

We make
property
personal

BELVOIR!



Our 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.

Our purpose

Helping people to realise their property aspirations.



25 years

2020 saw Belvoir celebrate 25 years in operation growing from one office in Grantham to 418 property and financial services offices nationwide.

At a glance

One of the largest franchised property groups in the UK, supporting a network of 418 offices across five distinct brands, specialising in residential lettings, property sales and property-related financial services. 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.

PROPERTY FRANCHISES

BELVOIR!

Belvoir

Established in 1995

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

173 offices



Lovelle

Acquired in 2020

Lovelle, a strong regional, predominantly sales network based in North Lincolnshire and the Humber, was acquired in January 2020.

16 offices



Northwood

Acquired in 2016

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

89 offices



Newton Fallowell

Acquired in 2015

Originally an East Midlands-based estate agent, this network is now a strong regional property brand covering both the East and West Midlands.

40 offices

FINANCIAL SERVICES



Brook

Acquired in 2017

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 network of 202 mortgage and financial service advisers operating through 100 businesses.

100 businesses

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→ Learn more about our ESG from [page 18](#)

→ Learn more about our stakeholder engagement from [page 21](#)

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

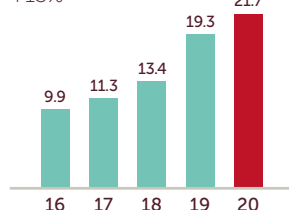
Our year in review

Our highlights

Revenue (£m)

£21.7m

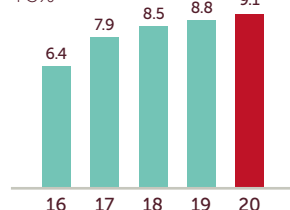
+13%



MSF (£m)

£9.1m

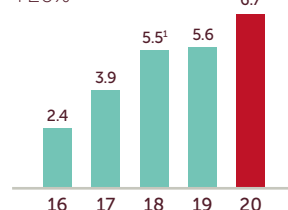
+3%



Profit before tax (£m)

£6.7m

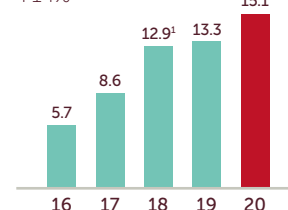
+20%



EPS (p)

15.1p

+14%



OPERATIONAL HIGHLIGHTS

- » Achieved growth across all three markets: lettings, sales and financial services, despite Covid-19 disruption
- » Entered into strategic alliance with The Nottingham Building Society now with eleven branches dual-branded
- » Franchised out all of the Lovelle corporate-owned offices by January 2021
- » Exceeded the 200 financial advisers milestone ending the year on 202 (2019: 166)
- » Number of offices up to 418 (2019: 396)

FINANCIAL HIGHLIGHTS

- » Group revenue increased by 13% to £21.7m (2019: £19.3m) with 6% attributable to the acquisition of Lovelle
- » Management Service Fees (MSF) grew by 3% to £9.1m (2019: £8.8m)
- » 20% increase in profit before tax to £6.7m (2019: £5.6m), marking 24 years of consecutive profit growth
- » Strong lettings bias reflected in gross profit ratio of 60% lettings:17% sales:19% financial services:4% other (2019: 61%:16%:19%:4%)
- » Year-end cash of £5.9m (2019: £3.6m)
- » Net debt significantly reduced to £3.7m (2019: £6.9m) despite deploying £2.0m to acquire Lovelle
- » Progressive dividend policy reinstated with total dividend for the year of 7.2p (2019: 6.7p including the catch-up final dividend of 3.3p) and dividend cover of 2.1x
- » Repaid in full Government Covid-19 financial support of £260,000 received under the Coronavirus Job Retention Scheme and small business grants

COVID-19 UPDATE

Impact on trading

The property sector was effectively shut down between 24 March and 13 May, with very few property-related activities permitted. During this period our lettings revenue was impacted by 10%, sales by 50% and financial services by 13%. The property sector has since remained open with a significant boost coming from the temporary reduction in stamp duty that has resulted in record levels of house sales and related mortgages from the last quarter of 2020 to date. As a result of the cost reduction exercise undertaken to mitigate any shortfall in income, profitability was in line with pre-Covid-19 expectations.

Engaging with colleagues

The Board took swift action to protect the wellbeing of our franchisees and financial advisers and their respective businesses, and of our staff across the Group. All central teams meet daily online to ensure regular engagement with all staff. Our Group Operations Director did an outstanding job in ensuring that our franchisees were fully apprised of new Covid-19 regulations and our franchisees benefitted from 86 free training webinars in 2020 providing the necessary support to enable them to operate safely and in turn support their landlords, tenants, buyers and sellers.

Looking forward

With the successful roll out of the vaccination, a return to some semblance of normality is expected later in 2021. Also, given the significant pent-up demand and the Government's support through the extension of the stamp duty holiday to September and a guaranteed mortgage scheme for first-time buyers (FTB), we anticipate that the property market will remain buoyant for most of 2021.

VALUES IN ACTION:



Collaboration

1. 2018 includes net exceptional credit of £0.6m.

Why invest in Belvoir?

Belvoir has a proven track record in delivering growth, even during the 2007 financial crash and the 2020 Covid-19 pandemic, 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.

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 1](#)

HISTORY OF STRONG FINANCIAL GROWTH

24 years

Unbroken profit growth with EPS up 165% in four years

→ Learn more about our performance from [page 24](#)

HIGH DEGREE OF RECURRING REVENUE

60% gross profit from lettings/
17% 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 22](#)

DIVERSIFICATION

£2.8m gross profit contribution
from financial services
in 2020

Up from £0.3m in 2016

→ Learn more about our business model from [page 12](#)

LONG-SERVING, EXPERIENCED LEADERSHIP TEAM

12 years average length of service

Stable management team with 28 years average industry experience

→ Learn more about our leadership from [page 26](#)

SUCCESSFUL ACQUISITION STRATEGY

6 acquisitions since 2015

Four franchise brands and two financial services businesses fully assimilated into the Group

→ Learn more about our acquisitions from [page 6](#)

Chairman's statement

Swift and decisive action

In a year of managing the business through the unprecedented times of Covid-19, as a Board, we have had to act quickly and decisively, in adapting to Government guidelines, whilst ensuring our staff, and our franchisees, financial advisers and their staff, remained safe at all times.

Performance

In 2020 Belvoir achieved its 24th year of uninterrupted profit growth which, when considering the challenges of lockdowns and economic uncertainty, is a tremendous result. Revenue increased by an impressive 13%, with both our property franchise and our financial services divisions holding up remarkably well, achieving growth of 12% and 14% respectively. Profit before tax increased 20% to £6.7m (2019: £5.6m), up £1.1m.

The Group now operates through 418 individual businesses comprising 318 (2019: 313) estate and lettings offices and 100 (2019: 83) financial services businesses.

We continue to help franchisees with their strategic growth through our assisted acquisitions programme and by encouraging greater diversity into sales and financial services. Our network of financial advisers exceeded its milestone of 200 advisers, ending 2020 with 202 (2019: 166) advisers, up 22%.

Board and senior management

Belvoir continues to benefit from the loyalty, longevity and stability of its highly skilled Board and senior managers in

providing unrivalled knowledge and experience. Their measured approach prevailed throughout 2020, achieving an exceptional set of results in uncertain times.

→ Learn more about our Board of Directors from [page 26](#)

Governance

The Board applies the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. We continue to promote a culture of good governance and we recognise how important our people are to the success of the Group.

→ Learn more about our governance from [page 27](#)

Covid-19

At the start of the pandemic, the Board took the necessary steps to safeguard shareholder value by mitigating the potential shortfall in income through a thorough review of our cost base. Measures taken included the temporary furloughing of 22% of our workforce, all of whom have now returned to work, and an agreed senior staff temporary salary reduction. The Board was extremely grateful to employees for the sacrifices made during this period of uncertainty and to the Government for its Covid-19 financial support as these measures enabled the Group to retain staff during this very difficult period. Given the Group's resilient trading during 2020, we ensured that all staff were fully reimbursed for the salaries which were sacrificed. Also, recognising our wider stakeholders, the Board took the socially responsible decision to repay in full to the Government the £260,000 received under the Coronavirus Job Retention Scheme and small business grants.

Dividends

Having suspended the 2019 final dividend due to uncertainty at the start of the Covid-19 lockdown, the Board subsequently reinstated its progressive dividend policy and paid a catch-up dividend of 2.0p together with the 2020 interim dividend of 3.4p (2019: 3.4p). I am pleased to confirm that the Board is proposing a further catch-up dividend of 1.3p per share to coincide with the final 2020 dividend of 3.8p. This represents a total dividend for the year of 7.2p (2019: 6.7p including the reinstated final dividend of 3.3p).

Outlook

Trading in the year to date has been encouraging and in line with management expectations. The lettings market remains resilient as demonstrated throughout the pandemic. The sales and financial services markets are expected to remain buoyant following the extension of the stamp duty holiday until 30 September, and will be boosted further by the recent Government's announcement of a new 95% mortgage guarantee scheme.

Whilst the successful roll out of the current vaccination programme provides "light at the end of the tunnel" in terms of Covid-19 restrictions, the Board is mindful of the uncertainty over the longer-term implications for the economy. However, having traded successfully through 2020 and given the Government's initiatives to support the housing market, the Board has confidence in the resilience of the business model and the strength of the balance sheet.

Finally, I would like to thank all our franchisees, advisers and staff for their contribution in achieving such a strong set of results in 2020 and for their support during the Covid-19 crisis. Our people have played a pivotal role in ensuring that they kept, as best they could, a "business as usual service" to all their vendors, borrowers, buyers, landlords and tenants alike.

Michael Stoop

Non-Executive Chairman



Q&A

with the Chairman

How has Belvoir operated safely and effectively during the Covid-19 pandemic?

We followed Government guidelines to ensure proper protection for our staff, and advised our franchisees and advisers how they too should operate safely. Our Central Office team have been able to work effectively from home providing full support to our franchisees and advisers. There has been continual engagement with all staff through daily virtual team meetings, our usual mentoring and appraisal processes, and Group-wide presentations by our CEO and CFO.

How has lockdown impacted the housing market?

We were fortunate that the property sector was reopened on 13 May, enabling our offices to transact business in a more normal way. Our franchisees have embraced technology to enable them to deliver the same service whilst minimising physical contact; the main change being universal use of virtual viewings.

How has Government policy affected Belvoir?

The financial support from the Government through the Coronavirus Job Retention Scheme and small business grants was invaluable at the outset of the pandemic as it enabled us to furlough staff who might otherwise have lost their job. By the end of the year, the Group was able to repay in full the £260,000 received, which in part was due to a strong performance in H2 as trading benefitted from the Government policy of reducing stamp duty in order to stimulate the property market.

“

The success of our franchisees and financial advisers remains our main priority as their performance lies at the heart of helping people to realise their property aspirations.”

WOLLATON



LEICESTER



How did Belvoir progress with its strategic objectives in 2020?

During 2020 Belvoir entered into a strategic alliance with The Nottingham Building Society, also known as “The Nottingham”. Under the agreement The Nottingham’s estate and lettings agency activity transferred to Belvoir Group franchisees and by the year end, eleven of our franchisees had extended their reach by taking a presence in a dual-branded Nottingham Building Society branch. We hope to develop further our relationship with The Nottingham in the coming year.

What are your strategic priorities for the year ahead?

We will continue to pursue strategic growth for the Group, as evidenced by the recent acquisition of the Nicholas Humphreys network of 18 franchised and three corporate-owned offices. Consideration of £4.0m was settled from existing cash reserves and is expected to be immediately earnings accretive, driving enhanced returns for our shareholders.

Chief Executive Officer's statement

Responsive and resilient

2020 was a rollercoaster of a year with the Group being quick to respond to the changing circumstances and proving once again the resilience of the Belvoir business model, with a strong performance from the property franchise and financial services divisions alike.

Performance

The Group exceeded its pre-Covid-19 expectations with revenue increasing 13% to £21.7m (2019: £19.3m), of which 6% was attributable to the acquired Lovelle network comprising twelve franchised and five corporate-owned branches. Of the underlying business, our property division was up 2% and our financial services division was up 14%, demonstrating that both successfully overcame the challenges faced by the pandemic, particularly during the first lockdown when the sector was all but closed from 25 March to 13 May.

Management Service Fees (MSF), the Company's core income from franchisees, was up 3% to £9.1m (2019: £8.8m). The first national lockdown had minimal impact on lettings MSF, which increased by 2%, due to the strong recurring nature of this revenue stream. Meanwhile the more significant impact on sales MSF was partially mitigated by the exceptional recovery in house transactions in Q4 stimulated by the stamp duty holiday, which together with the acquisition of the Lovelle estate agency franchise network, helped sales MSF to achieve 9% growth.

The Group's diversification into financial services has continued to deliver growth with revenue from this division up £1.2m to £9.7m (2019: £8.5m) and gross profit up £0.3m to £2.8m (2019: £2.5m). As with estate agency, the financial services market was adversely impacted by the first national lockdown, but the shortfall in new mortgage products was partially mitigated by shifting the focus to remortgages and life protection products. The surge in house sales in H2 provided a significant boost to the mortgage market, resulting in record levels of commission from mortgages in Q4.

Despite Covid-19, all three markets continued to grow in 2020 with lettings up 10%, sales up 21% and financial services up 14%, demonstrating the resilience of the Belvoir franchise business model. Belvoir now has a portfolio of 65,065 (2019: 63,975) managed properties, and in 2020 Group house sales were up 8% to 8,003 (2019: 7,433) and the number of mortgages arranged was up 29% to 12,094 (2019: 9,342). The Group's network revenue, being the total revenue across all our Group companies, our franchisees and our financial advisers, totalled £96m (2019: £93m).

Covid-19

During 2020 our focus was on the safety of our staff and other stakeholders as well as on safeguarding the business. We invested in Covid-19 safety measures and implemented a rota to reduce staff numbers in our offices at any one time. Staff who were able to carry out their jobs from home did so throughout most of 2020 and from 13 May our corporate-owned branches operated on a locked door basis, accessible to members of the public by appointment only. Our franchisees and financial advisers followed similar safety procedures and demonstrated that they were able to operate effectively having embraced digital practices that minimised face-to-face contact.

In March 2020 we launched our franchisee financial support package which included a six-month capital repayment holiday to franchisees who had borrowed funds from Belvoir under our assisted acquisitions programme and the waiver of monthly minimum fees so that MSF payable by franchisees were wholly percentage based. These two measures reduced payments from franchisees by £0.5m between April and September 2020 giving those franchisees most severely affected by the pandemic some much needed financial flexibility. During the year we delivered 86 free training webinars, providing valuable advice on how our franchisees and advisers could operate safely within Government guidelines and how to maximise the opportunities from a buoyant sales market.



