

National footprint, local expertise.

ANNUAL REPORT &
ACCOUNTS 2022



We are the UK's largest multi-brand property franchisor, with a network of over 600 lettings and estate agency businesses delivering high quality services to residential clients.

In a continually changing business environment, our significant team of sector experts are continually reassessing and innovating to keep our franchise owners ahead of the competition.



Find out more at thepropertyfranchisegroup.co.uk



Contents

Strategic report

Highlights	01
At a glance	02
Chairman's statement	04
Investment case	06
Chief Executive Officer's statement	08
Our market	10
Business model	12
Our strategy	16
Financial review	18
Our key performance indicators (KPIs)	20
Stakeholder engagement	22
Responsible business	24
Risk management	27
Principal risks and uncertainties	28

Governance

Chairman's introduction to governance	30
QCA code compliance	31
Corporate governance statement	32
Our Board of Directors	34
Audit and Risk Committee report	36
Remuneration Committee report	38
Directors' report	41

Financial statements

Independent auditor's report	43
Consolidated statement of comprehensive income	48
Consolidated statement of financial position	49
Company statement of financial position	50
Consolidated statement of changes in equity	51
Company statement of changes in equity	52
Consolidated statement of cash flows	53
Notes to the consolidated statement of cash flows	54
Company statement of cash flows	55
Notes to the Company statement of cash flows	56
Notes to the consolidated and company financial statements	57
Shareholder information	80



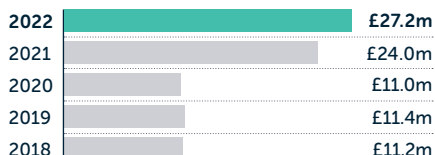
Highlights

Financial highlights

Revenue

£27.2m

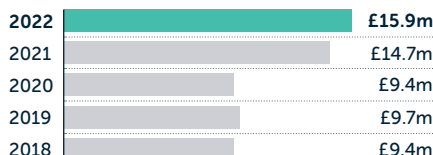
↑ +13%



Management Service Fees

£15.9m

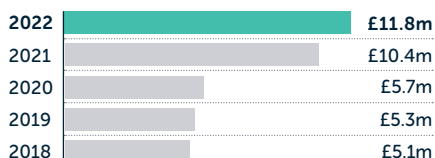
↑ +8%



Adjusted EBITDA*

£11.8m

↑ +14%



Dividends

13.0p

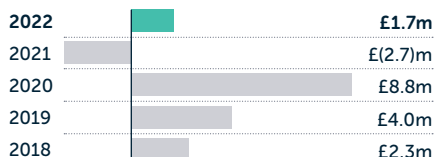
↑ +12%



Net cash / (debt)

£1.7m

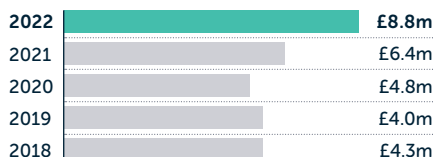
↑



Profit before tax

£8.8m

↑ +38%



* Before exceptional items, share based payment charges and losses/gains on listed investment

Operational highlights

- The Group has a portfolio of 76,000 tenanted managed properties (2021: 74,000), providing a reliable, regular income stream.
- EweMove sold 44 new territories in 2022 (2021: 58) taking the total number of territories under contract to 189.
- The Group's sales agreed pipeline remained strong at £22.2m at 31 December 2022 (2021: £26.5m).
- Hunters, the largest acquisition to date, integrated and synergies achieved.
- Installation of up-to-date CRM systems in Hunters and EweMove.

Our strategic growth initiatives

1. Lettings growth
2. Develop sales activity in the high-street led brands
3. Financial services growth
4. EweMove recruitment
5. Acquisitions
6. Digital marketing

Our vision

To achieve an increasing UK market share of lettings, estate agency and financial service transactions using a proven franchise model with multiple, and clearly differentiated brands. The Property Franchise Group PLC intends to develop both the depth and breadth of its network, supporting our franchise owners to grow their local market shares.

Find out more at
thepropertyfranchisegroup.co.uk



At a glance



Providing responsive local residential sales and lettings expertise across the nation through our award-winning brands.

Our network

We have representation stretching from Falmouth to Aberdeen with a presence in most major towns and cities including 55 offices in London. We achieve this both through traditional high street offices and through virtual offices where the franchisee typically works from home or a serviced office.

Our brands

Our brands are household names in their local communities, regions and nationally. Whilst the majority of franchisees operate through high street offices, a growing number of new franchisees choose to offer a 24/7 hybrid service through EweMove and, from 2022, were able to offer a hybrid service through Hunters.

Our success

Our brands have achieved many awards over the years demonstrating their capabilities.

Notably, our youngest franchise brand, EweMove, has continued to win awards and establish itself nationally. EweMove appeared in the HSBC top 100 UK franchised businesses of 2022 at number 34. It celebrated becoming the first-ever winner of the 'triple crown' at the UK's biggest agency event, the EA Masters Awards on the 21st September 2022, winning the 'Best National Award' in three categories: Lettings Agencies, Sales Agencies and Sales & Lettings Agencies.



You can find out more about all our brands on our website thepropertyfranchisegroup.co.uk

£163_m

(2021: £157m)

Franchise Network
Turnover

3,500

(2021: 3,750)

Franchise Network
Employees

National property franchise brands



The national network of independently owned property agents

Martin & Co was established in 1986 and has mainly high street offices, serving England, Wales and Scotland. It is one of the major residential letting agents in the UK with over 42,000 properties under management.

143 Territories



Here to get you there

Hunters opened its first office in York in 1992. It has grown to 178 offices, mainly on the high street, serving England and Wales. It operates 9 of the offices itself.

178 Territories



The UK's trusted agent

The EweMove franchise model combines local property experts through a centralised 24/7 technology platform with the traditional features of a full estate agency service.

189 Territories

Regional property franchise brands



Unrivalled local knowledge, for all your property needs

Whitegates has been trading in the Midlands and North of England since 1978. Today its activities are evenly split across sales and lettings with 29 high street offices.

29 Territories



Property experts providing service and value for London communities since 1850

Ellis & Co has 15 high street offices, 14 within London. It shares complementary branding with Martin & Co offices in London.

15 Territories



Taking the hassle out of property, for communities across southern England, since 1948

Parkers has 16 high street offices located along the M4 corridor west of Maidenhead with a strong presence around Reading.

16 Territories



Providing expertise in sales and lettings to communities across the South West of England for over 150 years

CJ Hole was established in 1867 and has a strong local brand heritage. Operated through 16 high street offices in Avon, Somerset, and Gloucestershire.

16 Territories



When you're ready to move, Mullucks will get you moving

Mullucks has been established in Hertfordshire and Essex for over 30 years and has a long-standing reputation for professionalism and local expertise.

3 Territories



Local Agent, a network of smiles

Country Properties operates 14 high street offices across Hertfordshire and Bedfordshire.

14 Territories

Financial services brands



Your online mortgage broker

The Mortgage Genie is an online mortgage broker based in Newcastle and was established in 2016. It has a team of financial advisers offering products from a panel of over 90 lenders.



2022 has proved to be another outstanding year for the Group.



Paul Latham | Non-Executive Chairman

Before getting into the detail of why that's the case during my first year as Chairman, I want to say a few words of thank you to our founder, Richard Martin, who retired as Chairman in May 2022.

Richard espouses all of the virtues of TPF. The requirements for strong leadership, entrepreneurial drive, tight cost control and creative vision. As a direct result of Richard's outstanding leadership, the Group today benefits from each of these virtues being embodied in our Executives supported by a vastly experienced Senior Leadership Team. Working closely together they are capable of identifying and assessing the merits of acquisition opportunities whilst ensuring that the knitting of the day job has their full and appropriate attention.

I am very pleased that Richard agreed to remain on our Board as a Non-Executive Director and we are extremely grateful for his continued encouragement and insight.

Throughout the year we continued to work hard to fully integrate Hunters and this process was completed by year-end – some three months ahead of our original timetable. As with previous acquisitions, we have demonstrated our ability to achieve the planned synergies and our capability to successfully manage such acquisitions for the benefit of all our stakeholders. This was especially pleasing given the scale of the acquisition.

Our financial results this year have confirmed the success of our acquisition of Hunters in 2021. Our headline profit before tax being ahead of market expectations at £8.8m (2021: £6.4m) and the more insightful adjusted profit before tax being higher than market expectations at £10.7m (2021: £9.4m). In turn we also improved our return on capital employed to 20% (2021: 17%) and our return on capital invested to 27% (2021: 24%).



The Group's shareholders will be aware of the highly cash generative nature of our activity. It is, therefore, very pleasing to report that after using a debt facility of £12.5m and cash of £2.5m to fund the acquisition of Hunters as well as paying increased dividends of £3.8m, the Group has swiftly returned to a net cash position of £1.7m at 31 December 2022.

As a result of our financial progress in 2022, I am particularly pleased to announce that the Board has approved a final dividend for FY22 of 8.8p (2021: 7.8p) bringing the total dividend for FY22 to 13.0p, an increase of 12% over the 11.6p paid for 2021.

Despite our record financial performance in 2022, the year was operationally challenging for our more sales reliant businesses. The housing market was affected by the macro-economic issues facing the UK and reacted to the increase in interest rates with a noticeable decline in agreed sales transactions as mortgage deals became more expensive and stuttered through the political uncertainty of Q4. From a sales perspective, 2022 was a year of two halves with good levels of sales agreed but slow conversion into completed transactions in H1 and slowing levels of sales agreed but much better conversion into completed transactions in H2. We ended the year with a sales agreed pipeline of £22.2m (2021: £26.5m) which still represents a good start to our 2023 financial objectives.

2022 was a year where our strength in lettings showed its considerable influence on our financial results. Our heritage and focus has always been in lettings. We managed 76,000 tenanted properties for landlords at 31 December 2022. Our total lettings revenues represented 47% of total revenue and lettings accounted for 55% of management service fees. It is a recurring revenue stream, annuity like in nature, that grew in 2022, largely as a result of rental inflation. The early signs are showing a similar trend in 2023.

The growth of our portfolio of managed properties together with an improvement in the lettings revenues in Hunters are at the core of our plans for 2023. Whilst there are clear signs that there may well be more economic stability than we expected in Q4 2022, which invariably translates into an improved housing market, any headwinds faced are also likely to create opportunities for the Group given our balance sheet strength and growing net cash position.

The Group is today, the largest property franchisor in the UK. The resilience of the franchise model to weather periods of economic uncertainty backed by an underlying recurring revenue stream, predominantly from our portfolio of managed properties, allows the Group to actively pursue the development of complementary revenue streams. Three such streams under development being financial services, conveyancing and block management.

By way of conclusion I would like to thank my Board colleagues, the dedicated head office teams in Bournemouth, York and Cleckheaton and our many excellent franchisees and their staff for all of their efforts over the last year. Similarly I extend my thanks to all of our shareholders and business partners for their continued support. We could not achieve what we do without all these stakeholders striving to help us achieve our strong vision and clearly defined strategic initiatives.

Paul Latham
Non-Executive Chairman
 17 April 2023



2022 was a year where our strength in lettings showed its considerable influence on our financial results.

£8.8m

Profit before tax

13.0p

Dividend for FY22

20%

ROCE

Investment case

Why invest in The Property Franchise Group?

We are a robust business in the face of adversity as well as a market leader able to reap the rewards in better times.

Since listing on AIM in 2013 we have acquired a number of complementary property franchising businesses and become the largest lettings and estate agency franchise business in the UK.

We have rewarded our shareholders with a progressive dividend policy.



Proven franchise model:

+27

years in franchising

High degree of recurring revenue:

51%

of total revenue in 2022

Track record of growth:

+764%

growth in adjusted diluted EPS since 2013

Experienced leadership team:

24 years

average industry experience

Six acquisitions since 2013 to date:

9

franchise brands

Progressive dividend policy:

+828%

growth since 2013 at 13.0p for 2022

Strong free cash flow generation:

+£8.2m

for 2022

Capital light model:

20% 27%

ROCE in 2022 ROIC in 2022

Chief Executive Officer's statement

Strength of franchise model delivers material revenue growth.



Gareth Samples | Chief Executive Officer

Execution of our strategic plan continues to deliver growth.

I am delighted to report that 2022 produced another strong set of record results as we delivered on our investment and growth objectives. We achieved material revenue growth, up 13% to £27.2m and a significant increase of 38% in reported profit before tax to £8.8m.

As we continue to navigate an unpredictable UK property market which saw a drop in sales activity in 2022, in line with our expectations, the strength of our franchise business model and our commitment to lettings activities has come to the fore in achieving these results. I would like to take this opportunity to thank our team for their continued commitment to the business and hard work in supporting our franchisees.

Following a transformational year in 2021 with the acquisition of Hunters, a key focus for us during the year was to fully integrate the business which was achieved ahead of target. We are now benefitting financially, operationally and strategically from being an enlarged Group.

Our performance has been particularly pleasing when compared against the economic backdrop and reduction in house sales transactions across the UK property market. Our business model has proven its robustness with the growth in lettings' revenues which more than offset the impact of the market-led reduction in sales transactions. Looking ahead, we don't envisage this abating. We expect residential sales transactions to continue to reduce in 2023. We also expect recurring lettings' revenues to continue to grow at or above the levels seen in 2022, which is particularly encouraging for the Group with such a strong lettings heritage and performance.

We have continued to strengthen our senior leadership team and the team dedicated to supporting franchisees during 2022 as well as investing in new operating systems for EweMove and Hunters to further their growth. By leveraging our position, we believe opportunities exist to continue our strategic initiatives over the next 12 months.

£27.2m £9.0m

Turnover

Net cash generated
from operations

Financial performance

I am very proud of our franchisees, who collectively contributed to the delivery of another year of growth in Management Service Fees ("MSF"), up 8% to £15.9m (2021: £14.7m) and our Group for maintaining its strong operating margin and, thereby, achieving an adjusted profit before tax increase of 14% to £10.7m (2021: £9.4m), ahead of market expectations.

We continue to be strongly cash generative, generating net cash from operations of £9.0m (2021: £8.9m). As a result, we fully repaid the outstanding balance of the £7.5m term loan in November 2022 that formed part of the £12.5m debt facility used to fund the Hunters acquisition in March 2021, paid an increased interim dividend and ended the year with a net cash position of £1.7m (2021: net debt £2.7m). We are delighted to have put ourselves back into a net cash position within 18 months of our largest acquisition to date which gives us a strong platform for further growth.

As a result of our continued financial progress and our commitment to a progressive dividend policy, we are pleased to announce a final dividend of 8.8p for 2022 (2021: 7.8p). Its approval at our AGM in June will mean an increase in the full year dividend of 12% to 13.0p (2021: 11.6p).

Our network's lettings performance

A lack of stock, unprecedented demand, in part driven by continuing high levels of long-term net migration, and rising mortgage costs have all driven rental inflation in 2022 and continue to do so into 2023.

The Group and the broader UK lettings market saw double digit growth in new tenancy rents in 2022, with the Homelet Index recording growth of 10.8%. For the 75% of renters who do not move every year, rent increases were 4.2% in the 12 months to December 2022, representing the largest annual percentage change since the ONS UK Index began in January 2016.

Whilst pursuing a mix of revenues, the lettings side of our business with 76,000 rental properties under management remains at the

core of our activities. We remain committed to this being the most significant element of our revenue and MSF. Lettings represented 47% of total revenue (2021: 48%) and 55% of total MSF (2021: 53%) in the period.

The above factors, together with a full year's contribution from Hunters and some progress in assisted acquisition numbers, have generated total growth in lettings revenues of 9% and lettings MSF of 13% over 2021 (of which Hunters contributed 3% and 4% respectively).

Amidst an uncertain trading environment, it is the lettings market which underpins our prospects for growth in 2023.

Our network's sales performance

Total residential sales transactions in the UK declined from c.1.5m in 2021 to c.1.25m in 2022*, a trend reflected in the Group's overall performance with the notable exception being Martin & Co where sales completions were almost unchanged year on year. This reflects the continued work to grow the brand's sales capabilities.

In 2022, the Group listed over 37,000 homes for sale, agreed sales on over 31,000 homes and helped buyers complete on over 24,000 homes.

Whilst the sales transaction market is notoriously difficult to predict, early signs of stock levels and instructions, coupled with improved conversion times, indicate that the market for residential properties is likely to align with that of 2019 as we move through the year. Whilst realigning, we expect residential sales transactions to reduce and 2023 to perhaps achieve 1.06m transactions in line with forecasts by Zoopla.

