

# Regulatory Story

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**Belvoir Group PLC** - BLV Final Results  
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**BELVOIR!**

**BELVOIR GROUP PLC**  
(the "Company", the "Group" or "Belvoir")

## Statement of audited final results for the year ended 31 December 2019

### Strong Group performance achieved 2019 growth

Belvoir Group PLC (AIM: BLV), the UK's largest property franchise group, is pleased to announce its final results for the year ended 31 December 2019.

#### Financial highlights

- Group revenue increased by 43% to £19.3m (2018: £13.4m)
- Growth in management service fees ("MSF") of 4% to £8.8m (2018: £8.5m)
- Profit before tax of £5.6m (2018: £5.5m including an exceptional credit of £0.6m)
- Strong lettings bias and increasing importance of financial services reflected in gross profit ratio of 61% lettings:16% sales:19% financial services: 4% other (2018: 67%:17%:10%:6%)
- Strong balance sheet with year-end cash of £3.6m (2018: £1.8m)
- Net debt reduced significantly to £6.9m (2018: £9.6m)

#### Operational highlights

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

#### Dorian Gonsalves, Chief Executive Officer of Belvoir Group, commented:

"Whilst 2020 will be adversely affected during the period of economic inactivity due to Covid-19, the Group has achieved a very good set of results for 2019, with outstanding revenue performance, having overcome the twin challenges of the tenant fee ban and the economic and political uncertainty surrounding Brexit.

Looking at the year ahead, trading was strong and in line with management expectation in the first two months of the year, and the recurring nature of our lettings revenue gives the Group a high degree of resilience. The Board has acted swiftly in response to Covid-19 to put in place measures for the Group and for our franchisees, to enable us collectively to mitigate some of the short-term downturn in revenue. Notwithstanding these measures, Covid-19 is expected to have a significant impact on trading in 2020 and therefore the Board has prudently decided against proposing a final dividend for 2019. It is difficult to predict exactly how long this impact will continue, but the Board is confident that the Group has a strong balance

sheet with adequate resources to weather the storm, and to operate within its bank covenants for the foreseeable future. We believe that in operating a franchise model, we have both the agility and capability to emerge from the crisis in a good position to capitalise on future opportunities within the sector, and return to growth and winning market share."

#### For further details:

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#### Notes:

##### **About Belvoir Group PLC**

Founded in 1995 and listed on AIM in 2012 (BLV.L), Belvoir operates a nationwide property franchise group with 396 offices across five brands specialising in residential lettings, property management, residential sales and property-related financial services. With its Central Office in Grantham, Lincolnshire, the Group manages 68,550 properties and reported record revenues of £19.3m in 2019 making Belvoir the largest property franchise group in the UK.

For further information, please visit: [www.belvoirgroup.com](http://www.belvoirgroup.com)

#### **Chairman's statement**

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

#### **Performance**

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

#### **Governance**

The Board continues to apply the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework as adopted last year. Within the Belvoir Group we promote a culture of good governance and we recognise how important our people are to the success of the Group.

#### **Board and senior management**

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

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

#### **Covid-19, dividend and outlook**

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

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

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

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

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

**Michael Stoop**  
**Non-Executive Chairman**

### **Chief Executive Officer's statement**

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

### **Performance**

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

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

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

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

## Our strategic priorities

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

Our franchise support team will be focused entirely on advising franchisees how to restructure their business to minimise costs in response to lower trading activity, how to access the Government support available to them and how to safely continue to deliver services to their landlords and vendors. Our financial support package for franchisees includes a six-month capital repayment holiday to those franchisees who have borrowed funds from Belvoir to grow through our assisted acquisitions programme. We have also waived our monthly minimum fees to franchisees so that MSF are wholly percentage based; this means any reduction in income for our franchisees is matched by a proportionate reduction in the MSF payable to Belvoir, and as such we share the burden of any downturn in revenue during the period of the crisis. We firmly believe in the resilience of our franchise model and we are confident that the short-term measures taken will enable the Group to support its franchisees during the lockdown period and to emerge from the crisis in a strong position to capitalise on business opportunities as the market returns to normal.

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

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

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

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

## Creating value

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

## Our marketplace

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

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

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

## Outlook

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

**Dorian Gonsalves**  
Chief Executive Officer

## Financial review

### Revenue

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

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

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

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

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

Overall, our property division achieved 6% revenue growth with the ratio of lettings to sales remaining relatively unchanged at 79:21 (2018: 80:20).