Our strategic priorities

Our growth strategy continues to focus on investing in successful businesses that either expand our franchise footprint or introduce additional revenue streams to our franchisees, and where there is scope for greater growth as part of the Belvoir Group. This has been demonstrated by the acquisition of five additional franchise networks to the Belvoir Group since 2015, the latest being the acquisition of Nicholas Humphreys in March 2021, and the acquisition of two financial services businesses to provide the platform for our growing financial services division. The Board will continue to identify suitable targets that meet its acquisition criteria, deliver healthy returns on investment and are earnings enhancing.

Having launched the assisted acquisitions programme at the end of 2013, in 2020 the Belvoir Group reached the milestone of its 100th assisted acquisition having orchestrated eleven (2019: 24) such deals in 2020. Although temporarily disrupted by Covid-19 with less appetite from both buyers and sellers to transact, we have seen renewed interest from our franchisees and more opportunities coming back to the market in 2021.

The Group has made progress in its strategic goal of pairing financial advisers and franchisees with 141 of the Group's agencies, around 45%, now offering financial services through a Brook financial adviser, up from 95 at the end of 2019. Clearly, there is further opportunity to roll out to the remaining Group offices as the financial services network continues to grow towards its objective of achieving full coverage across the UK.

A highlight of 2020 was entering into a strategic alliance with The Nottingham Building Society, which has seen Belvoir's established network of franchisees, trading under the brands Belvoir, Northwood, Newton Fallowell and Lovelle, extending their estate agency and lettings services to eleven co-branded existing building society branches. We expect this relationship to present further opportunities in 2021.

Creating value

The Group's continued success in acquiring and assimilating additional franchise and financial services businesses alongside organic growth in our networks has helped to deliver an increase of over 175% in profit before tax to £6.7m (2016: £2.4m) and 165% in EPS to 15.1p (2016: 5.7p) over four years.

Our marketplace

The property sector was one of the first to be "unlocked" and since reopening, pent-up demand, fuelled further in July by the temporary reduction in stamp duty, gave rise to a surge of activity that continued throughout the remainder of the year. As a result, and contrary to predictions at the outset of the pandemic of a property market collapse, the number of house transactions in 2020 fell by only 11% and the house price index increased by 8.5% in 2020 whilst the rental index was up 1.4%.

2021 started with unusually high pipelines of agreed sales and approved mortgages with a drive to get transactions completed before stamp duty bands returned to the normal levels, the timescales for which were extended to September in the UK Government's recent Budget. Also announced in the Budget, the Government's 95% mortgage guarantee scheme will do much to meet the pent-up demand from first-time buyers, who were locked out of the market by the withdrawal of high loan-to-value mortgage lending in 2020.

Outlook

Whilst we are confident that the business will continue to operate effectively given the Government's policies to keep the housing sector moving, we are also hopeful that the successful roll out of the Covid-19 vaccine will see the return of some semblance of normality and stability in 2021, which will further benefit the Group and its markets.

Dorian Gonsalves

Chief Executive Officer

“

Our financial services division, launched in 2017, has grown from 16 advisers to 202 in four years with a return in 2020 of 32% on the £5.6m investment in the two original businesses acquired.”

MILESTONE OF 200 FINANCIAL ADVISERS EXCEEDED IN 2020

The financial services division was established in 2017 with the acquisition of Brook Financial Services Ltd, a team of 32 advisers. This was followed in 2018 by the acquisition of MAB (Gloucester) Limited, adding a further 88 advisers. By the end of 2018, the financial services division was successfully operating a network of 123 advisers, which over the past two years has grown organically and now operates 202 advisers, up 22% on 2019, in 100 locations across the UK.

The combined revenue and EBITDA from the two businesses as at their respective dates of acquisition was £5.5m and £0.9m. In 2020, despite the challenges presented by Covid-19, revenue was 14% up on 2019 at £9.7m (2019: £8.5m), and 75% on the combined acquired revenue.

VALUES IN ACTION:



Collaboration

Our markets

Building our market share

The first national lockdown all but closed the property sector delaying home moves for many home-buyers and tenants. When the sector reopened on 13 May, no one could have predicted the huge rebound.

Currently both the sales and lettings markets are thriving, despite the uncertainty caused by Covid-19. The main challenge facing our business is meeting the massive increase in demand from people wanting to move home.

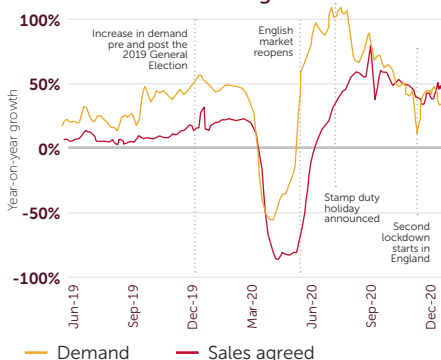
“

High levels of uncertainty would normally result in people staying put, but the Covid-19 lockdowns have driven people to move.”

MARKET TRENDS – PROPERTY

Demand – housing demand remains strong into 2021

Growth rate for housing demand and new sales remains strong¹



- » Economic uncertainty has historically driven down house sales. 2020 saw the opposite happen with the UK house price index at 8.5%² year on year.
- » Fears of a collapse in the housing market proved unwarranted with the number of UK homes sold in 2020 dropping by just 11% to 1,044,050³ (2019: 1,176,820). With sales agreed in 2020 up 10%⁴ on 2019, this shortfall is likely to be recovered in Q1 2021.
- » This resilience was mirrored in the rental market with the annual rental index at 1.4%⁵ (2019: 1.4%) and our Belvoir index currently showing rents remaining buoyant in most areas.

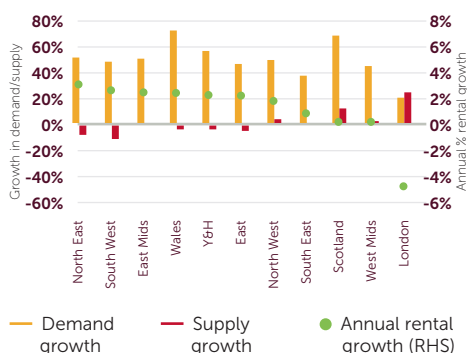
Our response

The current sales boom has definitely been fuelled by the Stamp Duty Land Tax (SDLT) holiday which was due to end on 31 March 2021 but was extended to 30 September 2021 in the recent budget. Whilst a slowdown is expected thereafter, this will possibly be mitigated by the anticipated return of high loan-to-value (LTV) mortgage lending in 2021 meeting the pent-up demand from first-time buyers, who were locked out of the market in 2020.

We continue to encourage and train our Belvoir franchisees who traditionally have been more geared towards lettings to expand their services to encompass property sales and financial services so that they can benefit from trends across all three markets.

Supply – remains constrained in most UK regions

Regional rental growth strongest where supply constrained⁶



- » The closure of the construction industry for several months in 2020 is impacting on the current flow of new homes to the market.
- » The pandemic initially drove rents down in London, partly due to an increase in supply, as many landlords switched from providing short-term accommodation to long-term lets. This is now being absorbed by the market and the expected “exodus” from the capital has not yet materialised.
- » The third national lockdown has seen a reluctance by sellers to list their home⁷ which should soften after the lockdown ends.
- » Although the supply of properties to both rent and buy is likely to be restricted in most UK regions in 2021, any upward pressure on prices and rents is likely to be neutralised by economic and wage restraints with small rises and falls reflecting local supply and demand.

Our response

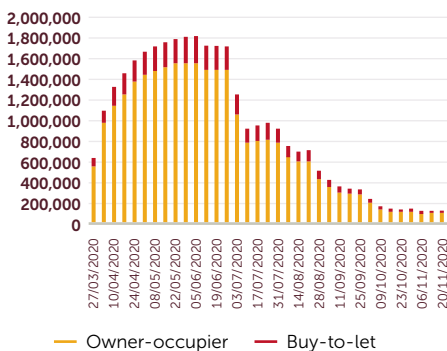
The historical lack of supply versus demand has been exacerbated further in 2020 by disruption to the construction industry coupled with the boost in demand fuelled by the lockdown and the SDLT holiday. Consequently, the ongoing upwards pressure on house prices and rents will prevail.

The regions with the higher rental and house price indices are territories where the Belvoir Group has a strong presence.



Affordability – is key to both renters and owners

Number of mortgage deferrals in place⁸



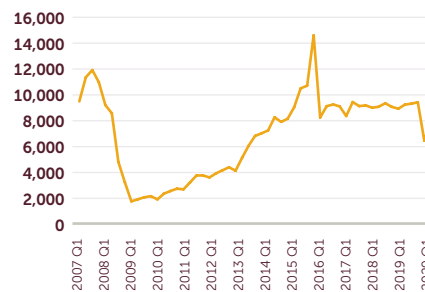
- » At the peak, 17%⁸ of mortgage borrowers were taking advantage of a Covid-19-related mortgage payment holiday. By November 2020, this had fallen to less than 1.2%⁸, around 130,000 of mortgage borrowers.
- » The various Covid-19-related financial support packages available have helped to reduce the instances of tenants defaulting on their rent.
- » The withdrawal of high loan-to-value (LTV) mortgage products in 2020 impacted on FTB affordability. With those products returning in 2021, FTB will now more easily secure a mortgage for their new home.

Our response

The Government Covid-19 support has been invaluable to home owners and tenants who might have otherwise defaulted and slipped into arrears. The property market is not expected to be significantly affected when the temporary support packages end, as mortgage arrears levels remain near to the historically low levels of recent years and the anticipated rental arrears did not materialise. Our own research showed that our usual arrears rate of less than 2% did rise in 2020, but has remained less than 4%.

Buy-to-let – BTL mortgage market expected to expand

Quarterly BTL mortgage advances (£m) 2007–2020⁹



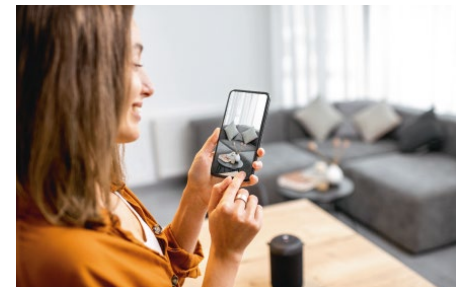
- » The SDLT holiday has also reduced stamp duty for landlords boosting demand from BTL investors.
- » The underlying growth in outstanding BTL mortgage debt in 2020 was around 4%⁸, broadly consistent with 2019.
- » The IMLA estimates that BTL lending will continue to expand over the coming few years, forecasting growth of 5.3%⁸ in 2021.
- » Remortgaging remains a major opportunity in the BTL lending space.

Our response

The Government's support of FTB through 95% LTV guaranteed fixed rate five-year mortgages is aimed at encouraging increased home-ownership. Whilst the recent budget did not introduce any changes to Capital Gains Tax (CGT) that might have impacted landlords, any future threat of increased CGT might encourage landlords to sell. However, there will always be a demand for good quality, well-managed rental properties, so we believe that there will continue to be a solid investment case for professional and committed landlords.

Technology – delivering efficiencies

PropTech brought forward by years



- » Virtual viewings are the norm in narrowing down to a shortlist of physical viewings.
- » Remote identity checks and digital signatures have been introduced and expanded, saving home movers and the industry huge amounts of time, cost and hassle.
- » The industry is moving closer to a system of property passports for the rental sector which will create a logbook pulling together all regulatory and other information under a Unique Property Reference Number system.

Our response

Covid-19 has been a catalyst for increased adoption of technology across the property sector, from agents to lenders through to removal companies, with advances accelerating by two to five years. The "prop tech" industry continues to challenge the current inefficiencies in the home moving process.

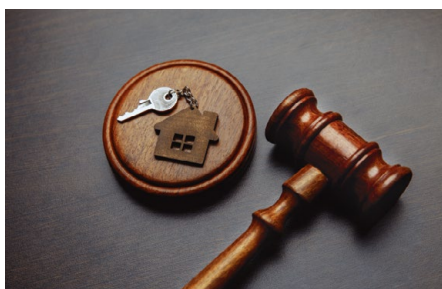
The Belvoir Group is investing in technology to stay ahead of the competition. Our franchisees are migrating onto a new technology platform which will transform the sales and lettings process for home movers as well as improve efficiencies for our franchise network. This is aimed at giving a first-class online customer experience, whilst continuing to benefit from the advantage of offering a personal service delivered from fully staffed local offices.

Our markets *continued*

MARKET TRENDS – PROPERTY CONTINUED

Legislation – aimed at professionalising the sector

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



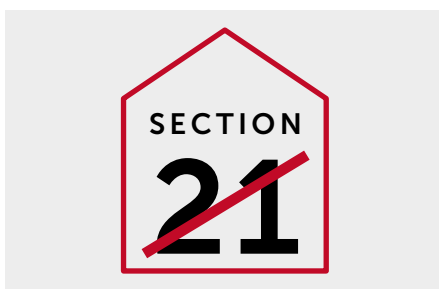
- » Keeping up with emergency legislation changes during Covid-19 has been extremely difficult for tenants, landlords and agents due to changes made at such short notice.
- » The ban on bailiff evictions, apart from in a set of specific serious circumstances, was extended until at least 31 May 2021 across the UK.
- » The requirement for landlords to provide six-month notice periods to tenants before they evict was also extended until at least 31 May.
- » The requirement to have an Electrical Installation Condition Report (EICR) for existing tenancies became effective from 1 April 2021.

Our response

Belvoir has well tried and tested systems in place to ensure all franchise owners, landlords and tenants are kept up to speed with the latest rules and regulations. However, in some cases we have been given less than 24 hours' notice of changes and these have tested our processes to the limit. It is testament to the team at the Belvoir Group and the franchisees and their staff that we have been able to implement so many changes, on top of working from home, while maintaining our own high standards of conduct during this time.

Section 21 and evictions

Safeguarding tenants



During Covid-19 the rules and regulations to let a property changed dramatically, especially a landlord's right to evict a tenant. At the start of lockdown a Section 21 notice (in England and Wales) could still be issued, but landlords had to give three, not two, months' notice. By August 2020, the notice period was increased to six months (bringing England and Welsh notice periods in line with Scotland). Some exceptions applied, for example if there are issues such as anti-social behaviour and domestic abuse in England, if rent arrears have accumulated in excess of six months, tenants could be evicted more quickly. With the backlog of court cases from the first lockdown, it can now take up to twelve months to evict a tenant.

At Belvoir we track via our quarterly survey the percentage of offices carrying out an eviction. Over the last five years, our survey shows that in most quarters, from those that responded, 90% of offices carry out no evictions or only one per quarter. This is because of strong referencing and good tenant management. We have also supported our landlords with the continuation of rent guarantee insurance when many pulled out of the market due to a change in the law.