Strategic initiatives delivering growth

We made progress in 2022 with all our strategic initiatives with economic uncertainty and challenges brought about by that impacting the initiatives to various degrees.

• Lettings growth

Our assisted acquisitions programme brought 1,890 tenanted properties into

the network, in turn adding £2.1m of network income on an annualised basis. We aim to grow this further in FY23.

• Develop sales activity in the high street-led brands

All of our long-standing brands performed strongly showing a 9% reduction in sales transactions overall against a UK market reduction of 16% in 2022. As a result, we gained market share, led by the initiatives within Martin & Co.

• Financial services growth

H2 2022 presented a significant challenge for financial services in this sector and that has continued into 2023. Mortgage Genie made progress but MSF from this activity remains at 1% of the Group total against a longer term objective of 5%.

• EweMove recruitment

2022 was yet another good year for EweMove as it continued to build on its brand positioning and scale, selling 44 new territories and finishing the year with 189 territories under contract.

• Acquisitions

We continue to assess potential targets primarily with the aim of adding managed properties to our nine owned offices in 2023.

• Digital marketing

We provide local solutions for franchisees and Group-wide customer journey management. New campaigns are driving pleasing levels of results for the network as we improve our customer for life journeys and invest in more capable operating systems.

Outlook

Whilst remaining cognisant of the external environment, we remain confident in the execution of our strategic plan moving forwards. We have an excellent team in place, continuing to support a very experienced group of franchisees and a proven strategy, which we expect to continue delivering growth into 2023 and beyond.

Gareth Samples
Chief Executive Officer

17 April 2023

* UK monthly property transactions commentary – GOV.UK

Our market

Our understanding of the drivers of the residential property market.

Residential property has established itself as an investment asset class and the economic need for residential agency remains as strong as ever.

Market drivers

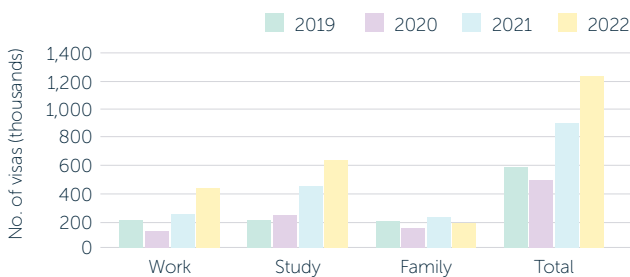
- People will always need somewhere to live
- Population growth/increased life expectancy means more UK households in the future
- Social housing provision has declined significantly over the last 30 years
- The private rental sector has grown significantly to almost 20% of total housing stock
- Residential property has become an investment asset class
- Demand continues to outstrip supply

KEY FACTORS – LETTINGS

Immigration to UK

Long-term net migration has played a significant part in rental demand. Estimates for the 12 months ended June 2022 showed 504,000 more people arriving into the UK than departing. Looking at visas granted, work visas were up 77% over 2021, and study visas were up 44% over 2021. Towards the end of 2022, Rightmove reported that the number of people enquiring about rental properties was up 23% on the prior year.

UK Visas Granted

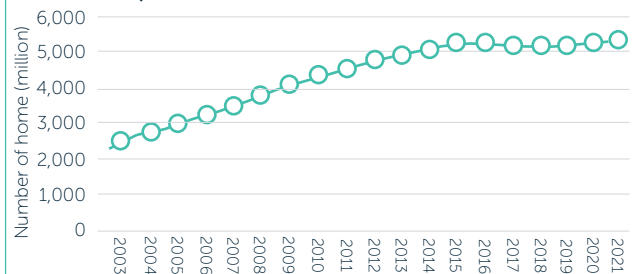


Source: Home Office / ONS

Homes in the Private Rented Sector

UK rental stock reached 5.4m homes in 2016 and has not changed significantly since with the latest data showing 5.5m homes in 2021. There are structural challenges from the current tax regime, ageing landlords sitting on big capital gains and decarbonisation through the move to EPC C rules in 2028 holding back growth. Accidental landlords should help growth in the short-term along with landlords that favour low LTV purchases.

Number of private rented homes (million)

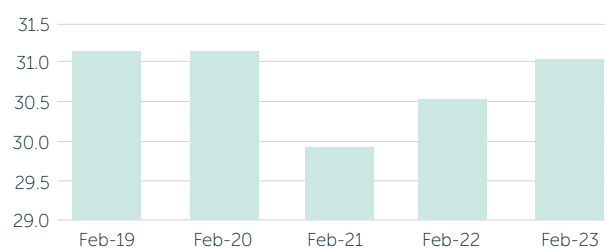


Source: UK stock of private rented homes – Zoopla

Affordability

The percentage of gross income that households spend on their rent appears to be relatively static. The Homelet Rental Index Report for February 2023, recorded 31% in February 2023 up from 30.5% in February 2022 and almost identical to February 2019. This despite UK rents for new tenancies increasing year on year by an average of almost 10% in 2022.

Rent as a % of household's gross income for new tenancies

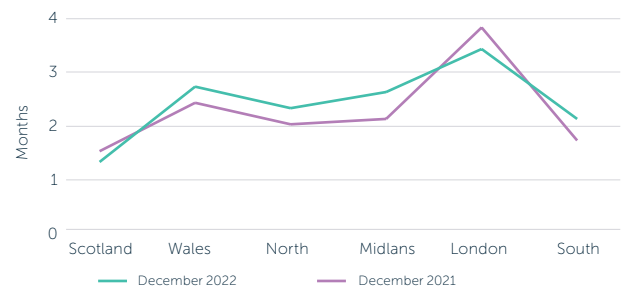


Source: Homelet Rental Index Report

Availability of Stock

Rental properties available to tenants looking for a home at any time has improved slightly over 2021 apart from in London, and Scotland according to Twenty CI's Property and Homemover Report December 2022. That said, against the 5 year average, rental stock is down 38% according to Zoopla.

Rental Stock



Source: Twenty CI

KEY FACTORS – SALES

Mortgage Rates

We are living through mortgage rates not seen in the UK since November 2008. Although they appear to have stabilised and offer room for reduction in 2023, higher than expected inflation may cause mortgage rates to fall more slowly in 2023 than forecasts suggest. That said, 50% of purchases are by cash buyers, up 10% in November 22 over pre-Covid levels according to Savills, and through low value mortgages.

New mortgage rate 75% loan to value (%)

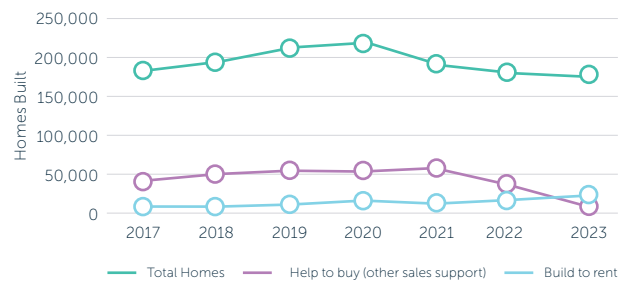


Source: Bank of England

Housebuilding

House building in England has been falling short of Government targets and forecasts suggest that will remain the case. The target is currently 300,000 homes pa. Starts were circa 180,000 in 2021 and 2022. Building the right properties in the right locations may prove difficult. Supply constraints will continue to be a factor in house prices and rents for many years to come.

House Building in England

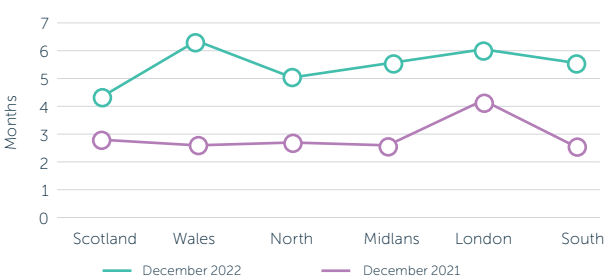


Source: DLUHC

House Buyers/Sellers

The reduction in sales agreed (-15%) and exchanges in 2022 (-11%) together with an increase in seller instructions meant stock availability was much closer to typical values going into 2023. The ratio of new sales to new instructions has returned to pre-Covid levels. That said, Zoopla research shows demand in Jan/Feb 23 was up 15% on Jan/Feb 19, which is reflected in house prices not falling as far as expected and showing little change year on year.

Residential Sales Stock

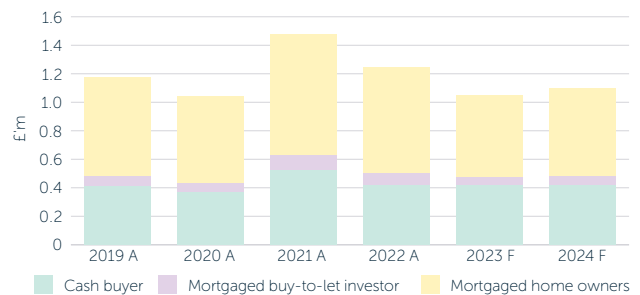


Source: Twenty CI

Residential Property Transactions

The expected fall in transactions in 2022 over 2021 occurred as the costs of stamp duty became a factor again coupled with rising inflation and mortgage rates. The result, 1.26m transactions on a seasonally adjusted basis, comparable with the best years pre-Covid. So far in 2023, cash buyers represent a higher proportion of transactions. Zoopla forecasts circa 1.05m transaction in 2023.

UK Residential Property Transactions



Sources: Zoopla



Business model

Our proven franchise model creates a solid platform for value creation and further growth opportunities.



What we do

Lettings and property management

We are one of the largest managing agents of residential properties in the UK with a deep understanding of lettings and a clear view of how to develop value in the long-term from a portfolio. Our franchisees are fully insured members of professional bodies, supported by specialist software, who know their local rental market and manage all properties locally.

Estate agency

We operate on a no sale no fee basis. We cater both for the majority of sellers who prefer to instruct an agent operating from high street premises and for those sellers who choose to use a more technologically enabled agent without a high street office. Two of our brands have been engaged in estate agency for more than 150 years.

Financial services

Whilst some of our franchisees have been offering their clients access to property related financial services for many years, this was identified as a growth area for us as a large proportion of franchisees do not engage in this activity. Hence, the development of a full financial services offering is one of our strategic initiatives.

Acquisitions

The assisted acquisitions programme, whereby we provide the expertise to our franchisees to assist with finding the sellers of managed property portfolios, negotiating the sales, funding the acquisitions and integrating those acquisitions, is a primary focus for us. Franchisees buying managed portfolios of properties improve their chances of successful future growth.

How we add value

Established franchise model

At our core, all our brands operate exactly the same franchise model. It's a model that's been developed over the last 27 years, based around long-term commitment by franchisor and franchisee to the development of the franchisees' revenue streams. Franchisees sign a five-year agreement and agree to put all their efforts into developing the franchise brand in their territory.

Expertise and scale

We have significant expertise in buying, letting and managing rental properties. In the last eight years, aided by the acquisition of some more sales-dominated businesses, we have developed our expertise in selling homes. We have grown to be the second largest branch network for residential sales and the second largest manager of rental properties.

Central support

The support required by franchisees changes as their franchises mature and as the economic environment changes. We continue to evolve and invest in our central support through IT, marketing, assisted acquisitions, compliance and to invest in business advice through the growth of our leadership team.

Harnessing technology

The use of technology is evolving in our sector. The acquisition of EweMove helped us understand how important it was to embrace new technologies. We have been improving lead generation through improved websites, social media, improved CRM, live chat, online viewings, and online appointments. All our national brands will have replaced their operating platforms over the last 21 months by Q4 2023.



How we support our franchisees

We rely on people who are committed to operating franchises under our brands. A franchisor's role is to research, gain insight into the future environment and determine those factors likely to impact franchisees' businesses in the future. We recognise that experienced franchise owners have an important role to play and we engage with them through various franchise committees, regional business meetings and through the MD-led operations teams.

We pride ourselves on the comprehensive start-up training and support we offer. The success of our franchisees is very important to us. We support them throughout their initial five-year franchise agreement and beyond.

- Ongoing support through regional training, online training, the acquisitions team and our business development team.
- All offices have unlimited access to our business systems, helpdesk and to specialist "market intelligence" tools.
- Marketing campaigns and collaterals are developed in coordination with the brands' marketing committees and made available through a digital hub.
- We build, update and optimise our brand websites.
- We support our franchisees with regular customer targeted mailings/messages, PR and monthly newsletters.
- We use specialist operational software and work with our providers to ensure all franchisees and their staff are competent users.
- We have an internal audit team and conduct regular checks on the financial practices of our franchisees.

The value our model creates



Shareholders

- A stable annuity like earnings' stream due to the size of the managed portfolio of properties.
- A growing dividend through the success of acquisitions and diversifying income.

51%

Recurring revenue



Franchisees

- At the forefront of technology and digital marketing in our sector.
- Central expertise to steer franchisees through the business challenges.
- Opportunities to achieve scale and ambitions through expansion of territory, assisted acquisitions or buying outgoing franchisees' businesses.

603

Franchised territories



Landlords

- One of the largest letting agents in the UK with a deep understanding of lettings.
- Franchisees supported by the best operational software available.
- High standards of compliance that meet or exceed the legal requirements.

76,000

Managed properties



Tenants

- Local service and extensive local knowledge to help find the right property.
- Long established and far reaching landlord relationships.
- A full redress scheme when needs arise.

35,000

Properties let



Sellers

- A service more suited to customers, having the choice of traditional or hybrid.
- No sale no fee across all our brands.
- Deep understanding of local markets, some brands with +150 years of operation.

37,000

Properties listed for sale



Employees

- Over 3,500 people are employed within the network and are given access to high quality training and career development opportunities.

3,500+

Employees in network





Our strategy

We are pursuing a strategy to deliver growth which is summarised into six key elements:



Strategic growth initiative	Actions
01 Lettings growth	We intend to continue to grow the portfolio of tenanted properties managed by our franchise network through acquisition (our own and assisting franchisees), through more engaging and informing services for our landlords, and by addressing the causes of attrition.
02 Develop sales activity in the high-street led brands	Some of our high-street led brands have been heavily weighted towards lettings. For some offices this is their primary focus. So, there is a significant opportunity to increase sales activity.
03 Financial services growth	We want to build a financial services business that serves the customers of our brands as part of becoming a full service provider. Growing our sales activity will help drive our financial services business.
04 EweMove recruitment	We want to accelerate the recruitment of franchisees into EweMove, with a short-term goal to achieve 200 franchised territories before setting our sights on 300 territories. In 2 years EweMove has grown from 115 to 189 franchised territories.
05 Acquisitions	We will continue to grow the Group through acquisitions of the same, similar and complementary businesses.
06 Digital marketing	Our digital marketing strategy underpins all our other strategic growth initiatives. We will continually develop our digital marketing, delivering an intuitive and engaging customer journey with the right communications at the right time.



For details of our KPIs
See pgs 20 – 21

Progress to date

- Most of our franchisees have expressed a desire to buy a portfolio.
- Franchisees have continued to carry out acquisitions acquiring 1,890 managed properties in 2022 (+49% on 2021).
- The brands' managing directors are actively working with franchisees to source opportunities.
- Digitally driven campaigns to win private landlords' business, retain existing landlords and win back lost landlords.

- We continue on our upskilling journey through the introduction of a network wide training portal.
- Martin & Co's sales transactions in 2022 up 32% over 2019 despite a 16% reduction in the 2022 market over 2021.

- Strategic partnership agreed with LSL Property Services Plc to develop financial services.
- Developing our offer through or in-house mortgage broker Mortgage Genie.
- Franchisees running financial services businesses can now be supported by Mortgage Genie.

- 44 territories sold in EweMove during 2022 (2021: 58). Now just 11 short of 200 with performance suggesting 200 by the end of Q1 2023.
- Further investment in a regional team to support franchisees.
- Installation of new operating system to accommodate growth ambitions due to be completed in Q1 2023.

- Six acquisitions to date, 9 brands.
- Bank facility in place with Barclays Bank Plc to mirror our growth plans.

- In 2022 we have rebuilt some of our websites to allow us to respond more quickly to market needs.
- We are part way through installing new operating platforms in our three national brands to enable more digital interaction.

Principal risks

- Acquisitions may not be available or we may lose out to other buyers following the same strategy.

- The same number of agents chasing fewer sales transactions, causing fees to reduce.
- Increasing costs against a background of reduced fees, causing franchisees to reduce their sales activities.

- Franchisees do not accept that this income stream can improve the value of their franchises and apathy continues.
- Franchisees fail to see this as developing a stronger offering to win and retain customers.

- Lower costs of entry may mean some franchisees fail to devote the time required to developing the territory.
- The fixed fee model gains traction with wealthier customers given EweMove is no sale no fee.