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

### Gross profit

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

### Administrative expenses

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

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

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

### Operating profit

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

### Exceptional items

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

### Profit before taxation

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

### Prior year adjustments

The Directors have restated prior years in respect of the release of deferred taxation in relation to the amortisation of acquired intangibles and the recognition of a deferred tax asset associated with the current valuation of share options. The deferred tax liability has been restated to reflect the accumulative effect of £219,000 as at 1 January 2018 and a further £82,000 in 2018. The deferred tax asset has been restated to reflect the accumulative effect of £26,000 as at 1 January

2018 and a further £44,000 in 2018. The total impact on profit in 2018 was a credit of £126,000. Applying the same accounting treatment to 2019 has given rise to a comparative credit of £243,000. The difference is due to the uplift of the valuation of share options based on the increase in the share price during the year.

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

### **Taxation**

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

### **Earnings per share**

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

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

### **Dividends**

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

### **Cash flow**

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

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

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

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

### **Liquidity and capital resources**

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

### **IFRS 16 Leases**

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

### **Unearned indemnity commission**

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

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

### **Post-year-end acquisition**

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

**Financial position**

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

**Louise George**  
Chief Financial Officer

**Group statement of comprehensive income**

For the financial year ended 31 December 2019

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

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

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

**Statements of financial position**

As at 31 December 2019

	Notes	Group			Company	
		2019 £'000	31/12/2018 £'000 As restated	01/01/2018 £'000 As restated	2019 £'000	2018 £'000
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible assets		<b>29,069</b>	29,156	26,162	-	-
Investments		-	-	-	<b>39,910</b>	39,722
Financial assets		<b>159</b>	159	-	-	-
Property, plant and equipment		<b>593</b>	646	635	<b>44</b>	35
Right-of-use assets	9	<b>616</b>	-	-	-	-
Trade and other receivables		<b>2,053</b>	2,768	3,617	-	-
		<b>32,490</b>	32,729	30,414	<b>39,954</b>	39,757
<b>Current assets</b>						
Trade and other receivables		<b>4,575</b>	3,998	2,813	<b>6,729</b>	6,490
Cash and cash equivalents	10	<b>3,586</b>	1,798	1,350	<b>1,412</b>	214
		<b>8,161</b>	5,796	4,163	<b>8,141</b>	6,704
<b>Total assets</b>		<b>40,651</b>	38,525	34,577	<b>48,095</b>	46,461
<b>Liabilities</b>						

## Non-current liabilities

Lease liabilities	9	442	-	-	-	-
Interest-bearing loans and borrowings	11	9,591	10,452	5,578	9,591	10,452
Deferred tax liability	14	1,440	1,647	1,744	7	6
		11,473	12,099	7,322	9,598	10,458

## Current liabilities

Trade and other payables		3,141	2,768	6,137	264	1,169
Lease liabilities	9	178	-	-	-	-
Interest-bearing loans and borrowings	11	861	925	866	861	925
Corporation tax liability		711	769	566	-	-
		4,891	4,462	7,569	1,125	2,094

<b>Total liabilities</b>		<b>16,364</b>	<b>16,561</b>	<b>14,891</b>	<b>10,723</b>	<b>12,552</b>
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<b>Total net assets</b>		<b>24,287</b>	<b>21,964</b>	<b>19,686</b>	<b>37,372</b>	<b>33,909</b>
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## Equity

## Shareholders' equity

Share capital		349	349	349	349	349
Share premium		12,006	12,006	12,006	12,006	12,006
Share-based payments reserve		524	337	148	524	337
Revaluation reserve		162	162	162	(50)	(50)
Merger reserve		(5,774)	(5,774)	(5,774)	8,101	8,101
Retained earnings		17,020	14,884	12,795	16,442	13,166
<b>Total equity</b>		<b>24,287</b>	<b>21,964</b>	<b>19,686</b>	<b>37,372</b>	<b>33,909</b>

A third Group statement of financial position as at the 1 January 2018 has been shown above to show the effect of the prior year restatement as detailed in note 15. These restatements had no impact on the Company.

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

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

## Statements of changes in equity

For the financial year ended 31 December 2019

## Group

	Notes	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000 As restated	Total equity £'000 As restated
<b>Balance at 1 January 2018</b>		349	12,006	148	162	(5,774)	12,795	19,686
<b>Changes in equity</b>								
Issue of equity share capital		-	-	-	-	-	-	-
Share-based payments	5	-	-	189	-	-	-	189
Dividends	7	-	-	-	-	-	(2,411)	(2,411)
Transactions with owners		-	-	189	-	-	(2,411)	(2,222)
Profit and total comprehensive income for the financial year		-	-	-	-	-	4,500	4,500
<b>Balance at 31 December 2018</b>		349	12,006	337	162	(5,774)	14,884	21,964
Issue of equity share capital		-	-	-	-	-	-	-
Share-based payments	5	-	-	187	-	-	-	187
Dividends	7	-	-	-	-	-	(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
<b>Balance at 31 December 2019</b>		<b>349</b>	<b>12,006</b>	<b>524</b>	<b>162</b>	<b>(5,774)</b>	<b>17,020</b>	<b>24,287</b>

## 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
<b>Balance at 1 January 2018</b>		349	12,006	148	(50)	8,101	12,072	32,626
<b>Changes in equity</b>								
Issue of equity share capital		-	-	-	-	-	-	-
Share-based payments	5	-	-	189	-	-	-	189



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

## For the financial year ended 31 December 2019

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

**For the financial year ended 31 December 2019**

## 9/15

This announcement was approved by the Board of Directors on 30 March 2020.