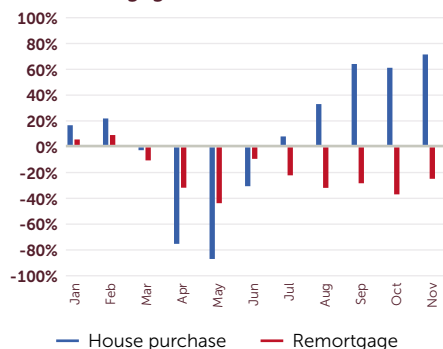
“

It is likely that the Rent Reform Bill will eventually lead to Section 21 being scrapped post-Covid-19 and we will shortly know the effect this will have on the rental market. From our perspective, we do not believe this will be a problem for good landlords and agents as long as the Government delivers a new Housing Court and gives landlords more rights to secure their property back for cases of rent arrears, anti-social behaviour or the landlord needing to move back into the property or sell.”

Dorian Gonsalves
Chief Executive Officer

Demand – recovered in the second half of 2020

Mortgage approvals: house purchases and remortgages⁸



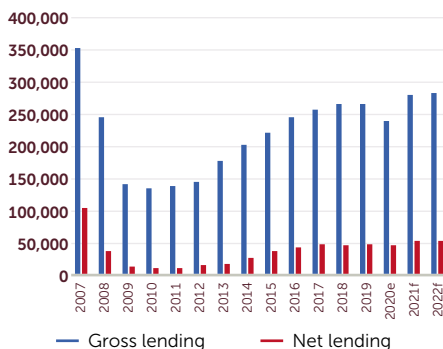
- » During lockdown house purchase lending fell to below 50% and remortgaging to 82% of 2019 levels in April and May⁸.
- » The subsequent house sales rebound saw house purchase mortgage approvals up 72%⁸ on their 2019 level in November pointing to a strong lending for the start of 2021.
- » Remortgaging continued to be below the level seen in 2019 throughout H2.

Our response

During the first lockdown in April to May 2020, our financial services revenue dropped by just 13% with the loss of revenue from new mortgage products being mitigated by switching focus to remortgages and income protection products. However, the recovery in the property sales market in H2 provided a significant boost to the mortgage market, resulting in record levels of commission from mortgages in Q4.

Future of mortgage lending – looks bright

Forecasts for gross and net lending (£m)⁸



- » Gross and net lending are expected to increase in 2021 exceeding levels from as far back as 2008.
- » 90% LTV products have returned to the market in 2021 and the increased competition may cause rates to fall.
- » The Government's announcement of a new mortgage guarantee scheme will boost the availability of 95% LTV mortgage products for FTB.
- » Mortgage lending rates remain low with most forecasters expecting base rates to remain at 0.1% for 2021.

Our response

The SDLT holiday and the pent-up demand from people wanting to get out of their lockdown homes is having a knock-on effect on our mortgage business with new mortgages written up 23% in January 2021. With the SDLT holiday now extended to September, even though at a reduced rate from July, we expect continued strong demand for new mortgages for much of the year.

First-time buyers – key to activity in 2021

Turning "generation rent" into "generation buy"



- » The Government's 95% LTV full term fixed rate mortgage scheme is aimed at turning "generation rent" into "generation buy".
- » Pent-up demand is likely to help drive transactions from FTB with competitive 90% and 95% lending products being reintroduced.
- » FTB demand is relatively affected by the SDLT holiday as they are exempt stamp duty on house purchases up to £300,000 (in England).
- » New rules for Shared Ownership and Help to Buy should not impact on FTB activity.

Our response

FTBs are the life blood of the housing market. Many were locked out in 2020 because of the withdrawal of high LTV mortgage products reducing FTBs to 23%¹⁰ in December (December 2019: 29%). The return of lenders to the 90% market in Q1 2021 has helped to unlock some of the pent-up demand. The Government has committed to creating a "generation buy" through its 95% LTV guaranteed mortgage scheme which will do much to unlock home-ownership to FTB and will improve new, long-term business for the mortgage industry.

1. <https://www.hometrack.com/media/650698/zoopla-uk-house-price-index-dec2020-hometrack-final.pdf>
 2. <https://www.gov.uk/government/statistics/uk-house-price-index-summary-december-2020/uk-house-price-index-summary-december-2020>
 3. <https://www.gov.uk/government/publications/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above/uk-monthly-property-transactions-commentary>
 4. <https://www.twentyci.co.uk/phmr/twentyci-property-homemover-report-year-end-2020/>
 5. <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/december2020>
 6. <https://www.hometrack.com/uk/insight/rental-market-report/q3-2020-rental-market-report/>
 7. <https://www.hometrack.com/uk/insight/uk-house-price-index/december-2020-house-price-index/>
 8. <http://www.imla.org.uk/resources/publications/the-new-%60normal-prospects-for-2021-and-2022.pdf>
 9. <https://www.fca.org.uk/data/mortgage-lending-statistics>
 10. <https://www.naea.co.uk/lobbying/housing-market-reports.aspx>

Our business model

Focused on achieving growth

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.

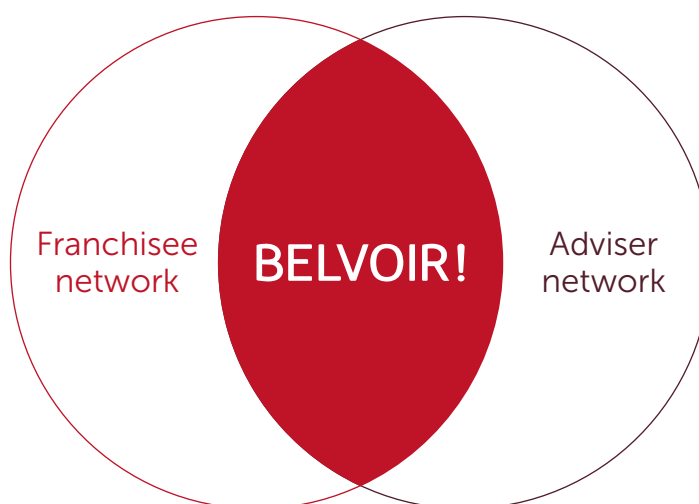
Proactive growth

We proactively identify suitable earnings enhancing 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.



BELVOIR!

northwood
Over & Above

NEWTON
FALLOWELL

lovelle

Mortgage
Advice Bureau

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.



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.



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.



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.



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.



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.

129 courses

offering specialist 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.

33 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 ★★★★★

online star rating (independently generated by [trustpilot.com](https://www.trustpilot.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

15.1p

+14%
(2019: 13.3p)

Our strategy

Strategy for growth

Our medium-term strategy is focused on leveraging our property and franchising expertise to meet our purpose of helping people to realise their property aspirations through a highly professional network of franchisees and financial advisers.

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 22**

GROUP ACQUISITIONS STRATEGY

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

Milestones of 2020

- » Completion of the acquisition of Lovelle Estate Agents, a strong regional, mainly sales network with 16 branches in North Lincolnshire and the Humber
- » Four of the five corporate-owned Lovelle offices were franchised out to the branch manager
- » Strategic alliance with The Nottingham to take on its estate and lettings agencies within dual-branded Nottingham Building Society branches

Focus for the future

- » The assimilation of Nicholas Humphreys, acquired March 2021, into the Belvoir Group
- » Identify other property-related service companies to bring into the Group
- » Position Belvoir to take advantage of further strategic consolidation and strategic alliances within the property sector

ASSISTED ACQUISITIONS PROGRAMME

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

Milestones of 2020

- » 11 (2019: 24) transactions completed by franchisees under the assisted acquisitions programme
- » Added £2.1m (2019: £6.6m) of acquired franchisee revenue to the network and £153,000 (2019: £580,000) p.a. in MSF
- » 90 (2019: 82) 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
- » Provide a model to convert larger acquisition opportunities for our franchisees
- » Position our franchisees to take advantage of consolidation within the sector

LINKS TO KPIS



LINKS TO RISKS



LINKS TO KPIS



LINKS TO RISKS



RECRUITMENT

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

Milestones of 2020

- » Eight new franchise owners joined the Group
- » Seven new franchise offices opened
- » Seven existing offices were resold either to a new or an existing franchise owner
- » Exceeded 200 financial advisers with 65 new advisers joining

Focus for the future

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

DIVERSIFICATION

Expanding our offering of property-related services and ways of engaging with clients

Milestones of 2020

- » Under our collaboration with The Nottingham, there are now eleven dual-branded Nottingham Building Society branches
- » 141 offices are now offering financial services through a Brook financial adviser
- » Under our collaboration with HML Group, five of our franchise offices are offering block management and a further 13 are in the pipeline

Focus for the future

- » Encourage collaboration between property franchises and financial advisers to maximise conversion of mortgage leads
- » Build on the collaboration with The Nottingham to offer financial services to its members
- » Extend the range of property-related services offered through our franchise networks

MARKETING AND PR

Continuous drive to increase brand awareness

Milestones of 2020

- » New websites launched for the Northwood, Newton Fallowell and Lovelle brands
- » New marketing portal launched for the four franchise brands to give franchisees easier access to marketing campaigns
- » 5,000 trees planted as part of the Newton Fallowell climate change initiative and a commitment to plant a further 6,000 throughout 2021

Focus for the future

- » Increasing national advertising spend with Google to maximise brand awareness and generate more market appraisals
- » Launch new website for the Belvoir brand
- » Launch a sophisticated new email marketing platform allowing franchisees to produce agile content marketing campaigns

LINKS TO KPIS



LINKS TO RISKS



LINKS TO KPIS



LINKS TO RISKS



LINKS TO KPIS



LINKS TO RISKS



Our key performance indicators (KPIs)

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.

LINKS TO STRATEGY

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

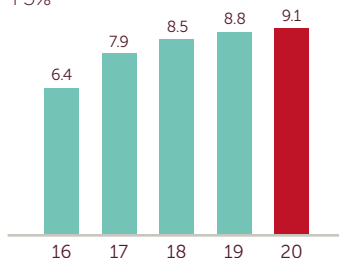
→ Learn more about our strategy from [page 14](#)

FINANCIAL KPIs

MSF (£m)

£9.1m

+3%



Definition

Fees to the franchisor based on a percentage of franchisee revenue

Comment

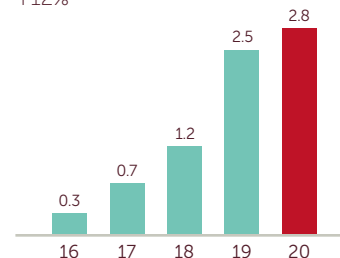
3% growth with lettings up 2% and sales up 9%, with sales benefitting from the acquisition of the Lovelle network

LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

Net financial services commission (£m)

£2.8m

+12%



Definition

Commission receivable on financial services less commission payable to advisers

Comment

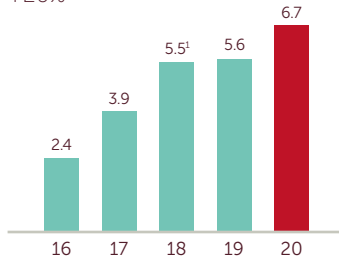
Reflects 36 net increase in financial advisers with 26 having joined in H2

LINKS TO STRATEGY [1](#) [3](#) [4](#)

Profit before tax (£m)

£6.7m

+20%



Definition

Profit before tax arising from ongoing operations

Comment

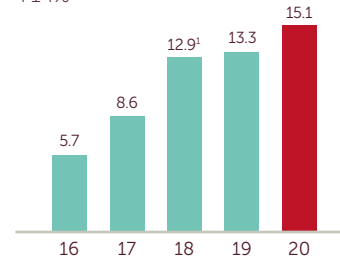
Organic growth and increased profitability associated with the acquisition of Lovelle

LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

EPS (p)

15.1p

+14%



Definition

Earnings per share equates to retained profit divided by the number of shares

Comment

Increase in EPS reflecting enlarged Group and increased profitability

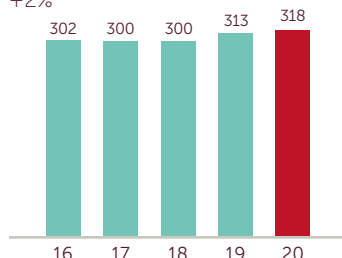
LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

NON-FINANCIAL KPIs

Number of franchise offices (#)

318

+2%



Definition

All our franchised offices have a physical high street presence

Comment

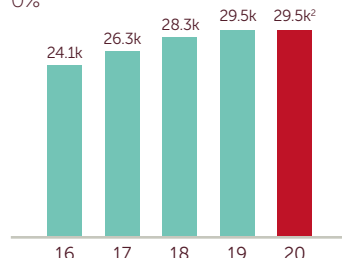
Increased high street presence reflects addition dual-branded The Nottingham Building Society branches

LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

Average MSF per office (£)

£29,500

0%



Definition

Total MSF divided by the number of franchised offices

Comment

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

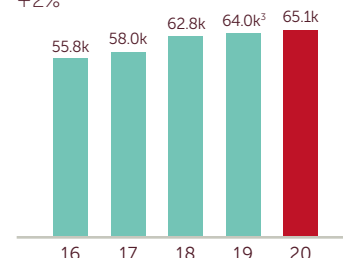
LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

2. Excludes NBS branches.

Number of managed properties (#)

65,065

+2%



Definition

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

Comment

Growth relates to the additional Lovelle portfolio of managed properties

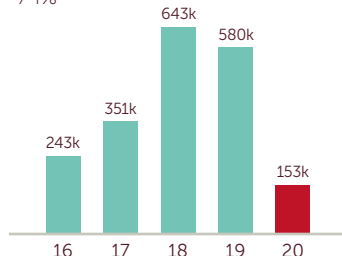
LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

3. Amended following 2020 data cleansing.

MSF p.a. from assisted acquisitions (£)

£153,000

-74%



Definition

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

Comment

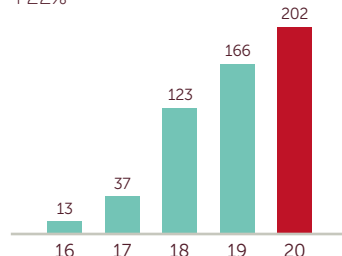
Covid-19 disrupted the flow of deals with uncertainty temporarily impacting on the appetite to transact

LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

Number of financial advisers (#)

202

+22%



Definition

The number of advisers operating within Brook at the year end

Comment

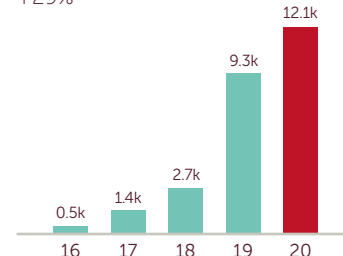
Brook extended its footprint of advisers and is now working with 141 Group offices

LINKS TO STRATEGY [1](#) [2](#) [3](#) [4](#) [5](#)

Number of mortgages arranged (#)

12,094

+29%



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](#)

Environmental, social and governance

Understanding how Belvoir can contribute to a better future

Belvoir is committed to embedding ESG initiatives into the core values of the Group creating a force for positive change.