- Suitable acquisitions do not become available or we lose out to other buyers following the same strategy.
- Prices sought by sellers leave insufficient room to enhance earnings as borrowing costs rise.

- Our messages being lost in the swathe of daily digital communications that many of our customers receive.
- Integrations and developments taking longer and costing more to achieve than anticipated.

Acquisition integration enhances strong financial performance.

Our commitment to long-term sustained growth meant that although we had to be more cautious in 2022, we pressed on.



David Raggett
Chief Financial Officer

By year end, we had delivered all the strategic ambitions we had set out to achieve. Namely, changes required to fully achieve our acquisition synergies, added to our team supporting franchisees, commenced the integration of Mortgage Genie into our financial services offering and begun the installation of new operating systems for all three national brands.

Whilst the organic growth in lettings revenue continued where it had left off in 2021, our revenue from sales' transactions was slow to materialise, eventually coming through towards the back end of 2022. With a slower market for sales' instructions in Q4 2022, our sales agreed fee pipeline fell back to £22.2m (2021: £26.5m). Still strong but down 16%.

Revenue

Group revenue for the financial year ended 31 December 2022 was £27.2m (2021: £24.0m), an increase of £3.1m (13%) over the prior year. Hunters contributed £10.9m to revenue (2021: £9.8m) and Mortgage Genie contributed £1.4m (2021: £0.4m). There was like for like growth (excluding the acquisitions in 2021) of 8% in revenue, delivering £14.9m (2021: £13.9m).

Management Service Fees ("MSF"), our key underlying revenue stream, increased 8% from £14.7m to £15.9m and represented 58% (2021: 61%) of the Group's revenue. Hunters contributed £4.1m of MSF (2021: £3.5m). There was like for like growth (excluding Hunters) of 5% to £11.8m (2021: £11.2m). Lettings contributed 55% of MSF (2021: 53%), sales contributed 44% of MSF (2021: 46%) and financial services contributed 1% of MSF

(2021: 1%). Lettings MSF increased by 12% in the year, excluding the amortisation of prepaid assisted acquisitions support, and sales MSF increased by 2%.

Our franchise sales activity was again predominantly focused on reselling existing franchises to experienced franchise owners in the high street-led brands, and encouraging new entrants into EweMove. Territory sales in EweMove were 44 (2021: 58), the second highest in EweMove's history.

Operating profit

Headline operating profit increased by 40% for the second year in a row to £9.3m (2021: £6.7m) with an improved operating margin of 34% (2021: 27%). Adjusted operating profit before exceptional items, amortisation of acquired intangibles and share-based payments charges increased 15% from £9.7m to £11.1m and the resulting operating margin remained strong at 41% (2021: 40%).

As a result of our acquisitions in 2021, our cost of sales increased by 51% to £5.6m (2021: £3.7m). Headline administrative expenses decreased by 7% to £11.9m (2021: £12.7m) and, excluding the exceptional costs incurred in 2021 of £0.9m, administrative expenses were unchanged year on year.

There were no exceptional costs incurred in the year (2021: £0.9m due to the acquisitions).

Share options were granted to the Executive Directors in 2022 over a maximum of 290,000 ordinary shares. There were also share options granted to senior employees in 2022 amounting to a maximum of 212,500 ordinary shares on the same conditions as those applying to the Executive Directors. Total shares under option at 31 December 2022 were 2,213,000.

An assessment of the share-based payment charges resulting from the options granted was made on 31 December 2022 resulting in £0.4m being charged to the profit and loss account (2021: £1.0m). Further details can be found in notes 4, 5 and 33 to the consolidated financial statements.

Adjusted EBITDA

Adjusted EBITDA for 2022 was £11.8m (2021: £10.4m), an increase of £1.4m (14%) over the prior year.

	Percentage change	2022	2021
Revenue	+13%	£27.2m	£24.0m
Management Service Fees	+8%	£15.9m	£14.7m
Cost of sales	+51%	£5.6m	£3.7m
Administrative expenses	-7%	£11.9m	£12.7m
Adjusted operating profit*	+15%	£11.1m	£9.7m
Operating profit	+40%	£9.3m	£6.7m
Adjusted profit before tax**	+14%	£10.7m	£9.4m
Profit before tax	+38%	£8.8m	£6.4m
Adjusted EBITDA**	+14%	£11.8m	£10.4m
Dividend	+12%	13.0p	11.6p
Diluted EPS	+99%	22.5p	11.3p
Adjusted diluted EPS**	+6%	28.4p	26.9p

* Before exceptional costs, amortisation of acquired intangibles and share-based payment charges.

** Before exceptional costs, share-based payment charges and loss/gain on listed investment

Profit before tax

Profit before tax increased to £8.8m (2021: £6.4m). Excluding exceptional costs of £nil (2021: £0.9m), amortisation arising on acquired intangibles of £1.4m (2021: £1.2m), the share-based payment charges of £0.4m (2021: £1.0m) and the loss on the listed investment of £0.03m (2021: gain £0.1m), the adjusted profit before tax increased by 14% from £9.4m to £10.7m.

Taxation

The effective rate of corporation tax for the year was 18.0% (2021: 42.7%) with the rate in 2021 due to the increase in corporation tax from 19% to 25% in April 2023 which caused a deferred tax charge of £1.5m. The total tax charge for 2022 was £1.6m (2021: £2.7m).

Discontinued operations

On 22 July 2021 the Group disposed of its majority shareholding in Aux Group Limited. This resulted from the decision to partner with LSL so as to scale up more quickly without the regulatory burdens. A cost of £0.2m was recognised under discontinued operations in 2021 being the loss on disposal of £0.3m less the profit after tax up to the point of disposal of £0.1m.

Earnings per share

Basic earnings per share ("EPS") for the year was 22.6p (2021: 11.3p), an increase of 100%. This reflects the remaining dilution impact flowing through from the acquisition of Hunters in 2021 into the calculation with the average number of shares in issue for the period being 32,041,966 (2021: 30,622,102).

Diluted EPS for the year was 22.5p (2021: 11.3p) an increase of 99% based on the average number of shares in issue for the period plus an estimate for the dilutive effect of option grants vesting, being 32,141,592 (2021: 30,721,692).

The impact of the deferred tax rate change of £1.5m in 2021 was to reduce basic EPS and diluted EPS from 16.3p to 11.3p in 2021. Without the charge in 2021, the increase in basic EPS and diluted EPS for 2022 would have been 38%.

Adjusted basic EPS for the year was 28.4p (2021: 27.0p), an increase of 5% based on the average number of shares in issue for the period of 32,041,966 (2021: 30,622,102).

Adjusted diluted EPS for the year was 28.4p (2021: 26.9p), an increase of 6% based on an estimate of diluted shares in issue of 32,141,592 (2021: 30,721,692).

The adjustments to earnings to derive the adjusted EPS figures total £1.9m (2021: £4.8m) and mainly result from the share-based payment charge of £0.4m and amortisation of acquired intangibles of £1.4m.

The profit attributable to owners increased 108% to £7.2m (2021: £3.5m).

Dividends

The Board remains committed to its progressive dividend policy whilst maintaining strong dividend cover as part of its overall capital allocation policy.

The Group has grown significantly over the last two years and is generating significantly more cash than ever before. As a result, the Board is pleased to announce a final dividend of 8.8p (2021: 7.8p), an increase of 13%, bringing the total dividend for 2022 to 13.0p (2021: 11.6p). It will be paid on 9th June 2023 to all shareholders on the register on 12th May 2023. Our shares will be marked ex-dividend on 11th May 2023. The total amount payable is £2.8m (2021: £2.5m).

Cash flow

The Group is strongly operationally cash generative. The net cash inflow from operating activities in 2022 was £9.0m (2021: £8.9m).

The net cash inflow from investing activities was £0.1m (2021: outflow £13.7m). This results from acquisitions and disposals of intangible assets. In 2021 the net outflow consisted of £13.0m for the purchase of Hunters Property plc, £0.1m for the purchase

of The Mortgage Genie Limited and its sister company, £0.3m on the disposal of Auxilium and £0.3m for the purchase of assets.

The Group borrowed £12.5m from Barclays to fund the majority of the cash element of the consideration for Hunters Property plc in 2021. This was made up of a revolving credit facility of £5.0m and a term loan of £7.5m repayable over 4 years. The term loan was fully repaid in 2022 with an outflow of £6.1m. In 2021, the Group made repayments against the term loan of £1.4m and repaid loans that Hunters had with HSBC of £3.0m.

Dividend payments totalling £3.8m were paid in the year (2021: £2.9m).

Liquidity

The Group had cash balances of £6.7m on 31 December 2022 (2021: £8.4m) and after deducting the revolving credit facility of £5.0m mentioned above, net cash was £1.7m (2021: net debt £2.7m).

Key performance indicators

The Group uses a number of key financial and non-financial performance indicators to measure performance. The Group also adjusts certain well-known financial performance measures for share-based payments charges, amortisation on acquired intangibles and exceptional items so as to aid comparability between reporting periods.

The key financial and non-financial performance indicators are shown on pages 20 and 21.

Financial position

The consolidated statement of financial position remains strong with total assets of £57.8m (2021: £60.4m), the decrease being mainly due amortisation and cash used to pay off the term loan.

Liabilities reduced from £27.0m to £20.6m mainly as a result of the repayment of the term loan.

The Group finished the year with the total equity attributable to owners of £37.2m, an increase of £3.8m or 11% over the prior year. It achieved a ROCE of 20% and a ROCI of 27% in 2022.

The Group again generated strong cash inflows in 2022 due to growth in lettings revenues and its operating margins. It returned to a net cash position by year end, after its largest acquisition to date in 2021, leaving it well positioned to continue to deliver on its strategic initiatives.

David Raggett Chief Financial Officer

17 April 2023

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.

Strategic growth initiatives

- 01 Lettings growth
- 02 Sales activity in the high-street led brands
- 03 Financial services growth
- 04 EweMove recruitment
- 05 Acquisitions
- 06 Digital marketing

See more on pgs 16-17

* Profit after tax before share-based payment charges, amortisation of acquired intangibles, exceptional items**, losses/gains on listed investments and the impact of the deferred tax rate change.

** There were no exceptional items in the year. In 2021 there were £0.9m of costs relating to acquisitions included within administrative expenses.

Financial KPIs

Net cash generated from operations (£m)

£9.0m

0% (2021: £8.9m)

2022	£9.0m
2021	£8.9m
2020	£5.4m
2019	£4.7m
2018	£4.5m

Definition

Cash generated from the day-to-day trading activities of the business less taxes and loan interest paid.

Comments

The franchise model continues to be highly cash generative.

Links to strategy

01	02	03	04	05	06
----	----	----	----	----	----

Profit before tax (£m)

£8.8m

+38% (2021: £6.4m)

2022	£8.8m
2021	£6.4m
2020	£4.8m
2019	£4.0m
2018	£4.3m

Definition

Total revenue minus total costs, before the deduction of corporation tax.

Comments

Profit before tax increased £2.4m in 2022 in the main due to a full year of Hunters and Mortgage Genie, a lower share based payment charge and no exceptional costs in 2022.

Links to strategy

01	02	03	04	05	06
----	----	----	----	----	----

MSF per franchise – all brands (£k)

£29k

+5% (2021: £28k)

2022	£29k
2021	£28k
2020	£27k
2019	£26k
2018	£25k

Definition

Total management service fees "MSF" for all brands for the year divided by the total number of franchised trading territories at the end of the year.

Comments

The average MSF per trading franchised territory increased again.

Links to strategy

01	02	03	04	05	06
----	----	----	----	----	----

Adjusted earnings per share – fully diluted (pence)

28.4p

+6% (2021: 26.9p)

2022	28.4p
2021	26.9p
2020	16.5p
2019	15.9p
2018	13.3p

Definition

Adjusted profit for the year* divided by the weighted average number of shares in issue, including the dilutive effect of share options. See note 15 in the financial statements.

Comments

Adjusted earnings per share has again increased assisted by the acquisitions in 2021.

Links to strategy

01	02	03	04	05
----	----	----	----	----

Adjusted EBITDA (£m)

£11.8m

+14% (2021: £10.4m)

2022	£11.8m
2021	£10.4m
2020	£5.7m
2019	£5.3m
2018	£5.1m

Definition

Operating profit to which is added back share-based payment charges, depreciation, amortisation and exceptional costs. The values for these adjustments are disclosed in note 11 to the financial statements.

Comments

Adjusted earnings have increased in the main due to acquisitions in 2021 and acquisition synergies achieved.

Links to strategy

01	02	03	04	05
----	----	----	----	----

Adjusted PBT (£m)

£10.7m

+14% (2021: £9.4m)

2022	£10.7m
2021	£9.4m
2020	£5.3m
2019	£4.9m
2018	£4.8m

Definition

Profit before tax to which is added back amortisation arising on consolidation, exceptional costs, gain and losses from investments and share-based payment charges. All add backs are disclosed in note 15 to the financial statements.

Comments

Adjusted PBT has increased in the main due to acquisitions in 2021 and acquisition synergies achieved.

Links to strategy

01	02	03	04	05
----	----	----	----	----

Non-financial KPIs

Tenanted managed properties

76,000

+2% (2021: 74,000)

2022	76,000
2021	74,000
2020	58,000
2019	58,000
2018	55,000

Definition

Total number of rental properties being fully managed by our network.

Comments

Revenue from managed properties is a reliable income stream as the landlord is charged a % fee based on the rent paid each month.

Links to strategy

01 05 06

Properties sold in the year

24,200

-8% (2021: 26,200)

2022	24,200
2021	26,200
2020	9,500
2019	10,800
2018	10,800

Definition

Total number of property sales completed by our network in the year.

Comments

Residential sales decreased in 2022 with the return of full stamp duty, the increase in mortgage rates and the increase in the cost of living.

Links to strategy

02 03 06

Managed properties acquired by franchisees

1,890

+49% (2021: 1,270)

2022	1,890
2021	1,270
2020	1,305
2019	2,381
2018	3,115

Definition

Total number of tenanted fully managed rental properties acquired by a franchisee from an independent property agent.

Comments

The supply of suitable businesses for franchisees to acquire increased in 2022 after several subdued years.

Links to strategy

01 05 06

Properties let in the year

35,300

+5% (2021: 33,600)

2022	35,300
2021	33,600
2020	28,100
2019	32,300
2018	31,700

Definition

Total number of new lets or re-lets completed by the network in the year.

Comments

The moderate increase results from Hunters contribution for a full year in 2022 and growth in new properties to let.

Links to strategy

01 05 06

EweMove territories sold

44

-24% (2021: 58)

2022	44
2021	58
2020	11
2019	25
2018	23

Definition

The number of new territories sold by EweMove in the year.

Comments

Interest in starting a franchised business in the sector has been stronger than for many years with 2022 seeing the second highest recruitment. The hybrid agents' offerings are clearly appealing to those looking for a different type of career.

Links to strategy

01 03 04 06

Properties listed for sale

37,100

+19% (2021: 31,100)

2022	37,100
2021	31,100
2020	18,600
2019	18,600
2018	19,700

Definition

The total number of properties listed for sale by our network.

Comments

Residential listings benefit from a full year's contribution in 2022 from Hunters and the increase in the size of EweMove's network.

Links to strategy

02 03 06

Stakeholder engagement

The relationships we build with stakeholders contribute to our long term success.



OUR EMPLOYEES

The relationship we have with our employees is key to our success. We aim to provide them with an environment where they feel part of the bigger picture and are able to fulfil their potential.

Material topics

- Inclusion in decision making
- Opportunities to share ideas
- Roll-out of new initiatives to the network
- Opportunities for career development
- Flexible working

How we engage

We use face to face meetings to promote a sense of 'one team' despite people being based in different locations across the UK. This is supported by virtual meetings.

Day to day our employees feel comfortable engaging directly with the most appropriate person in the business without necessarily needing to follow hierarchical lines.

OUR FRANCHISEES

We see our relationship with our franchisees as a partnership; we give them the tools to grow their businesses which brings rewards for both parties. Many have been franchisees for more than 10 years and a growing number for more than 20 years.

Material topics

- Compliance with new regulations
- Leveraging new revenue streams
- Sharing ideas
- Continual roll-out of new initiatives
- Engagement with digital marketing

How we engage

Regular face-to-face contact primarily through our regional team on a day-to-day basis and also through regular regional business meetings and marketing meetings with our franchisees.

Regular newsletters highlight any changes in the law, processes, third-party services, our services, training events and new offerings.

