibles. The deferred tax liability has been restated to reflect the accumulative effect of £219,000 as at 1 January 2018 and a further £82,000 in 2018.

Deferred tax asset on share options

The Group has not previously recognised the deferred tax asset associated with share-based payments. The deferred tax asset has been restated to reflect the accumulative effect of £26,000 as at 1 January 2018 and a further £44,000 in 2018.

31 Post balance sheet events

Lovelle acquisition

Newton Fallowell Limited, a wholly owned subsidiary, acquired the trade and assets of the estate agency business operated by Lovelle Estate Agency Limited and Lovelle Bacons LLP (collectively referred to as "Lovelle") on 6 and 20 January 2020 respectively. This transaction meets the definition of a business combination and will be accounted for using the acquisition method under IFRS 3.

The combined consideration of £2m was settled in cash post year end and comprises around £100,000 in tangible assets and the remainder being intangible assets and goodwill.

At the time that the financial statements have been authorised for issue the initial accounting for this business combination is incomplete. As such the full disclosure of this business combination cannot be made at this time.

Covid-19

Whilst trading in the year to date had been in line with management expectations, as a result of Covid-19, in accordance with Government guidelines, the Group closed its corporate offices on 24 March and the franchise and financial services offices have been advised to do likewise. In operating a franchise business model, the Group bears none of the costly infrastructure of a large corporate network and the Board has sought to manage the impact on short-term financial performance by reviewing overheads to remove non-critical costs and reducing headcount to match the foreseeable needs of the business whilst retaining key skills and infrastructure necessary to support franchisees and advisers. In addition, the Board, brand managing directors and senior managers have volunteered to take a temporary salary reduction.

Despite the resilience of the core lettings business, the Group will not be immune to the effects of reduced levels of property sales and mortgage transactions, and the higher risk of bad debts and non-payment of rent, and it will have a significant impact on trading for the 2020 financial year. Careful consideration has been given to short-term cash flow and, as detailed in note 1 under the basis of preparation, the Directors are satisfied that based on a range of scenarios the business will continue to operate within bank covenants. Based on longer-term expectations for the business the Directors are satisfied that revisions to cash flow forecasts caused by this non-adjusting post-balance sheet event would not lead to a material change to the carrying value of non-current assets or liabilities. This assessment is based on the headroom in the impairment reviews of intangible assets, which are sufficient to absorb significant downwards sensitivities in short-term trading. Increased short- to medium-term economic uncertainty is also likely to lead to an increase in expected credit loss provisions on financial assets, although this is not expected to materially affect short term receivables recognised at the year end.

Notice of Annual General Meeting
Belvoir Group PLC

Notice is hereby given that the Annual General Meeting of Belvoir Group PLC (the "Company") will be held at Belvoir's Central Office, The Old Courthouse, 60A London Road, Grantham, Lincolnshire NG31 6HR at 10 am on 21 May 2020 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1–4 will be proposed as ordinary resolutions and resolutions 5–7 will be proposed as special resolutions.

Ordinary resolutions

1. To receive the Company's financial statements for the financial year ended 31 December 2019, together with the Directors' and the auditor's reports thereon.
2. To re-appoint BDO LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which the Company's accounts are laid.
3. To authorise the Directors of the Company (the "Directors") to determine the auditor's remuneration.
4. To re-appoint Mark Newton, who retires by rotation and offers himself for re-election under Article 71 of the Company's Articles of Association, as Director.

Special resolutions

5. The Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (as amended) (the "Act") to exercise all the powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company being (such shares and such rights to subscribe for or to convert any security into shares in the Company being "equity securities") on such terms and in such manner as they shall think fit, provided that this authority shall be limited to the allotment of equity securities up to a maximum aggregate nominal amount of £117,007, being one-third of the nominal value of the Company's share capital, at any time (unless and to the extent previously renewed, revoked or varied by the Company in general meeting) during the period from the date hereof until the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), provided that the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted, offered or otherwise dealt with or disposed of after the expiry of such authority and the Directors of the Company may allot any equity securities after the expiry of such authority in pursuance of any such offer or agreement as if this authority had not expired.
6. The Directors of the Company be given power pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined by Section 560 of the Act) of the Company for cash pursuant to the authority conferred by resolution 5 as if Section 561 of the Act did not apply to any such allotment. This power is limited to the allotment of equity securities up to a maximum aggregate nominal amount of £35,102 (being equal to 10% of the Company's share capital) and otherwise to the allotment of equity securities for cash in connection with a rights issue or other pre-emptive offer to holders of ordinary shares where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any recognised stock exchange in, any territory, in each case at any time (unless the authority conferred by resolution 5 is previously renewed, revoked or varied) until the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), provided that before any such expiry the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors of the Company may allot equity securities after such expiry under this power in pursuance of any such offer or agreement as if this power had not expired.

   The power granted by this resolution applies in relation to any sale or shares in an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by paragraph 6 of this resolution" were omitted.

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

By order of the Board

Louise George
Company Secretary

Notes:

1. Please arrive 15 minutes prior to the start of the meeting.
2. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
3. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she wish.
4. A form of proxy is available on the Company's website, www.belvoirgroup.com, or by request from the Company Secretary. To be valid for use at the Annual General Meeting, the form of proxy must be completed, signed and returned in accordance with the instructions printed on it, to Belvoir Group PLC's registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received as soon as possible but in any event not later than 10 am on Tuesday 19 May 2020.
5. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, members who hold shares in uncertificated form must be entered on the Company's register of members by 6 pm on 19 May 2020 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of the Directors' service contracts will be available for inspection at the registered office of the Company during normal business hours.

Corporate information

Board of Directors
Michael Stoop
Non-Executive Chairman

Dorian Gonsalves
Chief Executive Officer

Louise George
Chief Financial Officer

Mark Newton
Executive Director

Paul George
Non-Executive Director

Company Secretary
Louise George, FCA, ACIS

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Registered number
07848163

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Chartered Accountants and
Statutory Auditor
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Corporate calendar

Half year results announced:
3 September 2019

Preliminary announcement of full year results:
30 March 2020

Annual General Meeting:
21 May 2020

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Property is personal

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