OUR ENVIRONMENT

In operating a franchise business model, the Belvoir Group does not have a significant environmental impact. However, the Board is mindful of good environmental practices and has taken the following steps to minimise our impact on the environment, and is reviewing what further initiatives could be introduced.

Actions

Green working group

We have formed a working group to develop our sustainability strategy, to review good environmental practices, to consider how best to implement these internally and also to share and encourage similar behaviour with other stakeholders, including our franchisees and our landlords.

Minimising waste

We have instigated a recycling waste collection and have replaced single use plastic drinking cups with glasses where possible and recyclable cups otherwise.

Promoting a zero carbon commute

We operate a cycle to work scheme open to all employees to encourage good health as well as reducing emissions from a daily car commute.

Reducing carbon pollution

Through our "plant-a-tree" initiative for every Newton Fallowell house sale, we have planted over 5,000 trees in 2020.

Initiatives under review

Electric cars

Where practicable we intend to switch to electric pool and company cars. This will involve installing an electric charging point at our Central Office for the pool cars parked there overnight. The barrier for switching to electric pool cars for our corporate-owned shops is the availability of charging points in the local public car parks where our cars are parked overnight. We anticipate such availability improving over time.

Energy

We will be reviewing the possibility of switching to energy-saving lighting and heating for our offices.

Franchisees

We aim to engage with our franchisees to identify and share good environmental practices.

Landlords

We intend to prepare a guide for landlords on how to make their properties more energy-efficient.

OUR VALUES

We believe in embracing the highest business morals and ethics 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 25-year history.

Collaboration

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



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.



Professional development

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



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.



OUR SOCIETY

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 is committed to recruiting, developing, retaining and rewarding highly motivated people who are talented, creative and focused on delivering excellence. Belvoir believes that human capital management is critical in building a successful team and invests in a high degree of employee engagement in order to attract and retain professional staff with the requisite skills. In 2020 we invested in a mini-MBA course to enable 15 of our Senior Management Team to develop in their roles.

Of particular concern as a result of the pandemic is the opportunities available to young people. During 2020 Belvoir recruited three new apprentices and was accepted as a Kickstart Scheme Gateway on behalf of the Group with a view to creating 40 jobs for young people at risk of long-term unemployment.



4 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.

Supporting the local communities in which we operate is important to our Group. In 2021 we knew that lots of families were having a tough time with many relying on their local food bank. The Belvoir Group joined in with the Agents Giving initiative to unite estate and lettings agents across the UK to help those who were struggling, with our offices acting as collection points for food donations from their staff, clients, contractors and passers-by. Our collection point at Belvoir Grantham donated 189kg of food plus £400 to its local food bank.



92 meetings

held by our regional networking groups

BEING SOCIALLY RESPONSIBLE

The Board was grateful to have received valuable Government Covid-19 support at the height of the pandemic under the Coronavirus Job Retention Scheme and through small business grants, that enabled the Group to retain staff during this very difficult period. However, given the Group's resilient trading, which has benefitted from the Government's strategy to support the property market during the pandemic, the Board took the socially responsible decision to repay in full the £260,000 Covid furlough monies and grants received.



189kg
of food donated

Environmental, social and governance *continued*

OUR VALUES IN ACTION



David Spackman
Managing Director, Newton Fallowell

My estate agency career began, aged 16, in the print room of Countrywide in Camberley Surrey 39 years ago. Within two years I was managing my first branch and subsequently went on to hold senior roles within independent, franchised and corporate firms, giving me an all-round experience.

Having operated my own property and recruitment franchise for five years, I joined Belvoir in 2008 as Head of Franchise Recruitment. In 2011 I was enticed away to join Newton Fallowell, a highly respected regional franchise estate agency network, as Franchise Director with a shareholding in the company. Life went almost full circle when in 2015 the Belvoir Group acquired Newton Fallowell.

Newton Fallowell has since flourished with our franchisees benefitting from incredible Group business support and the 2020 acquisition of Lovelle marking another exciting chapter in its history. Having been appointed Managing Director in 2019, I now have responsibility for the combined Newton Fallowell and Lovelle network of 54 branches. I am extremely proud of our franchisees, who exceeded themselves in 2020, achieving record sales figures, and taking advantage of all opportunities for business growth.

Values in action:



Collaboration



Integrity

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



Ben and Daisy Davies
Joint Franchisees, Belvoir Swansea

In 2020 we celebrated ten years as Belvoir Swansea by opening a third office in Sketty and expanding into financial services. Running a franchise as a couple has its challenges, especially in achieving a work/life balance as it's all too easy to find ourselves talking "Belvoir" at home. On the upside, running our own businesses has given us the flexibility needed to juggle work with a young family.

Our complementary skill sets, with Daisy overseeing operations and Ben focusing on sales and financial services, have been key to how we have successfully grown our business. Having started as a lettings only agency, we launched sales in 2017 and within three years sales accounted for 25% of our revenue. This gave us the confidence to team up with Mortgage Advice Bureau, and take on an in-house mortgage adviser who covers all three offices in Swansea, Mumbles and Sketty. We look forward to developing financial services further in 2021.

Although the pandemic was a difficult and fluid situation, we were really happy with the support Central Office provided – and being able to lean on other franchisees within the Belvoir family.

Values in action:



Collaboration



Professional development

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



Inderpal Dhillon
Joint Franchisee, Northwood Newcastle

My journey as a franchisee began three years ago when Aman Singh and I jointly acquired the Northwood Newcastle office.

We are both very entrepreneurial so jumped at the chance to acquire Bowes Mitchell in 2020 adding 224 rental properties to our portfolio. With a total of over 500 properties, we became one of the largest agents in the area. This was our target for 2021, so to achieve this a year ahead of target was amazing. Bowes Mitchell has an excellent reputation for sales, so with the recovery of the sales market post the first lockdown, we have been extremely busy.

We now have a team of 20 people working across both offices and we are in the process of rebranding and integrating the new business into the Northwood brand, as well as consolidating our position in the market. One of the great things about being part of a franchise is our ability to call on the support of Belvoir's Central Office team, which was absolutely invaluable during lockdown. Buying Northwood Newcastle has been one of the best things we have ever done.

Values in action:



Entrepreneurial



Agility

→ Learn more about our people from **page 19**

DIRECTORS' SECTION 172 STATEMENT

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

The Directors take their duties under Section 172(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 Section 172(1) (a–f) in the decisions taken during the year ended 31 December 2020. We set out on page 1 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 communities in which the Group operates is considered when making decisions.

The two key decisions in 2020 were:

Acquisition of Lovelle. This enabled the Group to extend its reach into North Lincolnshire and the Humber providing valuable operational and business development support to the franchisees within the Lovelle network and enhancing the quality of services available to the local community in meeting their property aspirations, whilst providing an incremental return to investors.

Covid-19 response. The decisions taken by the Board were aimed at safeguarding the wellbeing of our franchisees, advisers, staff, customers and local communities, whilst securing the ongoing viability of our business and protecting shareholder value.

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 and the roll out of our new technology programme. 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 and an annual conference enabling franchisees to meet and share ideas.
- » In 2020 the above periodic and regional meetings were held on Zoom. These were well attended and proved to be very effective.
- » Prompt updates from our Operations Director on all legal, compliance and Covid-19 regulatory changes.



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. A further three apprentices were recruited in 2020.
- » In 2020 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 planted 5,000 trees, one for every house sold by its network in 2020, and has committed to planting a further 6,000 in 2021.



Shareholders

- » Virtual investor presentations at the time of our preliminary and interim results enabled our institutional and private investors direct access to our CEO and CFO.
- » All recorded CEO interviews are made available online through our PLC website, belvoirgroup.com.
- » Throughout the year, we provided clear guidance to shareholders.
- » We shared decisions with the relevant stakeholders regarding the dividend policy and repayment of Government Covid-19 support.



Regulators

- » We attend quarterly meetings of The Lettings Industry Council, an industry group at the forefront of communicating with the Ministry of Housing Communities 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.

Risk management

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 ongoing impact of the Covid-19 pandemic has been considered by the Directors in light of the operating resilience demonstrated by the business during 2020, the expectation that most UK Covid-19 restrictions will have been lifted later in 2021 and concerns over the possible long-term impact on the wider economy. The Directors have revised the forecasts for the Group taking into account the potential ongoing impact of Covid-19 on trading over the twelve months from the date of signing the financial statements. Sensitivities have been applied to the base case model to reflect the possibility of an ongoing lockdown scenario with minimal impact on lettings income and moderately lower levels of income from sales and mortgage activity but no reduction in headcount or other overheads and no change in terms of business with franchisees. Under all scenarios, which incorporate the acquisition of Nicholas Humphreys for cash, there is substantial headroom to continue operating within the banking facilities and in compliance with covenants.

Furthermore, a reverse stress test has been carried out against the base case model which demonstrates that, even without changing other parameters such as overheads and dividend payments, it would require a very substantial reduction in revenue, inconsistent with the recurring revenue nature of the business model, for the bank covenants to be breached.

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

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**

ABILITY TO GENERATE PLANNED REVENUE AND PROFIT GROWTH

The medium-term impact of Covid-19 on the economy could have a negative impact on our ability to grow as planned.

The risks associated with Covid-19 and its impact on the wider economy are regularly reviewed by the Board and mitigating action is 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 support franchisees and advisers in adapting their businesses as necessary.

No change in risk ●

Our franchise business model has proved to be resilient to Covid-19 throughout 2020, and we will continue to support franchisees to help them overcome any contraction in the property market as we emerge from the pandemic.

Links to strategy 

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.

The Board continually monitors the performance of the recruitment team and is focused on identifying innovative ways of attracting successful new joiners. The recruitment marketing message has been refreshed to ensure that Belvoir attracts the widest possible range of people irrespective of age, gender and race.

Decrease in risk ▼

The unprecedented market conditions have created an environment where people are looking for alternative employment models which has increased interest from potential new franchisees and financial advisers.

Links to strategy 

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 

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 did impact the appetite of: franchisees to make a portfolio acquisition; funders to support such transactions; and owners to sell their business during unstable trading conditions.

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 remain lower than pre-Covid-19 until a normal level of trading resumes, as vendors are not confident of securing the best price for their business against 2020 trading.

Links to strategy 

LEGISLATIVE AND REGULATION CHANGES

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 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 ▼

The recommendations of the RoPA report might deter new entrants to the sector and provide opportunities for professionally run reputable businesses.

Links to strategy 

ONLINE THREAT

The market share for online agencies offering a low-cost solution increased to around 10% in 2020 due to traditional agencies being closed for two months. 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 pandemic accelerated use of technology by both agents and the public. The Group is rolling out a better technology platform aimed at improving the customer journey by giving landlords, tenants, buyers and sellers greater online visibility and interaction.

No change in risk ●

The long-term viability of online agencies is yet to be proved with much less willingness to continue funding unproven models. The winning formula will combine excellent customer service with good use of technology.

Links to strategy 

Financial review

Providing clear guidance

In what was a difficult year to forecast, we aimed to give clear guidance throughout the year, ultimately delivering a strong set of financial results.

Revenue

Group revenue in 2020 increased by £2.4m to £21.7m (2019: £19.3m), of which £1.1m reflected the acquisition of Lovelle in January 2020 and £1.3m arose from growth in the underlying business.

MSF, our key underlying revenue stream from franchisees, increased by 3% to £9.1m (2019: £8.8m) with lettings MSF up 2% to £7.5m (2019: £7.3m) and MSF from property sales up 9% to £1.6m (2019: £1.5m). Our Covid-19 financial support package for franchisees included the waiver of our monthly minimum fees to franchisees which reduced total MSF income in 2020 by £0.1m.

Income from corporate-owned offices was up £0.9m, which resulted from the acquisition of the Lovelle network comprising five corporate-owned offices. As stated at the time of acquisition, it was the Board's intention to find a franchise solution for these offices. All but one was franchised during the year with Lovelle Grimsby Lettings being franchised mid-January 2021. Of these, four were sold to the respective branch managers and one was rebranded to Newton Fallowell. Also, in 2020 we resold the Northwood Glossop portfolio, which had been brought back in-house in 2019, to an adjacent franchisee. As a result, revenue from these offices has been reported as £0.9m from

assets held for sale. Going forward, the contribution from these offices will be in the form of MSF and reported as part of our continuing operations. 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.

Revenue from franchise sales in 2020 was £0.3m (2019: £0.2m). We opened seven (2019: six) new offices in 2020, of which five resulted from an existing franchise owner opening an additional office, one from a conversion by an independent agent and one from an assisted acquisition by a new franchise owner. We also saw three (2019: eight) existing franchisees sell their business to a new franchise owner and four Lovelle corporate-owned offices being acquired by an existing franchisee or the branch manager.

Other income was relatively unchanged at £0.4m (2019: £0.5m).

Overall, our property division achieved 12% revenue growth with the ratio of lettings to sales at 78:22 (2019: 80:20) with the slight shift towards sales reflecting the acquisition of Lovelle, a predominantly estate agency network.

Revenue from our financial services division was up 14% to £9.7m (2019: £8.5m) resulting from the expansion of our network; this increased by 66 advisers to 202 (2019: 166) with over 70% of the recruitment achieved in the second half of the year.

Gross profit

Gross profit increased by 12% to £14.8m (2019: £13.2m) with the gross profit ratio by business activity, lettings 60%, sales 17%, financial services 19% and other 4% (2019: 61%:16%:19%:4%), reflecting the significant bias towards our recurring lettings income stream.

Administrative expenses

Administrative expenses increased by £0.6m to £8.2m (2019: £7.6m) including £0.9m of additional costs associated with the Lovelle acquisition. This comprised £0.8m incurred in operating five Lovelle corporate-owned estate and lettings agencies, and £0.06m amortisation charge in respect of the associated acquired intangibles.

Within administrative expenses there is a charge of £0.4m (2019: £0.2m) associated with the share options issued to Directors and certain staff between 2014 and 2020. Full disclosure is detailed in note 27 to the accounts.

The underlying Belvoir business reported overheads savings of £0.5m resulting from a reduction in headcount at the start of the pandemic to match foreseeable needs, home-based working, travel limited to essential only, negotiated discounts from suppliers on services during the lockdown that benefitted both the Group and our franchisees, and general tight cost control.

In H1 overheads were reduced by £0.3m as a result of a voluntary lockdown salary reduction for senior personnel and Government Covid-19 financial support through the Coronavirus Job Retention Scheme and small business grants. All staff were reimbursed and all furlough monies and grants were repaid to the Government in H2.

Operating profit

Operating profit was £6.6m (2019: £5.7m), an increase of 17% over the prior year.

Other income

In May 2020, options over 40,000 shares in Mortgage Advice Bureau, an AIM-listed company, vested. These were sold during the year and a gain of £0.1m was recognised in other income.

Profit before taxation

Profit before taxation of £6.7m (2019: £5.6m) is after interest receivable on franchisee loans of £0.2m (2019: £0.2m), which is regarded by the Group as part of its ongoing operations to extend the network reach.