OUR SHAREHOLDERS

As a listed business we recognise the important role that shareholders play in providing capital and support for new initiatives. In addition, our institutional investors provide insight into successful strategies, advice on risks and support with monitoring and safeguarding the governance of the Group.

Material topics

- Financial and operational performance
- Business strategy and model
- Market conditions
- Capital allocation
- Dividend

How we engage

We maintain regular communications with shareholders in line with our regulatory duties. We have twice yearly results roadshows. Our Non-Executive Directors hold meetings on governance matters. We hold an AGM and provide updates in between via RNSs, our website and contact through our advisors.

OUR BANKS

Our banking partners play an important role in our business, enabling us to take advantage of opportunities when they arise. We maintain close and supportive relationships through openness and mutual understanding.

Material topics

- Financial and operational performance
- Strategy
- Market and opportunities
- Cash generation

How we engage

We have regular update meetings with our banking partners on our current performance including after investor roadshows. Where loans exist we regularly supply financial information and commentary.

OUR REGULATORS

There is a continual push by consumers, society and government to formally regulate the property industry.

Material topics

- Compliance with the legislation
- Maintaining high standards
- Property-related qualifications – not yet mandatory in the industry

How we engage

As a leading player in the industry we maintain good relationships with trade bodies such as The Property Ombudsman, Deposit Protection Scheme, and Propertymark (ARLA). We also aim to be at the forefront of new regulations and requirements including the much talked about Regulation of Property Agents.

OUR COMMUNITY

We are mindful that our franchise owners live in the local communities that they serve and, thereby, have an interest in ensuring that their landlords provide suitable accommodation, that tenants meet acceptable standards and that their knowledge is put to good use in serving house sellers and buyers.

Material topics

- Involvement in local organisations
- Providing valuable local insight to customers
- Sponsorship
- Compliance with regulations

How we engage

Actively engaging in social media and using the digital marketing techniques to provide useful information to local communities.

S172 STATEMENT

As required by s172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the director must have regards amongst other matters to the:

- Likely consequences of any decision in the long term
- Interests of the company's employees
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's actions on the community and environment
- Desirability of the company maintaining a reputation for high standards of business conduct
- Need to act fairly between members of the company

PRINCIPAL DECISIONS IN 2022

We have considered the decisions taken by the Board which will have an impact on the longer-term performance and prospects for our Group.

SIGNIFICANT DECISION

In support of our franchisees, our owned offices and the strategic partnership with LSL we have taken the decision to expand our in-house brokerage services provided via Mortgage Genie. All our employees dedicated to financial services will be employed by Mortgage Genie and all our franchisees providing brokerage services to customers will be supported by Mortgage Genie. It will oversee training, development, delivery and compliance in order to provide a consistently high level of service to customers. LSL will continue to support franchisees who are unwilling or unable to invest in becoming an authorised representative of the PRIMIS Mortgage Network.

STAKEHOLDERS AFFECTED AND ENGAGEMENT

- Shareholders – discussions have taken place about the plan and will continue as it evolves.
- Banks – we have kept our bank informed as we need their support to deliver the operational goals.
- Regulators – LSL are assisting with the regulatory requirements for franchisees.
- Employees – we have informed all affected employees.
- Franchisees – we have been working with franchisees to implement these changes.

REASON FOR DECISION

Having learnt a tremendous amount from implementing the plan in 2021 and 2022, in what has been two unusual years for mortgage broking, we recognised that refinement was necessary. Our Management Services Fees ("MSF") from financial services still represent just 1% of total MSF set against a long-term goal of 5%.

LSL is one of the largest providers of services to mortgage intermediaries and mortgage and protection advice to estate agency customers. It will concentrate on supporting the franchisees who choose a route other than becoming an authorised representative via themselves, through their PRIMIS Mortgage Network and through their partners. LSL will continue to be supported by our regional business team in the implementation and delivery of these services to franchisees.

The strategic partnership with LSL gives our franchisees:

- access to the PRIMIS Mortgage Network, a well-established mortgage and protection advice services network whereby they can work with the local PRIMIS network member to provide the financial services to their clients.
- the ability to set up their own mortgage brokerage as an authorised representative of the PRIMIS Mortgage Network employing their own advisors and supported by Mortgage Genie.
- access to the call centre mortgage broking services provided by LSL to whom they can pass leads if they feel that their sales activity levels are not sufficient to partake in the other two options already outlined above.

ANTICIPATED EFFECTS

Increased income for franchisees from a third revenue stream and increased MSF for the Group.

A more rounded service offering by our franchisees to their clients to support them with mortgage and insurance advice which in turn can help speed up the completion of sales transactions, develop their relationships with their landlord clients and win further instructions.

Shareholders will benefit from increased earnings.

PROGRESS

- Signed Strategic Partnership agreement with LSL.
- Acquired an 80% shareholding in The Mortgage Genie Limited.
- Implemented original plan and now refinements.

Understanding our social, environmental and economic impacts.

TPFG is committed to the management and development of its business in a socially responsible and sustainable way

Overview

The Group recognises the importance of ESG and is committed to integrating ESG considerations into its operations and decision-making processes. Despite being at the start of its ESG journey, the Group has taken some initial steps to improve its ESG performance, which are outlined on the following pages.

To further advance its ESG efforts, the Group is in the process of developing a comprehensive sustainability strategy. The strategy will outline the goals and targets for improving its environmental and social performance, as well as its governance practices. It will also establish metrics to measure its progress towards these goals.

The Group recognise that its ESG journey will be a continuous process and is committed to learning and improving as it progresses. It will engage with stakeholders to ensure that their views are taken into account in the development and implementation of its sustainability strategy. The Group has just begun to collaborate with a third-party ESG specialist to share best practices and drive positive change through a thorough external ESG assessment.



Governing sustainability through the ESG steering group

Governance is a critical aspect of the Group's commitment to environmental, social, and governance (ESG) principles. Our Board provides strategic direction and oversight of the Group's Executives and senior leadership team, who are responsible for implementing the Board's strategy and managing the Group's day-to-day operations.

We have formed a team, initially composed of the Executives and members of the senior leadership team, supported by third parties to examine the Group's ESG position, and to look at good sustainable practices in these areas, to examine the risks and opportunities that intended legal changes will bring and, ultimately, to develop a sustainability strategy within the next two years, supported by an Environmental Policy.

The risks and opportunities are less apparent and immediate for the Group. Hence, there are no materiality judgements about environmental matters disclosed in these financial statements.

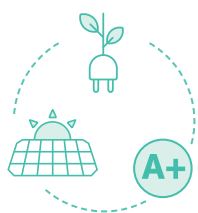
We have the 2030 agenda for sustainable development adopted by the UN as a guide to developing sustainable development goals. We also have Exposure Drafts on the first two standards to be issued by the International Sustainability Standards Board to guide us.

Publishing an Environmental Policy will be one of our key objectives for FY23. The policy will set out our ESG objectives and responsibilities, as well as those of our franchisees. Once established with targets, we will consider how best to review progress and to identify opportunities for improvement.

Environmental matters

An increasing element our franchising reputation and the value that our brands enjoy will be determined by how we make a difference to the environment. Our Board is mindful of the need to determine where it and its franchisees can make more of a difference and to provide the necessary leadership and support to establish good environmental practices. At the same time, it believes in learning through experiences and will be actively encouraging our owned businesses alongside our franchisees to share their experiences and develop best practices to continually improve our contribution to a better future.

Reducing our environmental impact



ENERGY EFFICIENCY

We are committed to reducing our energy consumption and promoting energy efficiency in all of our leased properties. As part of our refurbishment program, energy-efficient lighting and appliances are installed in our newly refurbished properties to reduce their energy demand. Shortly, we will begin working with an ESG specialist who will help us with developing a strategy to combat our emissions.



GETTING AROUND

We understand the impact business travel has on our carbon footprint and encourage our employees to travel by train whenever possible, which is an efficient and environmentally friendly mode of transport. In addition, we utilise virtual meeting technology to reduce the need for face-to-face meetings and minimise travel. Responsible business travel will be essential to achieving our long-term sustainability goals and reducing our impact on the planet.



WASTE REDUCTION

The Group is committed to reducing its environmental impact through a range of recycling initiatives. It has implemented a paper and cardboard recycling program. In addition, the company has adopted electronic document storage, which has significantly reduced the need for paper-based documentation.

Responsible business continued



Building strong communities: our commitment to social responsibility

Being a franchise network, we have many local businesspeople and their teams up and down the country engaged in charitable causes, social groups and business organisations. They are raising funds and making donations to both support the local communities that they live and work in as well as national charities. Our success in achieving our strategy is closely tied to the success of the communities in which we operate.

We are looking at ways to provide more and improved support of these activities so that our franchisees and their local communities, as well as our own employees, can enjoy the benefits and positive re-enforcement that such activities can bring.

Our people

Our people strategy is focused on training, motivating and engaging our employees in a fairly flat hierarchical structure to deliver the highest standards of customer service.

In doing so we:

- Recognise that we are stronger together.
- Believe that a rewarding environment inspires and motivates.
- Encourage an open and supportive culture where every individual is respected.
- Share success, reward achievement and remember to say thank you.
- Provide appropriate training and development.

Glynis Frew, previously CEO of Hunters and with a background in HR heads up Training and Development. Her remit is to deliver these services to our Group as well as training to our franchise network.

We firmly believe in developing future talent within our Group who share our values and the same goes for our franchisees. We want people to grow their careers like those

who have gone before and provide support for them to do so. Motivated and highly engaged teams with the appropriate skills are fundamental to our success.

We believe in creating a supportive and inclusive work environment that promotes positive mental health. It is essential to creating a happy and productive workforce. We're committed to continually improving our approach to mental health and wellbeing and ensuring that our employees feel supported and valued.

Engaging with our suppliers

We recognise that our suppliers play a crucial role in our ESG journey. As part of our commitment to sustainability, we will look to engage with our suppliers over the coming years to ensure that they share our values and commitment to sustainability. We will look to work and collaborate with our value chain where possible, promoting sustainable practices and building long-term relationships based on mutual understanding, transparency, and shared sustainability goals.

Risk management

The Group's approach to effective risk management is to identify principal risks through regular reviews, evaluations and prioritising of risks.

We then develop actions or processes within the business to eliminate or mitigate those risks to an acceptable level. Responsibility for the management of risk is detailed in our risk management framework, as presented here.

Risk Management Framework

THE BOARD

The Board has overall responsibility for the management of risk, defining the Group's risk appetite and setting key risk management policies.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the Group's systems of internal control and risk management.

FRANCHISE AUDITS AND COMPLIANCE

An internal team is responsible for auditing franchises in rotation. Audit work is geared towards mitigating financial risks. A compliance dashboard enables us to monitor franchisees' adherence to relevant standards such as having the correct insurances in place.

ANNUAL RISK REVIEW

The Group carries out a risk review annually. The document sets out the name of the risk as well as describing it, considering the effect on the business, looking at the controls in place, looking for additional mitigating factors, and deciding its seriousness by considering the probability of it occurring and what damage it would cause if the event occurred.

Board members and senior management all contribute the risk review. The Audit and Risk Committee review the document, examine the risks, decide on the actions to recommend and then pass it on to the Board for approval. Once a risk has been determined as requiring action, the Board allocates the responsibility to the appropriate Board member.

See more
on pgs
36-37



Principal risks and uncertainties

The Board considers that the risks detailed below represent the key risks to achieving the Group's strategy. There could be additional risks and uncertainties which are not known to the Board and there are risks and uncertainties which are currently deemed to be less material, which may adversely impact on the achievement of the Group's strategy and objectives.

Risk area		Potential impact	
NO GUARANTEE OF GROWTH	The Group's main source of revenue is Management Service Fees ("MSF") derived from franchise network turnover. MSF is dependent on market conditions and the experience, expertise and commitment of the franchisees.	Reduced growth in MSF, especially from sales, which are more prone to economic uncertainty.	Poor or no profit growth from the franchise model.
		Reduced market share and representation.	Less attractive to new franchisees for which a growth track record is an essential element.
LEGISLATIVE CHANGES AND GOVERNMENT POLICY	The residential property market is continually influenced by changes in UK legislation and government policy. This can cause short-term changes in the behaviour of our clients and lead to inefficiencies in the way we operate as we get to grips with complying with new requirements.	Landlords could resort to selling their properties after having to suffer an ever-growing list of regulations and a greater tax burden.	Entry into Financial Services could be more difficult and costly than envisaged with increasing FCA levies and insurance charges already seen recently.
GROWTH IN PORTFOLIO OF MANAGED PROPERTIES	The Group needs to continue to help find suitable portfolios of managed properties for its franchisees to buy to meet its targets. Franchisees need to be committed to this source of long-term growth and prepared to compete to win such acquisitions.	Reduced growth in MSF especially if attrition negates organic growth.	Franchisees may lack the skills, experience and funding to complete to win such acquisitions.
FINDING, RECRUITING, RETAINING AND SCALING UP SKILLED FRANCHISEES	An inability of the Group to attract new franchisees with the necessary skills, expertise and resources to cold start or purchase resales of existing territories and/or an unwillingness for existing franchisees to take on further opportunities would impact on our growth.	There may be slower growth through an inability to increase market representation or achieve a timely exit for a franchisee.	Lower resale values may result and discourage new entrants.
REPUTATIONAL RISK TO OUR BRAND	A strong brand is key to being successful in any sector and central to that is the reputation of the Group and its franchisees. Our combined ability to provide our service commitments and the way in which we do that is central to our reputation.	Failure by the franchisees to meet the expectations of landlords, tenants, buyers and sellers or to fall short of the standards set by the Group may have a	material impact on reputation. As a result, franchisees may lose clients and revenue. We may lose MSF and find it difficult to recruit franchisees.
ONLINE & IT THREATS	Cyber threats could affect our business systems causing services to be suspended. They could also be a source of identity theft and invoice fraud. The scale of reported incidents in the press seems to increase every year and we are all subjected to this in our daily lives.	The success of the business relies on robust IT systems. Interference by third parties could impact the ability of those systems to operate and the	delivery of services to customers. It could also impact the abilities of customers to complete on transactions as well as their trust in us.

 Increase
  Decrease
  No change

Mitigation		Indicator	Strategy
<p>The acquisition of Hunters helped to increase market share.</p> <p>The leadership team and Board continually monitor revenue from MSF, the underlying KPIs and variances to expectations. This informs key focuses for the leadership team and the roll out of actions to the network of franchisees.</p>	<p>EweMove's proposition is a lower cost model and has proved successful in attracting new franchisees and can be developed further as a model for other brands.</p> <p>There is the opportunity to use the data we hold and the customer relationships we have established to offer other products and services that increase franchisees' revenue and our MSF.</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; padding: 2px 5px;">01</div> <div style="border: 1px solid black; padding: 2px 5px;">02</div> </div> <div style="border: 1px solid black; padding: 2px 5px; margin-top: 5px;">03</div> </div>
<p>The property management service offered by the network aims to free landlords from the burden of legislation where it can.</p> <p>We have in-house resource and tools to ensure our network is compliant.</p>	<p>We have entered into a strategic partnership with LSL, a respected partner, which means they take care of the FCA requirements.</p> <p>We have several compliance experts in the Group some of whom assist the regulatory bodies.</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; padding: 2px 5px;">01</div> <div style="border: 1px solid black; padding: 2px 5px;">02</div> </div> <div style="border: 1px solid black; padding: 2px 5px; margin-top: 5px;">03</div> </div>
<p>In-house experienced team assists throughout the whole process.</p> <p>The Group is actively engaged in "walking the talk" through the purchase of managed portfolios for its owned offices.</p>	<p>The Group has earmarked funds to help franchisees buy portfolios in 2023 where primary sources of traditional finance are scarcer and other sources of finance are too expensive.</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px 5px;">01</div> </div>
<p>In-house experienced franchise sales team play an active role in promoting a career in franchising.</p> <p>The "hub and spoke" model has encouraged new entrants to work with existing franchisees to deliver our services in previously unexploited areas of the UK.</p>	<p>EweMove has continued to be a very successful recruiter of franchisees.</p> <p>A network training portal to support e-learning and qualifications has been rolled out alongside further investment in the regional team to support franchisees.</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px 5px;">04</div> </div>
<p>Minimum standards are set out to franchisees and their compliance is monitored.</p> <p>Increased leadership team supported by Regional Operations Managers.</p>	<p>Increased focus on social media by the central team.</p> <p>PR agencies are retained to monitor, assist and advise on strategies to minimise these risks.</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px 5px;">06</div> </div>
<p>Specialist advisors are regularly consulted and reviews undertaken, supplementing the two main service providers' activities in the Group, to ensure that any vulnerabilities are addressed.</p> <p>Two-factor authentication has been adopted by the business along with tools aimed at detecting suspicious activity and training aimed at making employees more aware.</p>	<p>The security of franchisees' operating systems are being improved through the implementation of new platforms. All three national brands will have completed implementations by the end of 2023.</p>		<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px 5px;">06</div> </div>

The Strategic Report is contained on pages 1 to 29. It was approved by the Board on 17 April 2023 and signed on its behalf by:

David Raggett
Chief Financial Officer

Chairman's introduction to governance

High standards of corporate governance contribute to our success.