## 2 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**

This final results announcement for the year ended 31 December 2019 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied are consistent with those set out in the Belvoir Group plc Annual Report and Accounts for the year ended 31 December 2019.

The financial information contained within this final results announcement for the year ended 31 December 2019 and the year ended 31 December 2018 is derived from but does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies and those for the year ended 31 December 2019 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for the year ended 31 December 2019 and the year ended 31 December 2018 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

### **Going concern and Covid-19**

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

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

### **Standards adopted for the first time**

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

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

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

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

## 3 Segmental information

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

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

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

Lettings	Property sales	Total revenue
----------	----------------	---------------

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

Gross profit for the two divisions is split as follows:

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

#### 4 Cost of sales and administrative expenses

##### Group

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

	2019 £'000	2018 £'000
Staff costs	5,220	4,559
Depreciation	336	127
Amortisation	471	454
Marketing	423	326
Auditor's remuneration		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	58	53
- Tax compliance services	12	16
- Statutory audit of subsidiaries	-	45
Operating lease expenditure	-	247
Other cost of sales and administrative expenses	7,072	2,892
	13,592	8,719

#### 5 Share-based payments

Administrative expenses includes a charge of £187,000 (2018: £189,000) after valuation of the Company's employee share options schemes in accordance with IFRS 2 'Share-based payments'. Under this standard, the fair value of the options at the grant date is spread over the vesting period. These items have been added back in the statement of changes in equity.

#### 6 Exceptional items

##### Group

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

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

#### 7 Dividends

##### Group

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

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

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

	2019 £'000	2018 £'000 As restated
Profit for the financial year	<b>4,652</b>	4,500
Weighted average number of ordinary shares	Number	Number
Basic	<b>34,939</b>	34,939
Diluted	<b>35,934</b>	35,727
Earnings per share	Pence	Pence
Basic	<b>13.3p</b>	12.9p
Diluted	<b>12.9p</b>	12.6p

## 9 Leases

### Group

#### Right-of-use assets

	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)
<b>At 31 December 2019</b>	<b>475</b>	<b>140</b>	<b>1</b>	<b>616</b>

#### Lease liabilities

	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)
<b>At 31 December 2019</b>	<b>482</b>	<b>137</b>	<b>1</b>	<b>620</b>

#### Maturity of lease liabilities

	Up to 6 months £'000	6-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
<b>Lease liabilities</b>	<b>91</b>	<b>87</b>	<b>437</b>	<b>5</b>	<b>620</b>

## 10 Cash and cash equivalents

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	<b>3,586</b>	1,798	<b>1,412</b>	214

## 11 Borrowings

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current</b>				
Bank loans - term loan	<b>861</b>	925	<b>861</b>	925
<b>Long term</b>				
Bank loans - term loan	<b>9,591</b>	10,452	<b>9,591</b>	10,452
	<b>10,452</b>	11,377	<b>10,452</b>	11,377

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

## 12 Maturity of borrowings

	2019 £'000	2018 £'000
<b>Group and Company</b>		

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

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

### 13 Reconciliation of profit before taxation to cash generated from operations

#### Group

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

### 14 Deferred taxation

#### Group

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

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

### 15 Prior year restatement

The Directors have decided to restate the following items:

#### Unearned indemnity commission

In prior years the liability to unearned indemnity commission net of amounts recoverable from financial advisers was treated as an accrual which was offset by an amount recoverable from the financial advisor. The liability and asset are due to and

from different counterparties and should not be offset. This has been restated to recognise the gross unearned indemnity commission as a refund liability and the amount recoverable from the financial advisers within other debtors.

#### **Deferred tax on acquired intangibles**

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

#### **Deferred tax asset on share options**

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

### **16 Post balance sheet events**

#### ***Lovelle acquisition***

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

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

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

#### ***Covid-19***

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

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

#### **17 Posting of accounts**

It is intended that the financial statements for the year ended 31 December 2019 will be made available to shareholders on the company's website [www.belvoirgroup.com](http://www.belvoirgroup.com) by 15 April 2020 and will also be available thereafter at the registered office, The Old Courthouse, 61a London Road, Grantham, NG31 6HR.

#### **18 Annual General Meeting**

The Annual General Meeting will be held at 10am on 21 May 2020 at the registered office, The Old Courthouse, 61a London Road, Grantham, NG31 6HR

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