Taxation

The effective rate of corporation tax for the year was 20.3% (2019: 16.6%). The higher rate of effective tax is in part due to the Government's decision to maintain corporation tax at 19% rather than reduce to 17% as reflected in deferred tax calculations at the end of 2019.

Earnings per share

Basic earnings per share was up 14% to 15.1p (2019: 13.3p) based on an average number of shares in issue in the year of 35,100,979 (2019: 34,938,606). When the dilutive effect of share options is incorporated, the earnings per share was 14.6p (2019: 12.9p).

Profit attributable to owners was £5.3m (2019: £4.7m).

Dividends

Following the Board's prudent decision to suspend the 2019 final dividend at the start of the Covid-19 lockdown, the Board reinstated its progressive dividend policy at the time of the 2020 interim results. The interim dividend of 5.4p (2019: 3.4p), which was paid to shareholders on 30 October 2020, included 2.0p as a partial reinstatement of the final dividend for 2019.

The Board is proposing a final dividend for 2020 of 5.1p per share (2019: nil) which includes a further catch-up dividend of 1.3p per share and brings the total reinstated 2019 final dividend to 3.3p per share. Subject to shareholders' approval at the AGM on 27 May 2021, this dividend will be paid on 1 June 2021, based upon the register on 23 April 2021. The ex-dividend date is 22 April 2021.

In total, the 2020 dividend for the year will be 7.2p (2019: 6.7p including the catch-up final dividend of 3.3p) with dividend cover at 2.1x. The Board aims to offer a reliable and growing income stream to investors whilst retaining sufficient funds for further investment to meet its strategic growth objectives.

Cash flow

The Group continues to achieve a high conversion of cash from operations with cash of £8.2m from operating activities at 110% of EBITDA (2019: 113%). The net cash inflow from operations was £6.8m (2019: £6.0m) reflecting the enlarged Group.

The net cash used in investing activities was £1.4m (2019: £0.3m):

- » Newton Fallowell Limited acquired the trade and assets of the Lovelle network which comprised five corporate-owned offices and twelve franchised offices, for £2.0m cash consideration.

- » Proceeds from the sale of corporate offices held for resale was £0.2m.
- » The cash outflow of franchisee loans granted was £0.7m (2019: £1.2m) and reflects the lower level of assisted acquisitions activity in 2020.
- » The cash inflow from repayments to the franchise loan book was £0.8m (2019: £1.4m). Our financial support package for franchisees included a six-month capital repayment holiday to those franchisees who have borrowed funds from Belvoir to grow through our assisted acquisitions programme. This reduced cash inflow by £0.4m.
- » Interest received on the franchise loan book was £0.2m (2019: £0.2m).
- » Proceeds from the sale of shares in MAB was £0.3m.

During 2020 £0.9m (2019: £0.9m) was repaid against the HSBC loan and associated finance costs were £0.3m (2019: £0.3m). Dividend payments totalled £1.9m (2019: £2.5m). As a result, net cash outflow from financing activities totalled £3.1m (2019: net cash outflow of £4.0m).

Liquidity and capital resources

At the year end the Group had cash balances of £5.9m (2019: £3.6m) and a term loan of £9.6m (2019: £10.5m). 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. Bank covenants are set at dividend cover of greater than 4.0 and the debt service ratio at greater than 1.2, within which the business is forecast to operate with substantial headroom.

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 £1.3m (2019: £1.2m).
- » Revenue is reduced 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 £1.3m (2019: £1.1m).

- » 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 £0.5m (2019: £0.4m).

Post-year-end acquisition

In March 2021 the Group acquired White Kite Holdings 2021 Limited, the holding company of White Kite Limited and Nicholas Humphreys Franchise Limited, which together operate "Nicholas Humphreys", a predominantly franchised lettings network of 18 franchised and three corporate-owned offices operating nationwide. The overall consideration for the acquisition was £4.0m which was satisfied in cash from existing cash reserves. In the year to 31 March 2020 Nicholas Humphreys, as acquired, recorded revenue of £2.8m and operating profit of £1.0m and at that date had net assets of approximately £0.1m.

Going concern

The Group continues to operate from a sound financial platform and is strongly cash generative. The opening cash balance of £5.9m enabled the Group to acquire the Humphreys network in March 2021 for cash. Whilst the Group has demonstrated excellent resilience during the Covid-19 pandemic, the Board has nonetheless revisited its forecasts against a range of possible downside outcomes and 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, which are regularly reviewed by the Board to ensure that they remain relevant to the Group's operations. These have been discussed in 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 25. It was approved by the Board on 9 April 2021.

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 45 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
October 2011

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 18 years' board-level experience with AIM-listed companies overseeing a wide range of corporate transactions. Over the past six 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 45 years' experience of estate agency. He joined Black Horse Agencies in 1984 and subsequently was appointed 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

→ Learn more about our governance from **page 27**

→ Learn more about our Audit Committee from **page 33**

→ Learn more about our Remuneration Committee from **page 34**

→ Learn more about our stakeholder engagement from **page 21**

Promoting a culture of good governance

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



PAUL GEORGE
Non-Executive Director

Appointment
June 2018

Experience
Paul has extensive experience in audit, reporting and governance having, until April 2020, spent 16 years as an executive director at the Financial Reporting Council (FRC), most recently responsible for corporate governance and reporting. Prior to the FRC, Paul was an executive director of MCG PLC and an audit partner at KPMG. Paul is also a partner of Board Excellence, a business providing Board advisory services.

Key skills
Corporate reporting/corporate governance

Committee membership
Audit Committee Chairman
Remuneration Committee member



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 2020.

Michael Stoop
Non-Executive Chairman

Statement of corporate governance

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 2020 and for the year then ended, the Company was applying the key requirements of the Code.

Board of Directors

Throughout the year the Board comprised 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.

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 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 34 and 35.

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 33.

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 33.

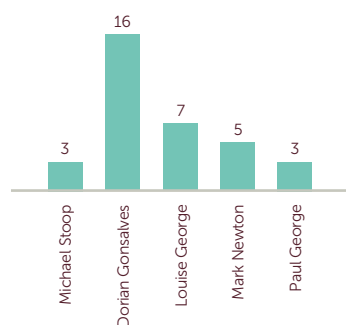
Financial reporting

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.

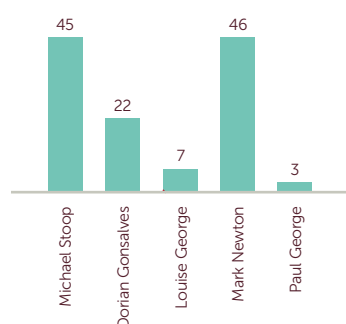
BOARD EXPERIENCE

As of the date of this report.

Length of tenure (years)



Industry experience (years)



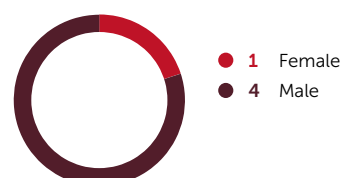
BOARD COMPOSITION, DIVERSITY AND EXPERIENCE

Composition and roles

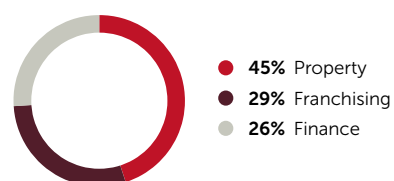
The QCA Code provides that the Board should be balanced between Executive and Non-Executive Directors and should have at least two independent Non-Executive Directors.



Diversity



Sector experience



ATTENDANCE AT MEETINGS

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

● Meetings attended ○ Meetings missed ● Not due to attend

Statement of corporate governance *continued*

2020 KEY SHAREHOLDER ENGAGEMENTS

January

- » **Pre-close trading update**
RNS/CEO video interview

March

- » **Preliminary results**
Online meetings/RNS/CEO video interview

April

- » **Annual report published**
Report

May

- » **AGM trading update**
RNS/CEO video interview
- » **AGM**
Meeting under Covid-19 conditions

June

- » **Proactive Investor Forum**
CEO and CFO online presentation

July

- » **Strategic alliance with The Nottingham Building Society**
RNS/CEO video interview
- » **Mello Virtual Investor Show**
CEO online presentation
CEO and CFO Q&A session
- » **Pre-close trading update**
RNS

September

- » **Interim results**
Meetings/RNS/CEO video interview
- » **Retail investor online presentation**
CEO and CFO presentation
- » **Shares investor event**
CEO presentation
- » **Placing to sell founder shares**
RNS

October

- » **100th assisted acquisition**
RNS

December

- » **Trading update**
RNS/CEO video interview

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 regard 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.

David Horner of Chelverton UK Dividend Trust reported in Share Magazine that Belvoir Group was its "most pleased with" stock of 2020.

“

2020 was a difficult year for dividends, with many companies choosing to retain cash during the height of the pandemic uncertainty. Property franchise group Belvoir (BLV:AIM) was not our best performing share price in 2020, but the Group managed the challenges of the pandemic well.

Management provided clear guidance throughout the year and ultimately the strong trading performance showcased the underlying resilience of the Group's franchise model.

While the 2019 final dividend was cancelled in March, the Group reinstated its progressive dividend policy at the interims, and has paid two catch-up dividend payments.”

David Horner

Chelverton UK Dividend Trust

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. Building on this ongoing process and the internally facilitated review conducted in 2019, the Board has undertaken a further survey to assess progress against the actions agreed during the 2019 review and to identify any emerging issues.

Results of the survey confirmed that Board considered that good progress had been made against all previously agreed actions particular in light of the challenges presented by Covid-19 and their long-term nature. Looking forward and in light of the survey and discussion, the Board has agreed further actions to ensure that it remains focused on the strategic opportunities available, the identification and mitigation of risk and ultimately in meeting stakeholder needs.

In addition to the assessment of the effectiveness of the Board as a whole, the Chairman discussed with each individual Director their own performance and how they can contribute to the continued success of the Group.



OUR COMPANY CULTURE

Belvoir has developed from a family-owned lettings agency to the multi-brand Group it is today based on the core principle of encouraging individual endeavour within a supportive network. This lies at the heart of franchising.

Our ethos has always been that of encouraging and harnessing both the entrepreneurial spirit of our franchisees and advisers and the ambition of our employees to achieve their personal goals.

We foster an environment where franchisees and advisers are encouraged to learn from others within their network whilst also testing out their own ideas in the knowledge that they have the wider safety net of the Group.

We nurture our staff to develop in their role, balancing individual performance with working as part of a team. The continual growth of the Group has opened up new opportunities for our people to progress their career in a dynamic environment where going above and beyond is both recognised and rewarded.

VALUES IN ACTION:



Collaboration

Statement of corporate governance *continued*

Operations Board

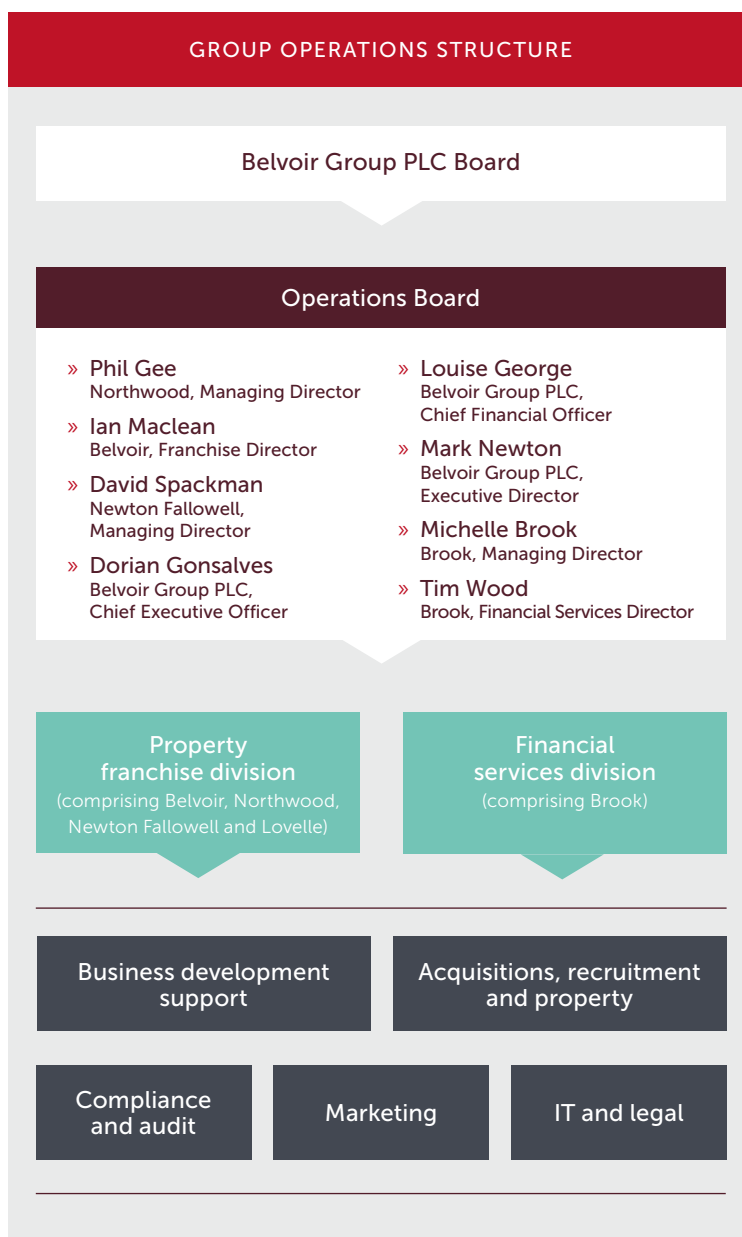
The Operations Board comprises the Executive Directors and the heads of each business unit. The Operations Board meets monthly and is responsible for executing the strategy as set out by the Board. This is conducted through two sub-boards: one for the property franchise division and one for the financial 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 28 years and length of service averaging twelve years.

“

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

GROUP OPERATIONS STRUCTURE



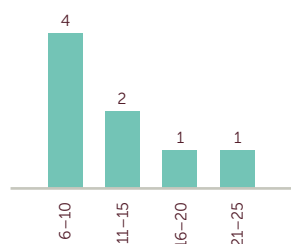
SENIOR TEAM DIVERSITY AND EXPERIENCE

As of 31 December 2020.

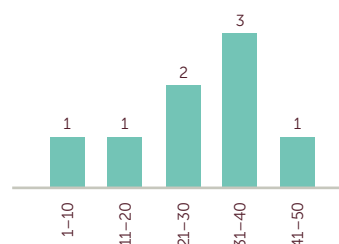
Gender diversity



Length of service (years)



Industry experience (years)



Evaluating the effectiveness of the audit process

As Audit Committee Chairman, 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 two 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.

Since I wrote to you last March the Audit Committee has held three scheduled meetings. Ahead of the interim results we met to review the interim accounts and in particular focused on the key judgement matters in preparing the results and in particular the impact of Covid-19 including the recoverability of loans to franchisees and the underlying financial resilience of the Group. In November 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. We also discussed the proposed audit fee for 2020.