Paul Latham
Non-Executive Chairman

My main function is to manage the Board, so the Company and Group are run in the best interests of stakeholders. As part of my role as Chairman, I am responsible for overseeing the adoption, delivery and communication of the Company's corporate governance model. Corporate governance is an important element of the management of long-term shareholder value, mitigating the risks and helping to create sustainable growth.

Since our IPO in December 2013, we have stated that the Directors recognise the importance of applying sound corporate governance guidelines, to the extent appropriate for a Company of our nature and size, and we have observed and complied with the Corporate Governance Guidelines devised by the Quoted Companies Alliance ("QCA"). The London Stock Exchange now requires AIM-listed companies to state which recognised corporate governance code they have adopted. Our Board continues to confirm its commitment by adopting the Quoted Companies Alliance Corporate Governance Code (Edition 2018) which contains 10 principles. We believe this code provides us with the most appropriate governance code to allow us to successfully develop our business. Our full statement of compliance with the Code is set out on our website at www.thepropertyfranchisegroup.co.uk/our-business/governance.

We continually review the framework within which we operate, reflecting upon the updated guidelines and research published by the QCA so as to ensure we have a sufficiently dynamic management structure reflecting the complexities of our business which is capable of adding value as we grow. As a result of which we are about to establish a Nominations Committee.

The Board sets the strategic direction, regularly reviews performance and ensures that there are sufficient and appropriate resources available to support its achievement. It is satisfied that there are the necessary controls and resources in place to discharge these responsibilities.

Our primary objective is to enhance shareholder value and to ensure that the Company and Group is managed for the long-term benefit of its shareholders. We do recognise our responsibilities to all stakeholders in our Group and the importance these relationships play in the delivery of our vision. The Board promotes a culture of good governance in dealing with all stakeholders.

Corporate governance regime

We confirm that our governance structures and practices continue to be in agreement with the Quoted Companies Alliance Corporate Governance Code (Edition 2018).

Paul Latham
Non-Executive Chairman

QCA code compliance

Our full statement of compliance with the Quoted Companies Alliance Corporate Governance Code is set out on our website at www.thepropertyfranchisegroup.co.uk/our-business/governance



GOVERNANCE PRINCIPLE	EXPLANATION	COMPLIANT	FURTHER READING
1	Establish a strategy and business model which promotes long-term value for shareholders.	✓	See more on pgs 16-17
2	Seek to understand and meet shareholder needs and expectations.	✓	See more on pgs 22-23
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	✓	See more on pgs 22-23
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	✓	See more on pgs 27-29
5	Maintain the Board as a well-functioning, balanced team led by the Chair.	✓	See more on pgs 34-35
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	✓	See more on pgs 34-35
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	✓	See more on pgs 16-17
8	Promote a corporate culture that is based on ethical values and behaviours.	✓	See more on pgs 24-26
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	✓	See more on pg 32
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	✓	See more on pgs 22-23

Corporate governance statement

The Board

The Board comprises the Non-Executive Chairman (non-independent), 3 Non-Executive Directors (2 of whom are independent), and 2 Executive Directors who are the Chief Executive Officer and the Chief Financial Officer of the Company. It has established an Audit and Risk Committee and a Remuneration Committee.

The Board is responsible for the overall performance of the Group, which includes the broad strategic direction, development and control of the Group. The policies and strategies of the Group are formulated by the Board and the detailed considerations about the day-to-day operations are delegated to a senior management team under the leadership of the Executive Directors.

The Board of Directors meets at least 9 times a year to review the implementation of strategy and policy decisions and to review the Group's progress to ensure that the operation of the Group is at all times in line with the Group's objectives.

The Board has regular contact with its advisers to keep up to date with corporate governance matters. The Group purchases appropriate insurance cover in respect of legal action against its Directors.

The Chairman's main function is to manage the Board so that the Group is run in the best interests of its stakeholders. It is also the Chairman's responsibility to ensure the Board's integrity and effectiveness.

The Chief Executive Officer is responsible for the running of the Group's businesses. There is a schedule of matters specifically reserved for the Board's decision to ensure that the management and direction of the Group are under its control. Each Executive Director has his own sphere of responsibility. Decisions relating to strategy, major contracts, acquisitions, internal controls, for example, are taken at Board level.

The Board has an appropriate balance of skills, capabilities and experience, including in areas of residential property sales and lettings, franchising, finance and marketing. Each Directors' biography is set out on pages 34-35 which demonstrates the experience mix.

The Board are supported by a strong senior management team which consists of the managing directors running our franchisors, a commercial director, a managing director running our financial services business, a training and development director, a franchise services director and several qualified accountants alongside the Chief Executive Officer and Chief Financial Officer.

During the years ended 2021 and 2022, the Remuneration Committee has sought advice from Deloitte LLP as well as H2glenfern Remuneration Advisory in relation to share option schemes and other employee reward mechanisms.

All Directors are able to take independent professional advice in the furtherance of their duties and to attend seminars and training to assist them with the development of their own knowledge and expertise.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and the applicable rules and regulations are complied with.

Evaluation of Board performance

The Board reviews its effectiveness internally by discussion, members suggest improvements and where agreed upon, these are implemented. However, the Board does not consider it appropriate for a company of its size to carry out regular formal evaluations of its performance as a unit.

Directors' time commitments

The Executive Directors are employed on a Monday to Friday 8.30 am to 5.30 pm basis and such additional hours as may be required for proper performance of their duties and responsibilities. Non-Executive Directors are required to allocate sufficient time to properly carry out their duties and perform their roles as the circumstances will dictate. This includes attendance at monthly Board meetings, Committee meetings, meetings to consider acquisitions and major contracts and the AGM. Non-Executive Directors are required to devote appropriate preparation time ahead of each meeting.

Non-Executive Directors/ Board independence

The Company has 2 independent Non-Executive Directors, Phil Crooks and Dean Fielding who provide an important contribution to its strategic development. These two Non-Executive Directors meet the independence criteria which are set out in the UK Corporate Governance Code.

Board Committees

The Board has delegated specific responsibilities to the Audit & Risk and Remuneration Committees. The Board considers that all the members of each Committee have the appropriate experience. All Board Committees have their own terms of reference which are available on request.

Remuneration Committee

The Remuneration Committee is chaired by Dean Fielding, and its other members are Phil Crooks and Paul Latham. It met 3 times in 2022 and will continue to meet at least twice a year.

The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors including pension payments and compensation rights. It is also responsible for making recommendations for grants of options under the Share Option Plans.

The remuneration of Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to their own remuneration.

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 38 to 40.

Audit and Risk Committee

Phil Crooks is the Chair of the Audit and Risk Committee. Paul Latham and Dean Fielding are its other members. The Audit and Risk Committee met 3 times in 2022 and will continue to meet at least twice a year.

The Audit and Risk Committee has the primary responsibility for ensuring that the financial performance of the Group is properly measured, reported on and monitored. These responsibilities extend to:

- the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- the appropriateness of the Group's accounting policies;
- the potential impact on the Group's financial statements of certain events and risks;
- the external auditor's plan for the audit of the Group's accounts, which includes key areas of audit focus, key risks, the proposed audit fee and approving the terms of engagement for the audit;
- internal assurance reporting;
- non-audit services;
- the dividend policy;
- the processes for identifying the risks to the business and managing those risks; and
- its terms of reference.

For more information on the work of the Audit and Risk Committee during the year please refer to its report on pages 36 and 37.

Risk management

The Board carries out a risk review annually. Board Directors and senior management all contribute to the drawing up of the risk review. The Audit and Risk Committee review the document, examine the risks, decide on the actions to recommend and then pass it on to the Board for approval. The document sets out the name of the risk as well as describing it, considering the effect on the business, looking at the controls in place, looking for additional mitigating factors, and deciding its seriousness by considering the probability of it occurring and what damage it would cause if the event occurred. Once a risk has been determined as requiring action, the Board allocates the responsibility to the appropriate Board member.

During the course of the year the Board reviews progress against the risks set out in the risk review. The key risks are set out in the section of principal risks and uncertainties on pages 28 and 29.

Directors attendance at meetings held during the financial year ended 31 December 2022:

	Board	Audit Committee	Remuneration Committee
Number of meetings	9	3	3
Gareth Samples	9	–	–
David Raggett	9	–	–
Glynis Frew (resigned 31 March 2022)	2/2	–	–
Richard Martin	8	–	–
Paul Latham	9	3	3
Phil Crooks	8	3	3
Dean Fielding	8	2	3

Internal control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established clear operating procedures and responsibility structures. These procedures include:

- monthly financial reporting against budget and the prior year;
- day-to-day financial control of operations;
- annual budgeting, half-yearly forecasting and monthly outturn review;
- the monitoring and assessment of risk;
- performance monitoring and the taking of remedial action; and
- planning, reviewing, approving and monitoring major projects.

Relations with shareholders

The Board is committed to maintaining good communications with shareholders and the website thepropertyfranchisegroup.co.uk provides up-to-date information on the Group.

The AGM is an important opportunity to meet and communicate with its investors and for them to raise with the Board any issues or concerns they may have. The Group dispatches the Notice of AGM at least 21 days before the meeting. Registered shareholders have direct access to the Group and receive a copy of the Annual Report, which contains the full financial statements of the Group.



Our Board of Directors

Committed to the development of the business in a socially responsible way.

Our Board is responsible for the overall performance of the Group, which includes the broad strategic direction, development and control of the Group. The policies and strategies of the Group are formulated by the Board and the detailed considerations about the day-to-day operations are delegated to a senior management team under the leadership of the Executive Directors.



Paul Latham

Non-Executive Chairman

Paul is a Chartered Surveyor. Until 2014, he sat on the Residential Board for the Royal Institution of Chartered Surveyors of which he was Chair until 2011.

Paul served as Deputy Group CEO of LSL Property Services plc until 2010 having been part of the management buyout in 2004, which ultimately saw the business successfully list on the London Stock Exchange in 2006. During this period Paul was managing director of a number of the LSL Group's subsidiary businesses including e.surv Chartered Surveyors and also sat on a number of external company boards and trade bodies.

Subsequently Paul served as a Non-Executive Director of LSL until 2012. Paul was appointed as a non-executive director of The Property Franchise Group PLC's Board in December 2013 and served as Chair of its Remuneration Committee until being appointed Chairman of the Board in May 2022.



Richard Martin

Non-Executive Director

After leaving Bristol Technical School, Richard became an apprentice stereotyper for the Bristol Evening Post in 1967. In 1975 he moved to The Western Gazette, another newspaper in the same group based in Yeovil. Ahead of the introduction of computerisation into the industry, Richard moved into the commercial side and in 1981, became trained in advertising design and sales, and was subsequently promoted to Advertising Manager.

Following the profitable sale of a retail business in early 1986, which was managed by his wife Kathy, he left the newspaper business to pursue his interest in property and forge a career in estate agency. Richard founded Martin & Co in 1986 in Yeovil. In 1995, Martin & Co became a franchise operation and the brand has grown from strength to strength since.

Richard served as our non-independent Chairman of the Board until May 2022. He continues to take an active role as a non-independent Non-Executive Director.



Gareth Samples

Chief Executive Officer

With over 30 years' industry experience, Gareth brings a wealth of Estate Agency, Financial Services and digital marketing knowledge to our Group.

During his 21 year career at LSL, Gareth was appointed Managing Director of the Your Move brand, which was the largest single brand estate agency in the UK at the time. In this role he was responsible for Your Move's franchise operation as well as having overall control of Financial Services and Lettings and the strategy of the brand.

Following his successful career at LSL, Gareth became Managing Director of Briefyourmarket.com where he gained significant digital marketing experience and knowledge. Gareth joined us in February 2020 and became CEO on 30 April 2020.



David Raggett

Chief Financial Officer

Since qualifying with PwC as a Chartered Accountant David has spent his whole working life in franchising as franchisor and franchisee. Initially David held financial responsibility for several Ford franchises before, in the mid 90s, moving to Porsche's UK headquarters. Here he held financial responsibility for its distribution, retail and financial services businesses at various times, as well as being their company secretary and, for several years, Head of Legal.

In 2007 David took up the role of Finance Director for the Motability Scooter and Powered Wheelchair Scheme to restore its financial stability, to improve its offering and to expand its customer base. After successfully turning the scheme around and leading it into new ownership, David joined the Group in February 2013.



Phil Crooks

Independent
Non-Executive Director

Phil is a Chartered Accountant. He has over 40 years' experience in accounting, auditing and investigations and is currently a Managing Director at Berkeley Research Group. He retired as a partner in Forensic and Investigations Services at Grant Thornton UK LLP in June 2019. He was previously UK Head of Audit for 6 years and a member of the International Assurance Advisory Board at Grant Thornton. Prior to that he spent 15 years at Price Waterhouse. Phil has extensive audit and advisory experience, addressing financial reporting and accounting issues and has worked with a wide range of listed and private international companies.

Phil was appointed as an independent Non-Executive Director of Board and Chair of its Audit and Risk Committee in May 2015.

Chair of the Audit and Risk Committee



Dean Fielding

Independent
Non-Executive Director

Dean joined GA Property Services in 1995 and became Finance Director of Your Move in 2002. He subsequently served as Group Finance Director of LSL Property Services plc from 2004 to 2010. Since 2010 Dean has performed a variety of consultancy and NED roles. He was appointed a Non-Executive Director of Hunters Property plc in April 2015.

Dean joined our Board as an independent Non-Executive Director in March 2021 and Chairs our Remuneration Committee.

Chair of the Remuneration Committee

Audit and Risk Committee report

Ensuring effective controls are maintained across the business.



Phil Crooks
Chairman - Audit & Risk Committee

I present our Audit and Risk Committee (“ARC”) report which summarises the work we have undertaken during the year and how we have fulfilled our responsibilities.

The ARC is formed of Paul Latham, Dean Fielding and myself. The three of us have extensive general business and management experience. Dean also brings a wealth of experience in the industry and of Hunters in particular, complementing my experience in accounting, audit and forensic investigations and Paul’s sector knowledge.

Regular meeting attendees include Paul, Dean and myself as well as our Chief Financial Officer, Head of Group Finance and representatives of our external auditor, BDO LLP.

We undertake to meet at least twice a year and in the last year we met formally 3 times to continue our rolling process of reviewing matters during the year. We aim to ensure that actions are both being undertaken in a timely manner and, as importantly, supported with necessary expertise. Details of attendance at meetings can be found on page 33.

In addition, in 2022 myself and fellow Board members had the opportunity to meet franchisees at their annual conferences which helped us to gain a greater understanding of the opportunities and challenges they currently face.

Purpose

The ARC operates under written terms of reference which set out its role and the authorities delegated to it by the Board.

The main responsibilities are summarised below:

- review and monitor the integrity of the financial information provided to shareholders,
- review and, where appropriate, make recommendations to the Board on the adequacy of the Group’s internal control and risk management systems,
- review and monitor the external auditor’s independence and objectivity, and the effectiveness of the Group’s external audit process,
- review and monitor the effectiveness of Group’s internal audit function,
- report to the Board on how it has discharged its responsibilities.

Members

- Phil Crooks (Chairman)
- Paul Latham
- Dean Fielding

Objectives

- Maintain vigilance over our business
- Pay appropriate attention to the general and specific risks that our business faces

Achievements in 2022

- Further enhancement of Hunters’ financial procedures and controls so as to align to Group standards.



Activity in 2022

Financial information

The ARC has taken a leading role in ensuring, on behalf of the Board, that the Annual Report remains fair, balanced, understandable and provides the information required by shareholders to assess the Group's performance, business model and strategy.

During the year we reviewed the Interim Results and Trading Updates to ensure the integrity of the financial information being presented. The ARC also reviewed the budget assumptions ahead of it being presented to the Board for approval. In doing so it has considered the appropriateness of the accounting policies adopted and, where appropriate, the estimates and judgements made.

The ARC has considered whether the Group has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements taking into account the external auditor's view. It has paid particular attention to monitoring the estimates and judgements made in respect of the share-based payments charge, including vesting assumptions, and any potential impairment of intangibles.