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. Later in March the Audit Committee discussed the report from the auditor on its work and the annual report and accounts. The key issues discussed were the matters identified by the auditors as significant risks. In addition to the presumed risks in respect of management override and revenue recognition, these related to the recoverability of franchise loans, the carrying

value of intangibles and the accounting for the acquisition of Lovelle. Through discussion, the Committee satisfied itself on the approach to the key judgements and as a result recommended to the Board the approval of 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. As part of its audit work the auditor reported to the Committee on its assessment of the control environment and that it had not identified any significant deficiencies. In addition, the Committee considered the extent to which monthly management reporting was consistent with the audited financial statements and received confirmation from the Chief Financial Officer and Group Financial Controller that there had been no material breaches in the internal control framework during the year. As a result, 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 again 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
9 April 2021



Directors' remuneration report

Setting the overall policy on remuneration

The Directors present the Directors' remuneration report for the year ended 31 December 2020.

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 full entitlement under the 2017 long-term incentive plan (LTIP) was achieved and the share options vested with effect from 31 December 2020. During the four years to 31 December 2020, EPS increased by 165% from 5.7p to 15.1p per share and earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 142% from £3.1m to £7.5m demonstrating significant growth in the profitability of the Group. The Remuneration Committee will be putting in place a new LTIP scheme in 2021 that incorporates new longer-term objectives to ensure that the Executive Team continues to be 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 2020, a total bonus of £290,000 (2019: £249,000) was awarded to the Directors.

Pension

During the year pension contributions of £42,000 (2019: £40,000) 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

Dorian Gonsalves

Louise George

Mark Newton

Michael Stoop

Paul George

Notice period

Twelve months' notice

Twelve months' notice

Three months' notice

Six months' notice

Three months' notice

Company policy on external appointments

The Company recognises that its Directors are likely to be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive and Non-Executive Directors are, therefore, subject to 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.



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.

On 17 January 2020 Dorian Gonsalves exercised 163,399 options, being the entire pool under an unapproved scheme. The associated gain was £114,000.

Options outstanding as at 31 December 2020 are tabled below:

Directors' share options	Share option scheme	Number	Exercise price	Date of grant	Vesting period	Expiry date
Executive Directors						
Dorian Gonsalves	EMI scheme	200,000	£1.32	04/07/2014	Three years	04/07/2024
Dorian Gonsalves	LTIP	644,727	£0.01	31/07/2017	41 months	30/07/2027
Louise George	EMI scheme	175,000	£1.32	04/07/2014	Three years	04/07/2024
Louise George	LTIP	515,782	£0.01	31/07/2017	41 months	30/07/2027
Mark Newton	LTIP	171,927	£0.01	08/02/2018	35 months	07/02/2028

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 2020 £'000	Total 2019 £'000
Executive Directors						
Dorian Gonsalves	198	135	20	1	354	321
Louise George	166	113	17	3	299	271
Mark Newton	118	42 ¹	5	10	175	166
Mike Goddard (resigned 16 May 2019)	—	—	—	—	—	26
	482	290	42	14	828	784
Non-Executive Directors						
Michael Stoop	50	—	—	1	51	46
Paul George	36	—	—	—	36	35
	86	—	—	1	87	81
Total remuneration	568	290	42	15	915	865

1. 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:

Directors' interests	31 December 2020		31 December 2019	
	Shares	Options	Shares	Options
Dorian Gonsalves	483,595	844,727	463,595	903,399
Louise George	56,607	690,782	56,607	607,000
Mark Newton	435,507	171,927	435,507	144,000
Michael Stoop	20,000	—	20,000	—
Paul George	20,000	—	20,000	—

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
9 April 2021

Directors' report

Focusing on supporting our stakeholders and delivering value

The Directors present their annual report and audited consolidated financial statements of the Group for the financial year ended 31 December 2020.

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 pages 26 and 27.

Dividends

The Company paid its interim dividend for the financial year ended 31 December 2020 of 5.4p per ordinary share on 30 October 2020.

The Board recommends a final dividend for the financial year ended 31 December 2020 of 5.1p (2019: nil) per share to be paid on 1 June 2021 to all shareholders on the register at the close of business on 22 April 2021 subject to shareholders' approval on 27 May 2021. The ex-dividend date will be on 23 April 2020.

In March 2020, the Board decided that it would be prudent not to recommend a final dividend for the financial year ended 31 December 2019 given the uncertainty caused by Covid-19. The 2020 interim dividend of 5.4p included a catch-up of 2.0p and the proposed final 2020 dividend of 5.1p includes a further catch-up of 1.3p, giving a total of 3.3p against the final 2019 dividend that was suspended last year due to 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.

Financial and risk management policies

Details of the Group's financial and risk management policies are discussed in note 23 of these financial statements.

Directors' Section 172 statement

The Directors' Section 172 statement is set out on page 21.



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 both the Group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for both the Group and 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:

- » both the Group and the parent company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 11.

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
9 April 2021

Independent auditor's report

To the members of Belvoir Group PLC

Opinion on the financial statements

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 2020 and of the Group's profit for the year then ended;
- » the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- » the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Belvoir Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Group statement of comprehensive income, the Group and Company statements of financial position, the Group and Company statements of changes of equity, the Group and Company statements of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our

audit of the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- » We critically assessed the Group's trading and cash flow budgets and forecasts, which cover the period to 31 December 2022, including forecast compliance with banking covenants. Our work included assessing the key assumptions by reference to past performance, specifically considering the impact of the Covid-19 pandemic and how this may impact the wider market, taking into account local and macro-economic trends.
- » We reviewed the alternative scenarios modelled, which included a reverse stress test, to assess potential sensitivities in the forecasts and check that these were appropriate and took into consideration all reasonably foreseeable events and circumstances.
- » We assessed the budgets and forecasts, and sensitivities undertaken, against the level of headroom in the banking covenants along with available cash and undrawn facilities.
- » We also reviewed the disclosures in the financial statements to ensure they fairly reflect the Director's assessment and any relevant uncertainties inherent in forecasting future events.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage¹	100% (2019: 86%) of Group profit before tax. 100% (2019: 89%) of Group revenue. 100% (2019: 94%) of Group total assets.
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Key audit matters	2020	2019
Recoverability of franchisee loan debtors	•	•
Carrying value of intangible assets, including goodwill, in the Group (and investments in the Parent Company)	•	•
The impact of Covid-19 on the financial statements		•

The impact of Covid-19 on the financial statements is no longer considered to be a key audit matter as the Group has continued to demonstrate resilience through the pandemic despite various national lockdowns.

Materiality	Group financial statements as a whole £346,000 (2019: £280,000) based on 5% (2019: 5%) of profit before tax.
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1. These are areas which have been subject to a full scope audit by the group engagement team.

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.

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, four trading subsidiaries (all of which operate within the UK) and a number of dormant subsidiaries.

The Group engagement team have carried out full scope audit procedures on the Parent Company and the four trading subsidiaries. We focused on these entities as they were significant components relevant to the Group's financial position and performance.

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.

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) that 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 the scope of 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 15.	The Group provide loans to franchisees which are held as a financial asset measured at amortised cost.	We evaluated the Group's loans to franchisees and examined management's assessment of their recoverability.
	Management apply an expected credit loss model in determining the recoverability of the franchisee loans that requires judgement and includes estimation uncertainty. There is a risk that the impairment provision against franchisee loans may be understated or overstated due to the significant judgements and estimates involved.	We tested the estimates used in the expected credit loss calculations to assess the probability of cash shortfalls arising. This model, which assesses the expected credit loss through the ability of the Group to recover loans through repossession and sale of the franchisee's business, is based on the average of the multiples paid by franchisees acquiring portfolios during the year under the assisted acquisitions programme. Our testing included assessing the impact of any payment holidays given and repayments received after the reporting date. We tested a sample of the loans to supporting evidence to confirm that post year end repayments have been received in line with the original loan agreements. We compared the key inputs used in the expected credit loss model, being multiple of revenue achieved in historic sales of franchisees' businesses, against market data to support management's assessment.
		Key observations We noted no exceptions through performing these procedures.

Independent auditor's report *continued*

To the members of Belvoir Group PLC

An overview of the scope of our audit continued

Key audit matters continued

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Carrying value of intangibles assets, including goodwill, in the Group and investments in the Parent Company</p> <p>The Group's accounting policy and significant judgements and key sources of estimation uncertainty are described in note 1.</p> <p>Details of the impairment considerations are included in note 10.</p>	<p>A significant proportion of the Group's net assets comprises goodwill and intangible assets.</p> <p>Goodwill is tested for impairment at least annually, with other intangible assets tested where indicators of impairment are identified. Testing is undertaken through comparing the recoverable amount of the cash-generating unit (CGU), to which the goodwill and intangible assets are allocated, based on a value in use calculation, to its carrying value. Furthermore, the cost of investments in subsidiaries are tested for impairment where an indicator of impairment arises.</p> <p>Management's review found no evidence of impairment in any of the CGUs tested, nor in relation to investments in subsidiaries.</p> <p>The risk that goodwill, intangible assets and fixed assets investments 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.</p>	<p>We reviewed financial performance of the CGUs to which the Group's intangible assets attach, considered the carrying value of the associated fixed asset investments, as well as external information, to assess whether there were indicators of impairment.</p> <p>We also reviewed the impairment models prepared by management and challenged the judgements adopted and estimates applied in the calculation of the value in use for each CGU including:</p> <ul style="list-style-type: none"> » the identification of CGUs, and allocation of assets and cash flows to confirm consistency with the requirements of IAS 36 Impairment of assets; » using our valuation specialists, we confirmed the integrity of the value in use models and appropriateness of the discount rate used; and » the assumptions in the forecast of future trading performance and cash generation. This included challenging the robustness of the key assumptions such as the growth rate and sensitising this against past performance based on facts and circumstances at the balance sheet date. <p>Our audit procedures for the evaluation of operating cash flows and forecast growth rates included, amongst others, comparing the forecasts to recent financial performance, budgets approved by the Board and external market data.</p> <p>We used external market data to independently verify the discount rate and also performed our own sensitivity analysis over the key valuation inputs.</p> <p>Key observations</p> <p>We noted no exceptions through performing these procedures.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

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. Importantly, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020 £	2019 £	2020 £	2019 £
Materiality	346,000	280,000	329,000	266,000
Basis for determining materiality	5% of profit before tax.		1% of total assets, capped by reference to 95% of Group materiality.	
Rationale for the benchmark applied	Profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance.		Total assets is considered an appropriate benchmark as the main purpose of the Parent Company is to hold the investments in subsidiaries.	
Performance materiality	260,000	182,000	247,000	173,000
Basis for determining performance materiality	Performance materiality for the Group and Parent Company has been based upon 75% (2019: 65%) of materiality. The increase in performance materiality from 2019 reflects the knowledge gained during the first year as auditors, and our assessment of there being no significant changes in the Group's operations and no history of pervasive errors or weaknesses in internal control.			

Our application of materiality continued

Component materiality

We set materiality for each component of the Group based on a percentage of between 24% and 86% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £17,000 (2019: £14,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

In the light of the knowledge and understanding of the Group and 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.

Matters on which we are required to report by exception

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, 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.

Independent auditor's report *continued*

To the members of Belvoir Group PLC

Auditor's responsibilities for the audit of the financial statements *continued*

Extent to which the audit was capable of detecting irregularities, including fraud

In identifying and assessing the risk of material misstatement in respect of Irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- » enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- » we obtained an understanding of the legal and regulatory frameworks applicable to the Group based on our understanding of the Group, sector experience and discussions with management. The most significant considerations for the Group are International Accounting Standards, the Companies Act 2006, corporate taxes and VAT legislation, employment taxes, health and safety, the Bribery Act 2010, the Housing Act and the Tenant Fees Act 2019; and
- » discussing amongst the engagement team, who also undertook the audit testing on significant components, to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
 - management override of control; and
 - revenue recognition, specifically the manipulation of revenue using fraudulent journals.

We designed and executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures, together with the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- » We made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of board minutes.
- » We tested the appropriateness of accounting journals, including those relating to the consolidation process, and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override.

- » We reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- » We critically assessed the appropriateness and tested the application of the revenue and cost recognition policies.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

Andrew Mair (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
9 April 2021

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 2020

	Notes	2020 £'000 Continuing operations	2020 £'000 Operations from assets held for sale	2020 £'000 Total	2019 £'000 Continuing operations
Revenue	2	20,759	933	21,692	19,252
Cost of sales	3	(6,896)	—	(6,896)	(6,036)
Gross profit		13,863	933	14,796	13,216
Administrative expenses	3	(7,377)	(792)	(8,169)	(7,556)
Operating profit		6,486	141	6,627	5,660
Finance costs	5	(261)	—	(261)	(342)
Finance income	5	181	—	181	230
Other income	6	123	—	123	32
Profit before taxation		6,529	141	6,670	5,580
Taxation	7	(1,326)	(27)	(1,353)	(928)
Profit and total comprehensive income for the financial year		5,203	114	5,317	4,652
Profit for the year attributable to the equity holders of the parent company		5,203	114	5,317	4,652
Earnings per share attributable to equity holders of the parent company					
Basic	9			15.1p	13.3p
Diluted	9			14.6p	12.9p

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

Statements of financial position

As at 31 December 2020

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Assets					
Non-current assets					
Intangible assets	10	29,942	29,069	—	—
Investments	11	—	—	40,354	39,910
Financial assets	12	—	159	—	—
Property, plant and equipment	13	511	593	37	44
Right-of-use assets	14	455	616	—	—
Trade and other receivables	15	1,970	2,053	—	—
		32,878	32,490	40,391	39,954
Current assets					
Trade and other receivables	15	5,063	4,575	6,839	6,729
Assets held for sale	16	591	—	—	—
Cash and cash equivalents	17	5,934	3,586	4,411	1,412
		11,588	8,161	11,250	8,141
Total assets		44,466	40,651	51,641	48,095
Liabilities					
Non-current liabilities					
Lease liabilities	14	289	442	—	—
Interest-bearing loans and borrowings	19	8,728	9,591	8,728	9,591
Deferred tax liability	25	1,446	1,440	5	7
		10,463	11,473	8,733	9,598
Current liabilities					
Trade and other payables	18	3,849	3,141	78	264
Lease liabilities	14	175	178	—	—
Interest-bearing loans and borrowings	19	861	861	861	861
Corporation tax liability		821	711	—	—
		5,706	4,891	939	1,125
Total liabilities		16,169	16,364	9,672	10,723
Total net assets		28,297	24,287	41,969	37,372
Equity					
Shareholders' equity					
Share capital	21	351	349	351	349
Share premium	21	12,150	12,006	12,150	12,006
Share-based payments reserve		968	524	968	524
Revaluation reserve		162	162	(50)	(50)
Merger reserve		(5,774)	(5,774)	8,101	8,101
Retained earnings		20,440	17,020	20,449	16,442
Total equity		28,297	24,287	41,969	37,372

The Company made a profit after tax in the year of £5,904,000 (2019: £5,792,000).

The financial statements on pages 43 to 67 were approved and authorised for issue by the Board on 9 April 2021 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 2020

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 2019		349	12,006	337	162	(5,774)	14,884	21,964
Changes in equity								
Issue of equity share capital	21	—	—	—	—	—	—	—
Share-based payments	27	—	—	187	—	—	—	187
Dividends	8	—	—	—	—	—	(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
Issue of equity share capital	21	2	144	—	—	—	—	146
Share-based payments	27	—	—	444	—	—	—	444
Dividends	8	—	—	—	—	—	(1,897)	(1,897)
Transactions with owners		2	144	444	—	—	(1,897)	(1,307)
Profit and total comprehensive income for the financial year		—	—	—	—	—	5,317	5,317
Balance at 31 December 2020		351	12,150	968	162	(5,774)	20,440	28,297

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 2019		349	12,006	337	(50)	8,101	13,166	33,909
Changes in equity								
Issue of equity share capital	21	—	—	—	—	—	—	—
Share-based payments	27	—	—	187	—	—	—	187
Dividends	8	—	—	—	—	—	(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
Issue of equity share capital	21	2	144	—	—	—	—	146
Share-based payments	27	—	—	444	—	—	—	444
Dividends	8	—	—	—	—	—	(1,897)	(1,897)
Transactions with owners		2	144	444	—	—	(1,897)	(1,307)
Profit and total comprehensive income for the financial year		—	—	—	—	—	5,904	5,904
Balance at 31 December 2020		351	12,150	968	(50)	8,101	20,449	41,969

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

Statements of cash flows

For the financial year ended 31 December 2020

	Notes	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Operating activities					
Cash generated from/(used in) operating activities	22	8,198	7,285	(1,259)	(2,090)
Tax paid		(1,379)	(1,237)	—	—
Net cash flows generated from/(used in) operating activities		6,819	6,048	(1,259)	(2,090)
Investing activities					
Acquisitions net of cash acquired	25	(2,039)	(338)	—	—
Sale of assets held for sale	16	176	—	—	—
Deferred and contingent consideration		(37)	(243)	—	—
Capital expenditure on property, plant and equipment	13	(46)	(99)	(9)	(24)
Disposal of corporate offices		25	54	—	—
Franchisee loans granted		(653)	(1,242)	—	—
Loans repaid by franchisees		758	1,380	—	—
Finance income received	6	181	230	2	2
Sale of MAB shares	12	271	—	—	—
Dividends received	22	—	—	7,150	7,100
Net cash flows (used in)/generated from investing activities		(1,364)	(258)	7,143	7,078
Financing activities					
Proceeds from share issue	21	146	—	146	—
Loan repayments		(890)	(938)	(890)	(938)
Equity dividends paid	8	(1,897)	(2,516)	(1,897)	(2,516)
Lease payments	14	(205)	(212)	—	—
Finance costs		(261)	(336)	(244)	(336)
Net cash used in financing activities		(3,107)	(4,002)	(2,885)	(3,790)
Net change in cash and cash equivalents		2,348	1,788	2,999	1,198
Cash and cash equivalents at the beginning of the financial year		3,586	1,798	1,412	214
Cash and cash equivalents at the end of the financial year		5,934	3,586	4,411	1,412

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

Notes to the financial statements

For the financial year ended 31 December 2020

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (IFRS).

Going concern and Covid-19

The ongoing impact of the Covid-19 pandemic has been considered by the Directors in light of the operating resilience demonstrated by the business during 2020, the expectation that most UK Covid-19 restrictions will have been lifted later in 2021 and concerns over the possible long-term impact on the wider economy. The Directors have revised the forecasts for the Group taking into account the potential ongoing impact of Covid-19 on trading over the twelve months from the date of signing the financial statements. Sensitivities have been applied to the base case model to reflect the possibility of an ongoing lockdown scenario with minimal impact on lettings income and moderately lower levels of income from sales and mortgage activity but no reduction in headcount or other overheads and no change in terms of business with franchisees. Under all scenarios, which incorporate the acquisition of Nicholas Humphreys for cash, there is substantial headroom above that needed to continue operating within the banking facilities and in compliance with covenants.

Furthermore, a reverse stress test has been carried out against the base case model which demonstrates that, even without changing other parameters such as overheads and dividend payments, it would require a very substantial reduction in revenue, inconsistent with the recurring revenue nature of the business model, for the bank covenants to be breached.

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.

Standards adopted for the first time

There are no new or revised standards effective for annual periods beginning on or after 1 January 2020.

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 2020 relevant to the Group. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Basis of consolidation

The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2020. 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.

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

1 Accounting policies continued

Basis of consolidation continued

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

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

Revenue recognition

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

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 p.a.

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.

Assets held for sale

Assets are classified as held for sale as soon as they are made available for sale and completion is expected within twelve months from the date of classification.

The assets are held at the lower of their carrying value immediately before being classified as held for sale and the fair value less costs of disposal.

Investments

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

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

1 Accounting policies continued

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.

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.

1 Accounting policies continued

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.

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 and the Senior Management Team.

In addition, there was an unapproved share option scheme which granted 163,399 share options to Dorian Gonsalves at the float price of 75p. These options were exercised on 17 January 2020.

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.

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 represent retained profits and losses.

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

1 Accounting policies *continued*

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 10, which includes sensitivity analysis performed on management's estimates.

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 11.

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 2020 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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Management service fees	7,467	7,292	1,589	1,464	9,056	8,756
Corporate-owned offices	1,360	725	890	586	2,250	1,311
	8,827	8,017	2,479	2,050	11,306	10,067
Initial franchise fees and other resale commissions					242	176
Other income					449	476
Franchise property division					11,997	10,719
Commission receivable on financial services					9,695	8,533
Financial services division					9,695	8,533
Total revenue					21,692	19,252

Revenue from corporate-owned offices of £2,250,000 includes £933,000 relating to five Lovelle corporate-owned offices and the Northwood Glossop portfolio that were held as assets for sale pending being franchised out. This comprises £578,000 of lettings revenue and £355,000 of sales revenue.

Gross profit for the two divisions is split as follows:

	Gross profit	
	2020 £'000	2019 £'000
Property franchise division	11,997	10,719
Financial services division	2,799	2,497
Total gross profit	14,796	13,216

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 £5,904,000 (2019: £5,792,000).

3 Cost of sales and administrative expenses

Group

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

	2020 £'000	2019 £'000
Staff costs	6,191	5,221
Depreciation	318	336
Amortisation	525	471
Marketing	298	423
Auditor's remuneration:		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	66	58
– Tax compliance services	12	12
Other cost of sales and administrative expenses	7,655	7,071
	15,065	13,592

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

4 Directors and employees

Group

Staff costs (including Directors)

	2020 £'000	2019 £'000
Wages and salaries	4,768	4,438
Social security costs	750	483
Pension costs	229	113
Share-based payment charge	444	187
	6,191	5,221
The average monthly number of employees during the year was as follows:		
Management and administration	137	113

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

The Company has no employees.

Directors' remuneration

	2020 £'000	2019 £'000
Directors' emoluments	873	825
Social security costs	112	105
Share-based payment charge	419	172
Other pension costs	42	40
	1,446	1,142
Executive Directors	1,350	1,053
Non-Executive Directors	96	89
	1,446	1,142

The highest paid Director received remuneration of £354,000 (2019: £321,000).

During the year no options (2019: no options) over ordinary shares were granted to Directors under the Belvoir Group Performance Share Plan and none (2019: none) were exercised by Directors under the Company's EMI scheme. On 17 January 2020 Dorian Gonsalves exercised 163,399 options, being the entire pool under the unapproved scheme. The associated gain was £114,000.

5 Finance income and costs

Group

Finance costs

	2020 £'000	2019 £'000
Bank interest	244	321
Operating lease interest	17	21
	261	342

Finance income

	2020 £'000	2019 £'000
Deposit account interest	5	14
Interest on franchisee loans	176	216
	181	230

6 Other income

Group

Financial asset

	2020 £'000	2019 £'000
Share options in Mortgage Advice Bureau (Holdings) plc	123	32

In 2019 other income relates to the release of the fair value of 40,000 share options in Mortgage Advice Bureau (Holdings) plc ("MAB options") for the year to 31 December 2019. In 2020 other income relates to the gain on the sale of shares in MAB sold on 7 September 2020. This is reported on further in note 12.

7 Taxation

Group

	2020 £'000	2019 £'000
UK corporation tax at 19% (2019: 19%)		
Current taxation on profits for the year	1,499	1,199
Adjustments in respect of prior years	(3)	(17)
Deferred taxation origination and reversal of temporary differences	(284)	(254)
Impact of change in tax rate	141	—
Total tax charge in the statement of comprehensive income	1,353	928

Factors affecting the tax charge for the year:

	2020 £'000	2019 £'000
Profit before taxation	6,670	5,580
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,267	1,060
Effects of:		
– Expenses not deductible for tax purposes	68	43
– Adjustment in respect of prior years	(3)	(17)
– Remeasurement of deferred tax	141	2
– Recognition of deferred tax asset	(171)	(160)
– Capital gains chargeable to corporation tax	51	—
Total tax charge in statement of comprehensive income	1,353	928

The proposed reduction in the corporation tax rate to 17% with effect from 6 September 2016 had been substantively enacted as at the end of 2019 and therefore the closing deferred tax balance for 2019 had been translated at 17%. The Government's subsequent pledge to maintain the 19% tax rate following the general election was substantively enacted in 2020 and therefore all opening deferred tax balances have been remeasured at 19% with an adjustment recognised in the 2020 total tax charge. The closing deferred tax balance for 2020 had been translated at 19% the rate substantively enacted as at the balance sheet date. As a result of changes in the March 2021 budget, corporation tax will increase to 25% with effect from April 2023.

8 Dividends

Group

	2020 £'000	2019 £'000
Final dividend for 2019		
No final dividend was paid for 2019 (2018: 3.8p per share paid 26 May 2019)	—	1,328
Interim dividend for 2020		
5.4p per share paid 30 October 2020 (2019: 3.4p per share paid 24 October 2019)	1,897	1,188
Total dividend paid	1,897	2,516

In March 2020, the Board decided that it would be prudent not to recommend a final dividend for the financial year ended 31 December 2019 given the uncertainty caused by Covid-19. The 2020 interim dividend of 5.4p included a catch-up of 2.0p against the suspended final 2019 dividend.

The Directors propose a final dividend of 5.1p per share totalling £1,796,000 for 2020, payable 1 June 2021, to shareholders on the register on 23 April 2021. As this remains conditional on shareholders' approval, provision has not been made in these financial statements. This includes a further catch-up of 1.3p, giving a total of 3.3p against the suspended final 2019 dividend.

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

9 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 27. The calculation of diluted earnings per share is derived from earnings per share, adjusted to allow for the issue of shares under these instruments.

	2020 £'000	2019 £'000
Profit for the financial year	5,317	4,652
Weighted average number of ordinary shares	Number	Number
Basic	35,101	34,939
Diluted	36,314	35,934
Earnings per share	Pence	Pence
Basic	15.1p	13.3p
Diluted	14.6p	12.9p

10 Intangible assets

Group

	Brand £'000	Goodwill £'000	Master franchise agreements £'000	Customer relationships £'000	Total £'000
Gross carrying amount					
At 1 January 2019	551	19,491	9,832	958	30,832
Additions (note 25)	—	109	—	329	438
Disposals	—	—	—	(54)	(54)
At 31 December 2019	551	19,600	9,832	1,233	31,216
Additions (note 25)	32	589	763	39	1,423
Disposals	—	—	—	(40)	(40)
At 31 December 2020	583	20,189	10,595	1,232	32,599
Amortisation and impairment					
At 1 January 2019	79	—	1,126	471	1,676
Amortisation for the year	29	—	393	49	471
At 31 December 2019	108	—	1,519	520	2,147
Amortisation for the year	31	—	447	47	525
Disposals	—	—	—	(15)	(15)
At 31 December 2020	139	—	1,966	552	2,657
Net book value					
At 31 December 2020	444	20,189	8,629	680	29,942
At 31 December 2019	443	19,600	8,313	713	29,069

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, which included a network of twelve franchised estate agencies. This transaction gave rise to additional goodwill of £589,000.

The fair values determined on acquisition of the master franchise agreement and brand arising from the Lovelle network are based on actual cash flows to 31 December 2020. Thereafter, projected revenue growth was assumed to be 2% over the valuation period. The cash flows arising were discounted by the Group's weighted average cost of capital.

On 21 September 2020 Northwood GB Limited sold the assets and trade of Belvoir Glossop to the Belvoir Ashton-under-Lyne franchisee for £25,000 which gave rise to a disposal against customer relationships.

On 1 January 2020 the assets and trade of MAB (Gloucester) Limited were hived up into Brook Financial Services Limited leaving MAB (Gloucester) Limited dormant.

10 Intangible assets continued

Group continued

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), Lovelle, Brook (incorporating PMC and 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 2019 £'000	Additions £'000	Disposals £'000	At 31 December 2020 £'000
Newton Fallowell (incorporating Goodchilds, Uplong and EBG)	5,869	—	—	5,869
Lovelle	—	589	—	589
Northwood	8,373	—	—	8,373
Brook (incorporating PMC and MAB Glos)	5,210	—	—	5,210
Corporate-owned Belvoir offices	148	—	—	148
Total	19,600	589	—	20,189

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% (2019: 2%), discounted at a pre-tax discount rate of 12.0% (2019: 10.6%) 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.

11 Investments

Investments in subsidiaries

	Company £'000
Cost	
At 1 January 2019	39,722
Additions	187
At 31 December 2019	39,910
Additions	444
At 31 December 2020	40,354
Provision for impairment	
At 1 January 2019, 31 December 2019 and 31 December 2020	—
Net book value	
At 31 December 2020	40,354
At 31 December 2019	39,910

The Company addition of £444,000 (2019: £187,000) related to the obligation to settle the share-based remuneration awarded to employees of Belvoir Property Management (UK) Limited during the six years ended 31 December 2020.

On 1 January 2020 the assets and trade of MAB (Gloucester) Limited were transferred to Brook Financial Services Limited at which point MAB (Gloucester) Limited became dormant.

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

11 Investments continued

Investments in subsidiaries continued

As at 31 December 2020 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 ¹	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	Dormant
Purely Mortgage Consultants Limited ^{1,4}	England and Wales	6521922	Dormant
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.