Risk management and internal control

On an annual basis the Group draws up an updated risk review. This risk review includes contributions from Directors and senior management. Once the ARC has reviewed the risk review documentation it is then presented to our Board for their approval.

The ARC considers the auditor's report on findings from the audit and any comments on controls within the business. The ARC ensures that the Company responds appropriately.

External audit

The effectiveness of the external audit process is dependent on the appropriate audit risk identification at the start of the audit cycle. A detailed audit plan was received from BDO which set out the key risks identified. The ARC subsequently met with BDO who gave an overview of the new International Standards of Auditing ("ISAs") that they were required to follow for this year's audit and explained the impact on their audit work and scope. The ARC approved the audit plan and the auditor's remuneration.

The independence and objectivity of the external audit function is a fundamental safeguard to the Company's shareholders. In order to ensure audit independence, the ARC restricts the engagements of BDO in relation to non-audit work. Our current Audit Partner has served for 5 years and, as required, will be replaced in time for the annual audit cycle leading to next year's Annual Report. No non-audit work was undertaken by BDO in the year.

The effectiveness of the external audit process is currently assessed by the ARC based on discussions with those involved in the process. The ARC has made a recommendation to the Board to reappoint BDO as the Company's auditors for the 2023 financial year. In making that recommendation the ARC has also considered the independence and objectivity of the auditors as well as the cost effectiveness of the external audit. Accordingly, a resolution proposing the reappointment of BDO will be tabled at the AGM in 2023.

Internal audit

We continue to take an interest in internal audit and discuss any adverse audit results at our ARC meetings. We seek to ensure the function remains effective and adapts to current circumstances.

The year ahead

In the year ahead the ARC will continue to focus on key risks and accounting matters. This specifically includes information security, the results of our internal audits of franchisees and our year-end audit.

I would like to thank the attendees of our ARC meetings for their time and valuable contributions during the year.

Phil Crooks

Chairman of the Audit and Risk Committee

17 April 2023

Remuneration Committee report

Rewarding the efforts of those responsible for the successful growth of the Group.



Dean Fielding
Chairman - Remuneration Committee

Members

- Dean Fielding (Chairman)
- Phil Crooks
- Paul Latham

Objectives

- To ensure the Remuneration Policy is aligned to the long-term success of the Group
- To ensure executive remuneration is competitive to aid retention, recruitment and motivation

As Remuneration Committee Chair, I am pleased to present its report for the year. This report sets out the Group's remuneration policy for Directors and explains how this policy was applied during the financial year to 31 December 2022.

The Remuneration Committee comprises Phil Crooks, Paul Latham and myself. Phil and I are independent and we all combine extensive industry knowledge with a deep understanding of corporate reporting governance. The Committee seeks external advice from various sources including Deloitte LLP and H2glenfern Remuneration Advisory.

The Remuneration Committee met formally on 3 occasions in 2022. It also held a number of informal meetings. Apart from Phil, Paul and myself, our Chief Financial Officer is a regular attendee of our meetings, supporting us with papers and analysis.

Purpose

The Committee operates under written terms of reference which set out its role and the authorities delegated to it by the Board. Its main responsibilities are to:

- ensure that the Executive Directors and other key employees of the Group are fairly rewarded for their individual contributions to the overall performance of the Group.
- demonstrate to the shareholders of the Company that the remuneration of the Executives is set by a committee of the Board whose members have no personal interest in the outcome of the decisions of the Committee and who will have due regard to the interests of shareholders of the Company.
- oversee any major changes in employee benefit structures throughout the Group.

Activity in 2022

The Committee believes that the entire senior team, and in particular the Executive Directors, have continued to provide extraordinary, inspiring and resourceful leadership during the year.

The Committee considered the remuneration arrangements for the Executive Directors and other key employees and satisfied itself that they are aligned to the Group's strategic goals and properly incorporate the key performance indicators. Further, the Committee is satisfied that the remuneration outcomes for 2022 were aligned to performance and the Committee believes that the arrangements continue to promote the long-term success of the Group and incentivise the delivery of strong, sustainable, financial results.



Policy on remuneration of Directors

The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior management and specific remuneration packages for Executive Directors including pension payments and compensation rights. It is also responsible for making recommendations for grants of options under the Share Option Plan.

The remuneration of Non-Executive Directors is a matter for the Board. It consists of fees for their services in connection with Board and Committee meetings. No Director may be involved in any discussions as to their own remuneration.

The remuneration policy is designed to shape the Group's remuneration strategy for an anticipated 3 years, ensuring that the structure and levels of remuneration continue to remain appropriate for the Group. The policy aims to:

- pay competitive salaries to aid recruitment, retention and motivation being reflective of the person's experience and importance to the Group.
- pay annual bonuses to incentivise the delivery of stretching short-term business targets whilst maintaining an element of variability allowing flexible control of the cost base and being able to respond to market conditions.
- provide long-term share incentive plans designed to incentivise long-term value creation, reward execution of strategy, align Directors' interests with the long-term interests of investors and promote retention.

Components of Directors' remuneration

Basic salary or fees

Basic salary or fees for each Director are determined by considering the performance of the individual and information from independent sources on the rates of salary and fees for similar posts. The salaries and fees paid to Directors by the Group were £698,000 (2021: £723,000).

Annual bonus

The Company has a formal bonus scheme for its Executive Directors. Bonuses were paid and payable to the Executive Directors by the Group of £400,000 (2021: £464,000).

Pension

Contributions made to Executive Directors' pensions in the year were £45,000 (2021: £70,000).

Share options

On 9 August 2022 an option over 175,000 ordinary shares was granted to the Chief Executive Officer, an option over 115,000 ordinary shares was granted to the Chief Financial Officer and options were granted to senior management over 175,000 ordinary shares. These options have an exercise price of £0.01.

The vesting conditions are based on two performance conditions; adjusted basic earnings per share adjusted for exceptional income/costs, amortisation arising on consolidation and share-based payment charges ("adjusted EPS") and total shareholder return ("TSR") over the 3 years to 31 December 2024. Each performance condition will apply to 50% of the award being made.

In respect of both performance conditions, growth of 20% over the three-year period will be required for threshold vesting of the awards (the "floor"), with growth of 42% or higher in both performance measures required for all of the awards to vest (the "cap"). Straight-line vesting applies between the floor and the cap.

Company policy on contracts of service

The Executive Directors of the Company do not have a notice period in excess of 12 months under the terms of their service contracts. Their service contracts contain no provisions for pre-determined compensation on termination, which exceeds 12 months' salary and benefits in kind. Non-Executive Directors do not have service contracts with the Company but have letters of appointment which can be terminated on 3-months' notice.

Termination date

Richard Martin	3-months' notice
Gareth Samples	12-months' notice
David Raggett	12-months' notice
Paul Latham	3-months' notice
Phil Crooks	3-months' notice
Dean Fielding	3-months' notice

Company policy on external appointments

The Company recognises that its Executive 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 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.

Taxable benefits

The Executive Directors did not receive any taxable benefits such as a company car or private medical insurance during the year.

Directors' emoluments

The figures that follow represent emoluments earned by the Executive Directors and Non-Executive Directors from the Group during the financial year and relate to the period of each Director's membership of the Company's and Subsidiaries' Boards.

Remuneration Committee report continued

	Salary & fees £'000	Bonus £'000	Total 2022 £'000	Total 2021 £'000
Executive Directors:				
Gareth Samples	257	250	507	447
David Raggett	207	150	357	325
Glynis Frew (appointed 22 March 2021, resigned 31 March 2022)	34	–	34	225
	498	400	898	997
Non-Executive Directors:				
Richard Martin	55	–	55	55
Paul Latham	50	–	50	50
Phil Crooks	50	–	50	50
Dean Fielding (appointed 22 March 2021)	45	–	45	35
	200	–	200	190
Total remuneration	698	400	1,098	1,187

Changes to Board members

Glynis Frew resigned as a Director on 31 March 2022.

Directors' interests

The interests of the Executive Directors, Non-Executive Directors and their spouses in the shares of the Company were as follows as at 31 December 2022:

The Property Franchise Group PLC ordinary 1 pence shares.

	2022		2021	
	Shares	Options	Shares	Options
Directors:				
Gareth Samples	9,000	1,075,000	–	900,000
David Raggett	390,101	615,000	383,101	500,000
Richard Martin	7,039,950	–	7,039,950	–
Paul Latham	79,727	–	75,000	–
Phil Crooks	15,000	–	9,351	–
Dean Fielding	37,874	–	37,874	–

The dividends paid to the Executive Directors, Non-Executive Directors and their spouses during the year are disclosed in note 34 to the Financial Statements.

By order of the Board

Dean Fielding

Chairman of the Remuneration Committee

17 April 2023



Directors' report

Delivering value to our stakeholders.



David Raggett
Chief Financial Officer

The Directors present their Annual Report and audited financial statements for the financial year ended 31 December 2022. Information that would normally be presented in the Directors' Report has been presented in the Group's Strategic Report in accordance with s414C(11) of the Companies Act 2006.

Principal activities

The principal activity of the Group during the year was the sale of franchises and the support of franchisees in supplying residential letting, sales and property management services within the UK.

Results for the financial year and business review

The Group achieved a profit before tax of £8.8m in the financial year as compared to £6.4m for the prior year and a profit after tax of £7.2m (2021: £3.5m). The change in the deferred tax rate from 19% to 25%, due to an increase in the corporation tax rate in April 2023 to 25%, had a significant impact on the profit after tax in 2021, reducing it by £1.5m. The results are shown in the Consolidated Statement of Comprehensive Income on page 48. A full review of the Group's business is included in the Strategic Report on pages 1 to 29.

The Group's profit before tax was £2.4m higher than the previous year. Excluding exceptional acquisition costs of £nil (2021: £0.9m), amortisation arising on acquired intangibles of £1.4m (2021: £1.2m), the share-based payment charges of £0.4m (2021: £1.0m) and the loss on the listed investment of £0.03m (2021: gain £0.1m), the adjusted profit before tax from continuing operations increased by 14% from £9.4m to £10.7m.

Financial risk management

The Group's objectives and policies with regards to financial risk management are set out in note 32 to the consolidated financial statements.

Future developments

The Group intends to pursue the following over the next few years:

- Lettings growth through assisting franchisees to acquire portfolios of tenanted managed properties and by helping the Group's more sales dominated brands to grow their lettings revenue streams.
- The further development of its residential sales activity in the high street led brands.
- Financial services growth through participation of the network in the partnership with LSL and through the Group's development of its owned mortgage broking subsidiaries.
- The accelerated recruitment of franchisees through its hybrid offerings.
- The search for suitable corporate acquisitions so as to continue to buy and build.
- Improved use of digital marketing to win business for all our brands and to track attribution

More details on the progress made to date with these key areas of focus can be found in the Strategic Report on pages 16 and 17.

Dividends

The Group paid an interim dividend for the financial year ended 31 December 2022 of 4.2p per share on 7 October 2022 (2021: 3.8p per share on 8 October 2021).

Directors' report continued



The Board recommends a final dividend for the financial year ended 31 December 2022 of 8.8p per share (2021: 7.8p per share) to be paid on 9 June 2023 to all shareholders on the register at the close of business on 12 May 2023 subject to shareholders approval on 6 June 2023.

Directors

The Directors shown below have held office throughout the year unless otherwise stated:

R W Martin
G M Samples
D A Raggett
G J Frew (resigned 31 March 2022)
P M Latham
P J Crooks
D A Fielding

The Directors' remuneration and the Directors' interests in the Group are disclosed in the Directors' Remuneration Report on pages 38 to 40.

The Group maintains Directors and Officers liability insurance, which gives appropriate cover against any legal action that may be brought and has indemnified the Directors for negligence, default, breach of duty and breach of trust incurred to third parties.

Going concern

The Group has produced detailed budgets, projections and cash flow forecasts, which include a forecast of future bank covenant compliance. These have been stress tested to understand the impacts of reductions in revenue and costs. The Directors have concluded after reviewing these budgets, projections and forecasts and making appropriate enquiries of the business, that there is a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

The Group maintains a strong cash position at the year-end of £6.7m (2021: £8.4m) with bank debt of £5.0m (2021: £11.1m). The bank debt consists of a revolving credit facility which is repayable in January 2024 (2021: term loan and revolving credit facility).

The 4 year term loan drawn to part fund the acquisition of Hunters in March 2021 was repaid early on 28 November 2022.

Auditor

BDO LLP has expressed its willingness to continue in office. In accordance with section 489 of the Companies Act 2006; a resolution to reappoint BDO LLP will be proposed at the Annual General Meeting.

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; and
- 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 auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with UK adopted international accounting standards in conformity with requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with UK adopted international accounting standards.

The financial statements are required by law and UK adopted international accounting standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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.

On behalf of the Board

David Raggett
Chief Financial Officer
17 April 2023

Independent auditor's report

to the members of The Property Franchise 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the Group financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Property Franchise Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Notes to the Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Notes to the Company Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards 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:

- Gaining an understanding of the Directors' method for assessing going concern including evaluating relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant consistent with each other. This included assessing the accuracy of the previous forecasts by comparing to actual results for the current year.
- Verified the mathematical accuracy of the going concern forecasts running up to December 2024.
- The Directors' plans for future actions within their going concern assessment including whether such plans are feasible in the circumstances.
- The Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios, which included modelling significant downturns in both the sales and lettings markets and modelling what reduction in sales and lettings markets would result in breach of covenants linked to rolling credit facility. We have assessed these assumptions against the Group's results for the current financial year to date.

We carried out the above procedures through using our understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Group's financial performance, forecasting and budgeting processes and the entity's risk assessment process.

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

Coverage	91% (2021: 98%) of Group revenue 93% (2021: 97%) of Group profit before tax 98% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	Goodwill and intangible asset impairment risk – Ewemove and Hunters CGU	✓	✓
	Revenue Recognition	✓	✓
	Acquisition accounting – Hunters There were no acquisitions during the year and therefore acquisition accounting is not a key audit matter for 2022.	–	✓
Materiality	Group financial statements as a whole £420,000 (2021: £480,000) based on 5% of profit before tax (2021: 5% of adjusted profit before tax)		

Independent auditor's report continued

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.

We identified seven components, five of which, including the Parent Company, were considered significant and subject to full-scope audits by the Group audit team. The other non-significant components were subject to a desktop review and specific-scope procedures in areas such as revenue, which was carried out by the Group audit team.

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
<p>Goodwill and intangible asset impairment risk – Ewemove and Hunters CGU</p> <p><i>The accounting policy in respect of the accounting for intangible assets is included within the accounting policy on note 4.; the accounting estimate in respect of the impairment of intangible assets is included within the accounting estimates and judgements note on note 5 and note 17.</i></p>	<p>The risk that goodwill and intangible assets may be impaired is considered to lie in the Ewemove and Hunters CGU – as the conclusion is dependent on achieving forecast growth – and is significant due to the level of judgement involved in the impairment review and the opportunity for management bias within the impairment model assumptions. We considered this to be a key audit matter due to the inherent level of judgement.</p> <p>Management's review found no evidence of impairment in the Ewemove, Hunters or other cash-generating units, nor indicators of impairment in relation to other intangible assets.</p>	<p>We assessed the impairment review of the Group's goodwill and intangible assets prepared by management, specifically checking the integrity of management's value-in-use model and, with the assistance of our valuation specialists, we challenged the key inputs – being forecast growth rates, operating cash flows and the discount rate. We also checked if the Cash-Generating Unit ("CGU") was appropriately determined and the correct assets included in its carrying value. Our audit procedures relating to the operating cash flows and forecast growth rates included, comparing the forecast to recent financial performance and budgets approved by the Board, including checking for consistency with forecasts prepared for the purposes of the going concern assessment. We used historical trends and industry forecasts to assess the reasonableness of the Group's forecasts. We also used market data to independently calculate a discount rate for comparison and also performed our own sensitivity analysis upon the key valuation inputs.</p> <p>Key observations: We found management's judgements in this area are not unreasonable and found no evidence of management bias in the assumptions used.</p>
<p>Revenue recognition</p> <p><i>The accounting policy in respect of the accounting for revenue recognition is included within the accounting policy on note 4.</i></p>	<p>As detailed in the accounting policies and also note 7 to the financial statements, the Group earns revenue principally in the form of Management Service Fees and owned offices – lettings and sales fees, which are derived as a percentage of the franchisees' income or directly in the case of owned and operated sites.</p> <p>The Management Service lettings and sales fees are recorded in separate sales systems and imported into the accounting system on a monthly basis.</p> <p>We consider there to be a significant risk in relation to the existence of revenue through not be accurately recognising revenue or recording revenue in the wrong period due to error or manipulation.</p> <p>A significant part of our audit strategy in terms of the level of direction and supervision and allocation of resources is focused on the reconciliation of data from the sales systems to the nominal ledger and so, consequently, revenue recognition is considered a key audit matter.</p>	<p>We obtained and tested the underlying sales systems to which the lettings/sales data was uploaded and the revenue recorded in the nominal ledger. We witnessed the data extraction from the underlying systems and engaged our technology and systems experts to reperform a full match of the data sets. We investigated and corroborated to supporting documentation reconciling items such as manual journals to revenue including year-end cut-off adjustments to accrue revenues for the final month of the year.</p> <p>We tested the integrity of the data in the underlying sales systems by tracing a sample from submission, ensuring that the correct revenue rate had been applied in accordance with the relevant contractual arrangement, through to invoice issued and ultimately cash collection.</p> <p>In considering the completeness of the data in the underlying sales systems, we selected a sample of contractual agreements and ensured that the revenue had been appropriately included in the sales system and at the appropriate rate.</p> <p>Key observations: Based on the procedures performed, we have not identified any instances that may suggest that revenue has been inappropriately recognised.</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	
	2022 £000	2021 £000	2022 £000	2021 £000
Materiality	441	480	399	460
Basis for determining materiality	5% of the profit before tax (2021: 5% of adjusted profit before tax)		95% of Group materiality	
Rationale for the benchmark applied	Profit before tax is considered to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group.		Capped 95% (2021: 95%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	315	360	299	345
Basis for determining performance materiality	75% of materiality based on a low expected total value of known and likely misstatements.			

Component materiality

We set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 18% and 95% (2021: 6% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £77,000 to £399,000 (2021: £27,000 to £460,000). In the audit of each component, we further applied performance materiality levels of 75% (2021: 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 £16,800 (2021: £15,000). 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.

Independent auditor's report continued

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	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">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; andthe Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none">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; orthe Parent Company financial statements are not in agreement with the accounting records and returns; orcertain disclosures of Directors' remuneration specified by law are not made; orwe have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations relate to corporate and VAT legislation, Employment Taxes and Landlord and Tenant Act, and the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations which have direct impact on the preparation of the financial statements such as the Companies Act 2006 and the applicable accounting frameworks.

As a result of performing the above we identified the principal risks of irregularity, including fraud, were related to bias in accounting estimates, with the most significant considered to relate to revenue recognition and goodwill and intangible asset impairment. Our procedures included:

- Evaluation of management incentives, including the extent to which remuneration is influenced by reported results, and opportunities for fraudulent manipulation of the financial statements such as management override;
- This evaluation involved a particular focus on the judgements and estimates inherent in the key audit matters and exercising professional scepticism in considering the impact of those estimates and judgements on the reported results and key performance measures such as the profit before tax;
- Discussions with Management and the Audit and Risk Committee regarding known or suspected instances of non-compliance with laws and regulations including tax and data protection legislation;
- Obtaining an understanding of controls designed to prevent and detect irregularities, including the reconciliation of customer monies held in client account balances;
- Review of board meeting minutes for any evidence of fraud or non-compliance with laws and regulations including health and safety and taxation regulations; and
- Assessment of journal entries to accounts that were considered to carry a greater risk of fraud as part of our planned audit approach.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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.

Malcolm Thixton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Southampton
United Kingdom
17 April 2023

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

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	7	27,158	24,042
Cost of sales		(5,575)	(3,697)
Gross profit		21,583	20,345
Administrative expenses	8	(11,876)	(12,719)
Share-based payments charge	9, 33	(411)	(970)
Operating profit	11	9,296	6,656
Finance income	12	39	4
Finance costs	12	(470)	(320)
Other gains and losses	21	(32)	83
Profit before income tax expense		8,833	6,423
Income tax expense	13	(1,588)	(2,745)
Profit for the year from continuing operations		7,245	3,678
Discontinued operations	14	–	(169)
Profit and total comprehensive income for the year		7,245	3,509
Profit and total comprehensive income for the year attributable to:			
Owners of the parent		7,229	3,469
Non-controlling interest		16	40
		7,245	3,509
Earnings per share attributable to owners of parent	15	22.6p	11.3p
Diluted Earnings per share attributable to owners of parent	15	22.5p	11.3p

Consolidated statement of financial position

31 December 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	17	44,958	46,498
Property, plant and equipment	18	162	217
Right-of-use assets	19	1,613	1,568
Prepaid assisted acquisitions support	20	297	424
Investments	21	137	169
Investment properties	22	–	256
Other receivables	23	240	–
		47,407	49,132
Current assets			
Trade and other receivables	23	3,718	2,820
Cash and cash equivalents		6,684	8,413
		10,402	11,233
Total assets		57,809	60,365
Equity			
Shareholders' equity			
Called up share capital	24	320	320
Share premium	25	4,129	4,129
Own share reserve	27	(348)	(348)
Merger reserve	26	14,345	14,345
Other reserves	27	1,316	905
Retained earnings		17,399	13,999
		37,161	33,350
Non-controlling interest		22	6
Total equity attributable to owners		37,183	33,356
Liabilities			
Non-current liabilities			
Borrowings	28	5,000	9,219
Lease liabilities	19	1,856	2,275
Deferred tax	30	5,168	5,570
Provisions	31	212	212
		12,236	17,276
Current liabilities			
Borrowings	28	–	1,875
Trade and other payables	29	6,724	6,280
Lease liabilities	19	506	465
Tax payable		1,160	1,113
		8,390	9,733
Total liabilities		20,626	27,009
Total equity and liabilities		57,809	60,365

The financial statements were approved and authorised for issue by the Board of Directors on 17 April 2023 and were signed on its behalf by:

David Raggett
Chief Financial Officer

Company statement of financial position

31 December 2022 (Company No: 08721920)

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Investments	21	60,773	60,743
Deferred tax asset	30	412	377
		61,185	61,120
Current assets			
Trade and other receivables	23	1,065	811
Cash and cash equivalents		1,539	4,635
		2,604	5,446
Total assets		63,789	66,566
Equity			
Shareholders' equity			
Called up share capital	24	320	320
Share premium	25	4,129	4,129
Own share reserve	27	(348)	(348)
Merger reserve	26	32,335	32,335
Other reserves	27	1,316	905
Retained earnings		19,276	16,668
Total equity		57,028	54,009
Liabilities			
Non-current liabilities			
Borrowings	28	5,000	9,219
		5,000	9,219
Current liabilities			
Borrowings	28	–	1,875
Trade and other payables	29	1,761	1,463
		1,761	3,338
Total liabilities		6,761	12,557
Total equity and liabilities		63,789	66,566

As permitted by Section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the financial year was £6.4m (2021: £5.7m).

The financial statements were approved and authorised for issue by the Board of Directors on 17 April 2023 and were signed on its behalf by:

David Raggett
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Attributable to owners							Non-controlling interest £'000	Total equity £'000
	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Own share reserve £'000	Merger reserve £'000	Other reserves £'000	Total equity £'000		
Balance at 1 January 2021	258	12,690	4,040	–	2,797	778	20,563	9	20,572
Profit and total comprehensive income	–	3,469	–	–	–	–	3,469	40	3,509
Disposal of subsidiary	–	–	–	–	–	–	–	(43)	(43)
Dividends	–	(2,922)	–	–	–	–	(2,922)	–	(2,922)
Shares issued – acquisition consideration	55	–	–	–	11,548	–	11,603	–	11,603
Shares issued – share option exercises	7	762	89	–	–	(762)	96	–	96
Purchase of shares by Employee Benefit Trust	–	–	–	(348)	–	–	(348)	–	(348)
Release of deferred tax on share based payments	–	–	–	–	–	(81)	(81)	–	(81)
Share-based payments charge	–	–	–	–	–	970	970	–	970
Total transactions with owners	62	(2,160)	89	(348)	11,548	127	9,318	–	9,318
Balance at 31 December 2021	320	13,999	4,129	(348)	14,345	905	33,350	6	33,356
Profit and total comprehensive income	–	7,229	–	–	–	–	7,229	16	7,245
Dividends	–	(3,829)	–	–	–	–	(3,829)	–	(3,829)
Share-based payments charge	–	–	–	–	–	411	411	–	411
Total transactions with owners	–	(3,829)	–	–	–	411	(3,418)	–	(3,418)
Balance at 31 December 2022	320	17,399	4,129	(348)	14,345	1,316	37,161	22	37,183

Company statement of changes in equity

for the year ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Own share reserve £'000	Merger reserve £'000	Other reserves £'000	Total equity £'000
Balance as at 1 January 2021	258	13,123	4,040	–	20,787	778	38,986
Profit and total comprehensive income	–	5,705	–	–	–	–	5,705
Dividends	–	(2,922)	–	–	–	–	(2,922)
Shares issued – acquisition consideration	55	–	–	–	11,548	–	11,603
Shares issued – share option exercises	7	762	89	–	–	(762)	96
Purchase of shares by Employee Benefit Trust	–	–	–	(348)	–	–	(348)
Release of deferred tax on share based payments	–	–	–	–	–	(81)	(81)
Share-based payments charge	–	–	–	–	–	970	970
Total transactions with owners	62	(2,160)	89	(348)	11,548	127	9,318
Balance as at 31 December 2021	320	16,668	4,129	(348)	32,335	905	54,009
Profit and total comprehensive income	–	6,437	–	–	–	–	6,437
Dividends	–	(3,829)	–	–	–	–	(3,829)
Share-based payments charge	–	–	–	–	–	411	411
Total transactions with owners	–	(3,829)	–	–	–	411	(3,418)
Balance as at 31 December 2022	320	19,276	4,129	(348)	32,335	1,316	57,028

Consolidated statement of cash flows

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	A	11,295	10,856
Interest paid		(359)	(232)
Tax paid		(1,962)	(1,679)
Net cash from operating activities		8,974	8,945
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired – Hunters	B	–	(13,041)
Acquisition of subsidiary net of cash acquired – The Mortgage Genie	C	–	(103)
Disposal of subsidiary net of cash disposed of - Auxilium	D	–	(323)
Purchase of intangible assets		(387)	(116)
Disposal of intangible assets – FDGs and rebrands		143	–
Disposal of intangible assets – Customer lists		150	–
Purchase of tangible assets		(38)	(87)
Assisted acquisitions support		(102)	(57)
Interest received		39	4
Net cash generated from / (used in) investing activities		(195)	(13,723)
Cash flows from financing activities			
Issue of ordinary shares		–	96
Equity dividends paid		(3,829)	(2,922)
Purchase of shares by Employee Benefit Trust		–	(348)
Bank loan drawn		–	12,500
Bank loan repaid		(6,094)	(4,419)
Principal paid on lease liabilities		(473)	(399)
Interest paid on lease liabilities		(112)	(88)
Net cash (used in) / generated from financing activities		(10,508)	4,420
(Decrease) / Increase in cash and cash equivalents		(1,729)	(358)
Cash and cash equivalents at beginning of year		8,413	8,771
Cash and cash equivalents at end of year		6,684	8,413

Notes to the consolidated statement of cash flows

for the year ended 31 December 2022

A. Reconciliation of profit before income tax to cash generated from operations

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit before income tax	8,833	6,423
Profit before income tax – discontinued	–	152
Depreciation of property, plant and equipment	91	79
Amortisation of intangibles	1,477	1,249
Amortisation of prepaid assisted acquisitions support	229	233
Amortisation of right-of-use assets	305	317
Profit on disposal of FDGs and rebrands	(195)	–
Share-based payments charge	411	970
Gain on revaluation of listed investment	32	(83)
Finance costs	471	320
Finance income	(39)	(4)
Operating cash flow before changes in working capital	11,615	9,656
(Increase)/decrease in trade and other receivables	(837)	247
Increase in trade and other payables	517	953
Cash generated from operations	11,295	10,856

B. Acquisition of Subsidiary undertakings net of cash acquired

On 19 March 2021 the Group obtained control of Hunters Property plc and it's subsidiaries.

	2022 £'000	2021 £'000
Consideration – cash element	–	14,531
Less: Cash acquired	–	(1,490)
Acquisition of subsidiary undertakings net of cash acquired	–	13,041

C. Acquisition of Subsidiary undertakings net of cash acquired

On 6 September 2021 the Group obtained control of The Mortgage Genie Limited and The Genie Group UK Ltd.

	2022 £'000	2021 £'000
Consideration – cash element	–	400
Less: Cash acquired	–	(297)
Acquisition of subsidiary undertakings net of cash acquired	–	103

D. Disposal of Subsidiary undertakings net of cash disposed of

On 22 July 2021 the Group disposed of its controlling interest in Aux Group Limited and Auxilium Partnership Limited

	2022 £'000	2021 £'000
Consideration – cash element	–	20
Less: Cash disposed of	–	(343)
Disposal of subsidiary undertakings net of cash disposed of	–	(323)

Company statement of cash flows

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	E	(764)	(1,005)
Interest paid		(359)	(220)
Net cash used in operating activities		(1,123)	(1,225)
Cash flows from investing activities			
Acquisition of subsidiary – Hunters		–	(14,531)
Acquisition of subsidiary – The Mortgage Genie		–	(400)
Disposal of subsidiary - Auxilium		–	20
Equity dividends received		7,950	8,250
Net cash generated from / (used in) investing activities		7,950	(6,661)
Cash flows from financing activities			
Issue of ordinary shares		–	96
Equity dividends paid		(3,829)	(2,922)
Purchase of own shares by Employee Benefit Trust		–	(348)
Bank loan drawn		–	12,500
Bank loan repaid		(6,094)	(1,406)
Net cash (used in) / generated from financing activities		(9,923)	7,920
Decrease / (increase) in cash and cash equivalents		(3,096)	34
Cash and cash equivalents at beginning of year		4,635	4,601
Cash and cash equivalents at end of year		1,539	4,635

Notes to the Company statement of cash flows

for the year ended 31 December 2022

E. Reconciliation of profit before income tax to cash generated from operations

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit before income tax	6,120	4,846
Share-based payments charge	366	773
Gain on revaluation of listed investment	15	(68)
Loss on disposal of subsidiary	–	180
Finance costs	358	220
Equity dividend received	(7,950)	(8,250)
Operating cash flow before changes in working capital	(1,091)	(2,299)
Decrease/(increase) in trade and other receivables	28	(8)
Increase in trade and other payables	299	1,302
Cash used in operations	(764)	(1,005)

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

1. General information

The principal activity of The Property Franchise Group PLC and its Subsidiaries is that of a UK residential property franchise business. The Group operates in the UK. The Company is a public limited company incorporated and domiciled in the UK and listed on AIM. The address of its head office and registered office is 2 St Stephen's Court, St Stephen's Road, Bournemouth, Dorset, UK.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention modified to include the revaluation of certain investments at fair value.

The preparation of financial statements in accordance with UK adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The presentational currency of the financial statements is in British pounds and amounts are rounded to the nearest thousand pounds.

Going concern

The Group has produced detailed budgets, projections and cash flow forecasts, which include a forecast of future bank covenant compliance. These have been stress tested to understand the impacts of reductions in revenue and costs. The Directors have concluded after reviewing these budgets, projections and forecasts, making appropriate enquiries of the business, that there is a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Changes in accounting policies

a) New standards, amendments and interpretations effective from 1 January 2022

We do not consider there to be any relevant new standards, amendments to standards or interpretations, that are effective for the financial year beginning on 1 January 2022, which would have a material impact on the financial statements.

b) New standards, amendments and interpretations not yet effective

We do not consider there to be any relevant new standards, amendments to standards or interpretations that have been issued, but are not effective for the financial year beginning on 1 January 2022, which would have a material impact on the financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3. Basis of consolidation

The Group financial statements include those of the Parent Company and its Subsidiaries, drawn up to 31 December 2022. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by Subsidiaries have been adjusted to conform to the Group's accounting policies.

4. Significant accounting policies

Revenue recognition

Performance obligations and the timing of revenue recognition

Revenue represents income, net of VAT, from the sale of franchise agreements, resale fees and Management Service Fees levied to franchisees monthly based on their turnover, and other income being the provision of ad hoc services and ongoing support to franchisees. In addition there is lettings and residential sales income, net of VAT, from a small number of Hunters' owned offices and financial services commissions.

Franchises excluding EweMove:

Fees from the sale of franchise agreements are not refundable. These fees are for the use of the brand along with initial training and support and promotion during the opening phase of the new office. As such the Group has some initial obligations that extend beyond the receipt of funds and signing of the franchise agreement so an element of the fee is deferred and released as the obligations are discharged, usually between 1 to 4 months after receipt of funds, which is the typical period of on-boarding for new franchisees.