12 Financial assets

Financial assets at fair value through profit or loss

	Group £'000
Cost	
At 1 January 2019 and 31 December 2019	159
Disposal – share options in Mortgage Advice Bureau (Holdings) plc	(159)
At 31 December 2020	—
Provision for impairment	
At 1 January 2019 and 31 December 2019	—
Net book value	
At 1 January 2019 and 31 December 2019	159
Disposal – share options in Mortgage Advice Bureau (Holdings) plc	(159)
At 31 December 2020	—

Financial assets at fair value through profit or loss comprised 40,000 share options in Mortgage Advice Bureau (Holdings) plc ("MAB options") which vested in May 2020 at 1p per share and were sold on 7 September 2020 at £6.80 per share. The net proceeds were £271,000 and the gain of £123,000 on disposal has been recognised as other income.

13 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 2019	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
Additions	—	—	46	46	9
At 31 December 2020	150	235	1,225	1,610	90
Accumulated depreciation					
At 1 January 2019	—	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
Charge for the year	—	5	123	128	16
At 31 December 2020	—	59	1,040	1,099	53
Net book value					
At 31 December 2020	150	176	185	511	37
At 31 December 2019	150	181	262	593	44

14 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
Additions	—	27	5	32
Amortisation	(110)	(81)	(2)	(193)
At 31 December 2020	365	86	4	455

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
Additions	—	27	5	32
Interest expense	13	4	—	17
Lease payments	(120)	(83)	(2)	(205)
At 31 December 2020	375	85	4	464

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

14 Leases continued

Maturity of lease liabilities

	Group				Total £'000
	Up to 6 months £'000	6–12 months £'000	1–5 years £'000	Over 5 years £'000	
At 31 December 2020	91	84	289	—	464
At 31 December 2019	91	87	437	5	620

15 Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current				
Trade receivables	1,601	1,378	—	—
Loans to franchisees	1,020	1,101	—	—
Other debtors	1,856	1,607	—	19
Prepayments	202	242	44	40
Accrued income	384	247	—	—
Amounts owed by Group undertakings	—	—	6,795	6,670
	5,063	4,575	6,839	6,729
Non-current				
Loans to franchisees	1,970	2,053	—	—

As at 31 December 2020 trade receivables of £1,438,000 (2019: £1,248,000) 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 macro-economic 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 2020 the Group has recognised a lifetime expected credit loss of £36,000 (2019: £48,000).

At the year end £45,000 (2019: £92,000) 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 Audit 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 £68,000 (2019: £144,000).

	Group	
	2020 £'000	2019 £'000
Lower risk gross carrying value amount	2,511	2,610
Loss provision	—	—
Lower risk net carrying value amount	2,511	2,610
Higher risk gross carrying value amount	731	962
Loss provision:		
At 1 January	(418)	(274)
Utilised during the year	234	—
Increase in provision during the year	(68)	(144)
At 31 December	(252)	(418)
Higher risk net carrying value amount	479	544
Total net carrying value amount	2,990	3,154

15 Trade and other receivables continued

Included within other debtors is £461,000 (2019: £379,000) 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.

Amounts owed by Group undertakings are due on demand and interest free. In assessing the expected credit loss, the general approach has been applied. Based upon historical performance and forward-looking factors, the subsidiary has resources to repay the amount outstanding at the year end 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.

16 Assets held for sale

Group

	Total £'000
Additions	767
Disposals	(176)
At 31 December 2020	591

The acquisition of Lovelle included five corporate-owned offices that have been held for resale. During the year the Horncastle office was franchised to the adjacent Newton Fallowell franchisee and Hessle, Skegness and Grimsby Sales were franchised to the respective branch managers. Total consideration was £176,000 in respect of these disposals. On 15 January 2021, the remaining Grimsby Lettings office was franchised to the branch manager for £591,000. The trading results from these offices have been reported separately from continuing operations on the face of the Group statement of comprehensive income.

17 Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents	5,934	3,586	4,411	1,412

18 Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current				
Trade payables	632	612	9	4
Refund liability	1,293	1,110	—	—
Other taxes and social security	766	628	—	—
Accruals	924	566	68	60
Deferred income	18	25	—	—
Other creditors	216	163	—	—
Deferred and contingent consideration	—	37	—	—
Amounts owed to Group undertakings	—	—	1	200
	3,849	3,141	78	264

19 Borrowings

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current				
Bank loans – term loan	861	861	861	861
Long term				
Bank loans – term loan	8,728	9,591	8,728	9,591
	9,589	10,452	9,589	10,452

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

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

20 Maturity of borrowings

	2020 £'000	2019 £'000
Group and Company		
Repayable in less than six months	528	587
Repayable in seven to twelve months	523	581
Current portion of long-term borrowings	1,051	1,168
Repayable in years one to five	8,939	10,181
Total borrowings	9,990	11,349
Less: interest included	(401)	(897)
Total debt	9,589	10,452
Less: cash and cash equivalents	(5,934)	(3,585)
Net debt	3,655	6,867

Borrowings comprise a term loan of £9,654,000 (2019: £10,546,000) secured by a fixed and floating charge over the Group assets and it is repayable in half yearly instalments of £445,000 from June 2021 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 (2019: £29,000). All bank covenants were complied with throughout the year.

21 Called up share capital

	2020		2019	
	Number	£'000	Number	£'000
Group and Company				
Allotted, issued and fully paid				
Ordinary shares of 1p each	35,122,005	351	34,938,606	349
		Group and Company Number	Nominal share capital £'000	Share premium £'000
At 1 January 2019 and 31 December 2019		34,938,606	349	12,006
Issue of shares during the year:				
23 January 2020 – share price 75p		163,399	2	121
10 September 2020 – share price 116p		20,000	—	23
At 31 December 2020		35,122,005	351	12,150

22 Reconciliation of profit before taxation to cash generated from operations

Group

	2020 £'000	2019 £'000
Profit before taxation	6,670	5,580
Depreciation and amortisation charges	843	819
Share-based payment charge	444	187
Impairment of franchisee loan book	68	158
Profit on disposal of corporate offices	—	(2)
Amortisation of debt costs	29	29
Finance costs	244	321
Interest paid on lease liabilities	17	21
Finance income	(181)	(230)
MAB share option recognition and related income	(112)	(32)
	8,022	6,851
Increase in trade and other receivables	(569)	(145)
Increase in trade and other payables	745	579
Cash generated from operations	8,198	7,285

Company

	2020 £'000	2019 £'000
Profit before taxation	5,901	5,792
Dividend received	(7,150)	(7,100)
Amortisation of debt costs	29	29
Finance income	(2)	(2)
Finance costs	244	321
Depreciation and amortisation charges	17	14
	(961)	(946)
Increase in trade and other receivables	(110)	(239)
Decrease in trade and other payables	(188)	(905)
Cash used in operations	(1,259)	(2,090)

23 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 22 and 23. 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.

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

23 Financial instruments *continued*

Principal financial instruments

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

Summary of financial assets and financial liabilities by category:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets				
Trade receivables	1,601	1,378	—	—
Other receivables	2,240	1,854	6,795	6,689
Loans to franchisees	1,020	3,154	—	—
Cash and cash equivalents	5,934	3,586	4,411	1,412
	10,795	9,972	11,206	8,101

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial liabilities				
Trade payables	632	612	9	4
Refund liability	1,293	1,110	—	—
Loans and borrowings	9,589	10,452	9,589	10,452
Other creditors	216	163	—	200
Lease liabilities	464	620	—	—
Contingent consideration	—	37	—	—
	12,194	12,994	9,598	10,656

Maturity analysis of financial liabilities:

In less than one year

Trade payables	632	612	9	4
Refund liability	1,293	1,110	—	—
Loans and borrowings	861	861	861	861
Other creditors	216	163	—	200
Lease liabilities	175	178	—	—
Contingent consideration	—	37	—	—
	3,177	2,961	870	1,065

In more than one year

Lease liabilities	289	442	—	—
Long-term borrowings	8,728	9,591	8,728	9,591
	9,017	10,033	8,728	9,591

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.

23 Financial instruments continued

Interest rate risk

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a franchisee or a 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 franchisees 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.

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 approximate their carrying amounts largely due to the short-term maturities of these instruments.

24 Deferred taxation

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Balance at 1 January	1,440	1,647	7	6
Acquisition in the year – attributable to intangible assets	151	48	—	—
(Credited)/charged to the income statement	(145)	(255)	(2)	1
Balance at 31 December	1,446	1,440	5	7
Deferred taxation has been provided as follows:				
Attributable to intangible assets	1,836	1,623	—	—
Accelerated capital allowances	46	47	5	7
Recognition of deferred tax asset short-term timing differences	(436)	(230)	—	—
	1,446	1,440	5	7

Following the reversal of the Government's decision to reduce corporation tax to 17%, the amounts provided in respect of deferred tax have been computed at 19% (2019: 17%). There are no temporary differences for which deferred tax balances are unrecognised.

25 Acquisitions

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, for cash consideration of £2,007,000. Lovelle comprised a network of twelve franchised estate agencies and five corporate-owned estate and lettings agencies. The corporate-owned offices were franchised out by 15 January 2021 as planned, and these have been recognised at their net realisable value of £767,000, which is not materially different to the consideration as at acquisition.

The goodwill represents the value attributable to the new businesses and the assembled and trained workforce.

Deferred tax at 19% has been provided on the value of the separable intangible assets. This initial deferred tax liability has been recognised on the brand and the master franchise agreement acquired which is reduced subsequently in line with the amortisation period. Whilst the initial book value of goodwill is higher than the tax base, no deferred liability is recognised on goodwill.

During the year a further £8,000 was paid in respect of the Northwood Glossop portfolio.

Notes to the financial statements *continued*

For the financial year ended 31 December 2020

25 Acquisitions continued

Under the strategic alliance entered into with The Nottingham Building Society (NBS), Belvoir Property Management (UK) Limited acquired a small portfolio of managed properties for total consideration of £24,000.

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 provisional fair values as at acquisition.

	NW Glossop £'000	NBS £'000	Lovelle £'000	Total £'000
Intangible assets	8	24	802	834
Assets held for sale	—	—	767	767
Deferred tax liabilities	—	—	(151)	(151)
Identifiable net assets acquired	8	24	1,418	1,450
Goodwill on acquisition	—	—	589	589
Consideration	8	24	2,007	2,039
Consideration settled in cash	8	24	2,007	2,039

Post-acquisition financial results

The acquisition of Lovelle was sufficiently close to the start of the year such that had completion taken place on the first day of the financial year, Group revenues and Group profit before tax would have been unaffected. The five corporate-owned offices were categorised as assets held for sale and as such operations from these five offices have been reported separately from continuing operations.

The acquisitions of the NW Glossop and NBS portfolios were immaterial to the Group results.

26 Related party disclosures

During the year the Group paid fees of £40,000 (2019: £15,000) to The Property Ombudsman Limited, a company of which Michael Stoop is a director. The balance outstanding as at 31 December 2020 was £nil (2019: £nil).

During 2020, emoluments were paid to a person related to a Director of £nil (2019: £139). The amount paid was 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:

	30 October 2020 2020 interim £'000	24 October 2019 2019 interim £'000
Dorian Gonsalves	26	16
Louise George	3	2
Mark Newton	24	15
Michael Stoop	1	—
Paul George	1	—
Total dividends	55	33

During the year Belvoir Group PLC received a dividend of £7.2m (2019: £7.1m) from its subsidiary companies.

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

	2020 £'000	2019 £'000
Belvoir Property Management (UK) Limited	484	2,370
Newton Fallowell Limited	1,444	404
Northwood GB Limited	348	(199)
Brook Financial Services Limited	4,518	3,896
Goodchilds Estate Agents & Lettings Limited	(1)	(1)

27 Share-based employee remuneration

The following share options issued were outstanding as at 31 December 2020:

Share option scheme	Date of issue	Quantity	Exercise price £	Vesting period	Expiry date
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	40,000	1.16	3 years	23/12/2025
Long-term incentive plan	31/07/2017	1,160,509	0.01	3 years and 5 months	30/07/2027
Long-term incentive plan	08/02/2018	171,927	0.01	2 years and 11 months	07/02/2028
Company Share Option Plan	02/01/2018	242,672	0.98	3 years	01/01/2028
Company Share Option Plan	28/01/2020	273,365	1.48	3 years	27/01/2030
		2,443,473			

Movement in the number of share options was as follows:

	2020 Number	2019 Number
Share option movement		
At 1 January	2,149,071	2,171,071
Options granted in the year	285,689	—
Recognition of dividend equivalents under the long-term incentive plan	216,436	—
Options exercised in the year	(183,399)	—
Options lapsed in the year	(24,324)	(22,000)
At 31 December	2,443,473	2,149,071
Exercisable at the end of the year	595,000	778,399

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

Expected volatility (based on closing prices in the year prior to issue)	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:

	2020 £'000	2019 £'000
Employee benefits (note 4)	444	187

28 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 2020 the outstanding contingent liability under this agreement amounted to £9,654,000 (2019: £10,537,000).

29 Post-balance sheet events

Acquisition of Nicholas Humphreys

On 31 March 2021, Belvoir Group PLC acquired the entire share capital of White Kite Holdings 2021 Limited and its two subsidiaries, White Kite Limited and Nicholas Humphreys Franchise Limited, collectively referred to as Nicholas Humphreys.

Nicholas Humphreys operates a national network of 18 franchised and three corporate-owned primarily lettings agencies. 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 £4.0m was settled in cash from existing reserves post-year end and comprises around £100,000 in tangible assets with 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.

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 27 May 2021 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1–5 will be proposed as ordinary resolutions and resolutions 6–8 will be proposed as special resolutions.

Ordinary resolutions

1. To receive the Company's financial statements for the financial year ended 31 December 2020, 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 Louise George, who retires by rotation and offers herself for re-election under Article 71 of the Company's Articles of Association, as Director.
5. To re-appoint Michael Stoop, who retires by rotation and offers himself for re-election under Article 71 of the Company's Articles of Association, as Director.

Special resolutions

6. 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 (such shares and such rights to subscribe for or to convert any security into shares in the Company being "equity securities") being 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 £117,419, 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.
7. 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 6 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 £35,226 (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 6 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.

8. 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 registrar, 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 25 May 2021.
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 25 May 2021 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

Registered office
The Old Courthouse
60A London Road
Grantham
Lincolnshire
NG31 6HR

Registered number
07848163

Country of incorporation
England and Wales

Website
www.belvoirgroup.com

Nominated adviser and broker
finnCap
60 New Broad Street
London
EC2M 1JJ

Independent auditor
BDO LLP
Chartered Accountants
and Statutory Auditor
2 Snowhill
Birmingham
B4 6GA

Principal banker
HSBC UK plc
Donington Court
Pegasus Business Park
Herald Way
East Midlands
DE74 2UZ

Registrar and transfer office
Computershare Investor Services PLC
The Pavilions
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Hamilton Pratt
Franchise House
3a Tournament Court
Tournament Fields
Warwick
CV34 6LG

Corporate calendar

Half year results announced:
7 September 2020

Preliminary announcement of full year results:
12 April 2021

Annual General Meeting:
27 May 2021

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Belvoir Group PLC Annual Report and Accounts 2020

Report and Accounts 2020