Resale fees are recognised in the month that a contract for the resale of a franchise is signed. Upon signing of the contract all obligations have been completed.

Management Service Fees are recognised on a monthly basis and other income is recognised when the services and support is provided to the franchisee. There are no performance obligations associated with levying the Management Service Fees. For ad hoc services and support all performance obligations have been fulfilled at the time of revenue recognition.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

4. Significant accounting policies continued

EweMove:

Fees from the sale of franchise agreements for the EweMove brand are not refundable. Some new franchisees pay a higher fee to include the first 12 months' licence fee, in this scenario the licence fee element of the initial fee is deferred and released over the first 12 months of trading of the franchise where no monthly licence fees are payable. The franchise fee is for the use of the brand along with initial support and promotion during the opening phase of the new franchise. As such the Group has some initial obligations that extend beyond the receipt of funds and signing of the franchise agreement so an element of the fee is deferred and released as the obligations are discharged, usually between 1 to 4 months after receipt of funds, which is the typical period of on-boarding for new franchisees.

Management Service Fees consist of monthly licence fees and completion fees. Licence fees are recognised on a monthly basis, completion fees are recognised when sales or lettings transactions complete and other income is recognised when the services and support are provided to the franchisee. There are no additional performance obligations associated with levying the licence fee and completion fees beyond providing access to the systems, brand and marketing support. For ad hoc services and support all performance obligations have been fulfilled at the time of revenue recognition.

Hunters owned offices:

Revenue from the sale of residential property is recognised, net of vat, at the point the Group has performed its performance obligation to see the transaction through to the exchange of contracts between a buyer and a vendor.

Revenue from lettings represents commission earned from operating as a lettings agent, net of vat. Where the performance obligation relates to the letting of a property the revenue is recognised at the point the property has been let. Where the performance obligation relates to the management of a lettings property revenue is recognised over the period the property is managed.

Financial services commissions:

Financial services commissions received are recognised upon receipt, being a point in time when the Group has met its obligations in delivering a customer to the mortgage and / or insurance partners. A provision is made for the best estimate of future clawbacks resulting from insurance policies being subsequently cancelled, however this is not material to the financial statements. There is no vat applicable to financial services commissions.

Rental income:

Rental income represents rent received from short term licensing arrangements entered into to make use of vacant office space. The Group's obligation is to provide office accommodation through the period of the license. Revenue is recognised over the period of the license.

Operating profit

Profit from operations is stated before finance income, finance costs and tax expense.

Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where the fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration and the fair value of identifiable assets acquired. Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable.

Intangible assets

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

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 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, on a straight-line basis, as follows:

Brands – CJ Hole, Parkers, Ellis & Co	Indefinite life
Brands – EweMove	21 years
Brands – Hunters	20 years
Customer lists – lettings books	12 years
Customer lists – franchise development grants	15 years
Master franchise agreements – Whitegates, CJ Hole, Parkers, Ellis & Co	25 years
Master franchise agreements – Hunters	21 years
Master franchise agreements – EweMove	15 years
Technology – Ewureka	5 years
Technology – Websites, CRM system and Software	3 years

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

Acquired trade names are identified as separate intangible assets where they can be reliably measured by valuation of future cash flows. The trade names CJ Hole, Parkers and Ellis & Co are assessed as having indefinite lives due to their long trading histories.

Acquired customer lists 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. The life of the relationship is assessed annually.

Customer lists acquired as part of the Hunters acquisition relate to Lettings books and are being written off over a remaining life of 12 years.

Acquired master franchise 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 15-25 years as historical analyses shows that, on average, 4% – 10% of franchises will change ownership per annum.

Subsequent to initial recognition, intangible assets are stated at deemed cost less accumulated amortisation and impairment charges, with the exception of indefinite life intangibles.

Impairment of non-financial assets

In respect of goodwill and intangible assets that have an indefinite useful lives, management are required to assess whether the recoverable amount of each exceeds their respective carrying values at the end of each accounting period.

In respect of intangible assets with definite lives, management are required to assess whether the recoverable amount exceeds the carrying value where an indicator of impairment exists at the end of each accounting period.

The recoverable amount is the higher of fair value less costs to sell and value in use.

Impairment losses represent the amount by which the carrying value exceeds the recoverable amount; they are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Where an indicator of impairment exists against a definite life asset and a subsequent valuation determines there to be impairment, the intangible asset to which it relates is impaired by the amount determined.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The master franchise agreement is assessed separately for impairment as an independent asset that generates cash inflows that are largely independent of those from other assets.

Investment in subsidiaries

Investments in subsidiaries are stated in the Parent Company's balance sheet at cost less any provisions for impairments.

Equity investments

Investments in the Group balance sheet represent listed investments which are measured at market value and unlisted investments which are measured at cost. Listed investments are revalued at fair value through the profit and loss account based on the quoted share price.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is charged so as to write-off the cost of assets over their estimated useful lives on the following bases:

Fixtures, fittings and office equipment	15% - 25% reducing balance or 10% - 33% straight line
Computer equipment	over 3 years
Leasehold buildings and short leasehold improvements	over the lease term

Right-of-use assets

Right of use assets relate to operating leases that have been brought onto the balance sheet under IFRS 16. They are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

4. Significant accounting policies continued

Lease liabilities

Lease liabilities 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 rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Prepaid assisted acquisitions support

Prepaid assisted acquisitions support represents amounts payable to franchisees in relation to their acquisition of qualifying managed property portfolios and amounts payable to brokers for assisting with the acquisition of those portfolios. The payments are recognised as an asset and amortised to the profit and loss account over 5 years. The amounts payable to franchisees are amortised as a reduction in revenue, whereas amounts payable to brokers are amortised through cost of sales.

Investment properties

Investment property comprises a property held under a lease by Hunters which is subleased to an independent third party. The investment property is held at historic cost less accumulated depreciation, and is being depreciated over the term of the lease as set out in the Property, plant and equipment note above. It is recognised on this basis because it is a short term lease and as such it is not possible to reliably determine a fair value.

Income taxes

Income tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity.

Deferred tax

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. On 24 May 2021 the Finance Bill 2021 was substantively enacted which amends the corporation tax rate from 19% to 25% with effect from 1 April 2023. 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 be 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 the tax expense in the income statement. For share-based payments the deferred tax credit is recognised in the income statement to the extent that it offsets the share-based charge, with any remaining element after offset being shown in the statement of changes in equity.

Cash and cash equivalents

Cash and cash equivalents are defined as cash balances in hand and in the bank (including short-term cash deposits).

Financial assets

The Group and Company only have financial assets comprising trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment of financial assets

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities

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

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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Share-based payments

The Group and Company issue equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments are amortised through the Consolidated Statement of Comprehensive Income over the vesting period of the options, together with a corresponding increase in equity, based upon the Group and Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes option pricing model taking into account the following inputs:

- the exercise price of the option;
- the life of the option;
- the market price on the date of the grant of the option;
- the expected volatility of the share price;
- the dividends expected on the shares; and
- the risk free interest rate for the life of the option.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

At the end of each reporting period, the Group and Company revise its estimates of the number of options that are expected to vest based on the non-market conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

5. Critical accounting estimates and judgements and key sources of estimation uncertainty

The Company 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.

Valuation of separable intangible assets on acquisition

When valuing the intangibles acquired in a business combination, management estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows. Separable intangibles valued on acquisitions made in year were £nil (2021: £17.4m) as detailed further in note 17.

Impairment of intangible assets

The Group is required to test, where indicators of impairment exist or there are intangible assets with indefinite lives, whether intangible assets have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Key assumptions for the value in use calculation are described in note 17.

Share-based payment charge ("SBPC")

The aggregate fair value expense of each grant is determined through using the Black-Scholes model and an estimate for the attainment of the performance conditions, where they exist. All the options granted but not vested bar the option granted to Gareth Samples in March 2021 as a result of deferring bonus, have a non-market based performance condition, earnings per share, and a total shareholder return performance condition.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

5. Critical accounting estimates and judgements and key sources of estimation uncertainty *Continued*

In order to estimate the likely achievement of the performance conditions, management have used the actual results for FY22, the budget for FY23 and projections of earnings for future years as well as taking into account available market data, performance trends and listed company valuation metrics.

The share-based payment charge in relation to the performance-based options granted in 2021 assumes that performance will generate vesting of 50% of the maximum number of shares available under those options. The charge is £0.15m. If the performance assumptions generated vesting of 100%, the cumulative charge would increase by £0.8m and if the performance assumptions generated vesting of 0%, the cumulative charge would decrease by £0.8m.

The share-based payment charge in relation to the performance-based options granted in 2022 assumes that performance will generate vesting of 27% of the maximum number of shares available under those options. The charge is £0.04m. If the performance assumptions generated vesting of 100% the cumulative charge would increase by £0.1m and if the performance assumptions generated vesting of 0% the cumulative charge would decrease by £0.04m.

6. Segmental reporting

The directors consider there to be two operating segments in 2022 and 2021 being Property Franchising and Financial Services.

For the year ended 31 December 2022:

Continuing	Property Franchising £'000	Financial Services £'000	Total £'000
Revenue	25,429	1,729	27,158
Segment profit before tax	8,379	454	8,833

Discontinued	Property Franchising £'000	Financial Services £'000	Total £'000
Revenue	–	–	–
Segment profit before tax	–	–	–

For the year ended 31 December 2021:

Continuing	Property Franchising £'000	Financial Services £'000	Total £'000
Revenue	23,595	447	24,042
Segment profit before tax	6,363	60	6,423

Discontinued	Property Franchising £'000	Financial Services £'000	Total £'000
Revenue	–	267	267
Segment profit before tax	–	153	153

There was no inter-segment revenue in any period. See note 14 for details of discontinued operations.

7. Revenue

	2022 £'000	2021 £'000
Property Franchising segment:		
Management Service Fees	15,882	14,706
Owned offices – lettings and sales fees	5,157	4,708
Franchise sales	318	589
Franchisee support and similar services	4,072	3,592
	25,429	23,595
Financial Services segment:		
Financial Services commissions	1,729	447
	27,158	24,042

All revenue is earned in the UK and no customer represents greater than 10% of total revenue in either of the years reported.

See note 23 for details of accrued income and note 29 for details of deferred income.

See note 20 for the value of prepaid assisted acquisitions support amortised as a deduction from Management Service Fees.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

8. Administrative expenses

Administrative expenses relate to those expenses that are not directly attributable to any specific sales activity.

Administrative expenses for the year were as follows:

	2022 £'000	2021 £'000
Employee costs	6,563	6,301
Marketing and digital costs	1,004	995
Property costs	408	547
Amortisation	1,782	1,567
Exceptional costs (note 10)	–	853
Other administrative costs	2,119	2,456
	11,876	12,719

9. Employees and Directors

Average numbers of employees (including Directors), employed during the year:

	Group		Company	
	2022	2021	2022	2021
Administration	173	171	–	1
Management	12	12	2	2
	185	183	2	3

Employee costs (including Directors) during the year amounted to:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages and salaries	8,302	6,785	929	731
Social security costs	946	1,117	126	263
Pension costs	193	194	45	19
Private medical insurance	22	19	–	–
	9,463	8,115	1,100	1,013
Share-based payments charge	411	970	366	773

Key management personnel are defined as Directors and executives of the Group. Details of the remuneration of the key management personnel are shown below:

	2022 £'000	2021 £'000
Wages and salaries	2,293	2,218
Social security costs	314	456
Pension costs	63	97
	2,670	2,771
Share-based payments charge	372	902

Details of the Directors' emoluments are disclosed in the Directors' remuneration report on pages 38 to 40. The share-based payments charge for the current year has been charged to the Statement of Comprehensive Income, of this £0.36m (2021: £0.77m) relates to Directors.

10. Exceptional costs

Exceptional costs of £0.85m are included in administrative expenses for the year ended 31 December 2021 which comprised costs associated with the acquisition of Hunters Property plc. There were no exceptional costs in the year ended 31 December 2022.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

11. Breakdown of expenses by nature

	2022 £'000	2021 £'000
The operating profit is stated after charging:		
Depreciation	91	79
Amortisation – intangibles	1,477	1,249
Amortisation – prepaid assisted acquisitions support	229	233
Amortisation – leases	305	317
Share-based payments charge	411	970
Auditor's remuneration (see below)	127	113
Staff costs (note 9)	8,791	8,115
Exceptional costs (note 10)	–	853
Audit services		
– Audit of the Company and consolidated accounts	127	113
	127	113

12. Finance income and costs

	2022 £'000	2021 £'000
Finance income:		
Bank interest	37	2
Other similar income	2	2
	39	4

	2022 £'000	2021 £'000
Finance costs:		
Bank interest	358	232
Interest expense on lease liabilities	112	88
	470	320

13. Taxation

	2022 £'000	2021 £'000
Current tax	1,930	1,680
Adjustments in respect of previous periods	60	29
Current tax total	1,990	1,709
Deferred tax on acquired business combinations	(366)	1,245
Deferred tax on share-based payments	(36)	(209)
Deferred tax total	(402)	1,036
Total tax charge in statement of comprehensive income	1,588	2,745

The tax assessed for the period is lower (2021: higher) than the standard rate of corporation tax in the UK. The difference is explained below.

	2022 £	2021 £
Profit on ordinary activities before tax	8,833	6,423
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 19%	1,678	1,220
Effects of:		
Expenses not deductible for tax purposes	253	448
Depreciation in excess of capital allowances	(1)	12
Effect of change in deferred tax rate	–	1,540
Deferred tax provision	(402)	(504)
Adjustments in respect of previous periods	60	29
Total tax charge in respect of continuing activities	1,588	2,745

Factors that may affect future tax charges

Increases in the corporation tax rate in the UK from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the Group's future tax charge accordingly. The value of the deferred tax asset at the statement of financial position date in 2022 and 2021 have been calculated using the applicable rate when the asset is expected to be realised.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

14. Discontinued operations

On 22 July 2021 the Group sold its majority shareholdings in Aux Group Limited and Auxilium Partnership Limited. Auxilium was a financial services business operating as life assurance buyers club. The Group took the decision to pursue a different approach to delivering its financial services strategy so no longer operates a life assurance buyers club.

The profit of Aux Group Limited and Auxilium Partnership Limited for the period up to 22 July 2021, net of tax, has been included in discontinued operations and the profit net of tax for the comparative period has been moved to discontinued operations. The difference between the proceeds received on sale, £0.02m and the assets to be disposed of, £0.29m, resulted in an impairment loss of £0.27m, which has been included in discontinued operations. The profit for the period to 22 July 2021, net of tax, was £0.1m.

15. Earnings per share

Earnings per share is calculated by dividing the profit for the financial year by the weighted average number of shares during the year.

	2022 £'000	2021 £'000
Profit for the financial year attributable to owners of the parent	7,229	3,469
Amortisation on acquired intangibles	1,443	1,214
Share-based payments charge	411	970
Exceptional costs (note 10)	–	853
Deferred tax rate change from 19% to 25%	–	1,540
Discontinued operations – loss on disposal	–	293
Loss/(gain) on revaluation of listed investment	32	(83)
Adjusted profit for the financial year	9,115	8,256
Weighted average number of shares		
Number used in basic earnings per share	32,041,966	30,622,102
Dilutive effect of share options on ordinary shares	99,626	99,590
Number used in diluted earnings per share	32,141,592	30,721,692
Basic earnings per share	22.6p	11.3p
Diluted earnings per share	22.5p	11.3p
Adjusted basic earnings per share	28.4p	27.0p
Adjusted diluted earnings per share	28.4p	26.9p

There were options over 2,213,000 ordinary shares outstanding at 31 December 2022; 100,000 do not have performance conditions attached to them. The average share price during the year ended 31 December 2022 was above exercise price of the 100,000 options without performance conditions, for this reason in 2022 there is a dilutive effect of share options on the earnings per share calculation.

There were options over 1,825,500 ordinary shares outstanding at 31 December 2021; 100,000 do not have performance conditions attached to them. The average share price during the year ended 31 December 2021 was above exercise price of the 100,000 options without performance conditions, for this reason in 2021 there was a dilutive effect of share options on the earnings per share calculation.

The charge relating to share-based payments that have a dilutive effect is immaterial and therefore the earnings used in the diluted earnings per ordinary share calculation are the earning per ordinary share calculation before dilution.

16. Dividends

	2022 £'000	2021 £'000
Final dividend for 2021		
7.8p per share paid 27 May 2022 (2021: 6.6p per share paid 23 February 2021)	2,489	1,704
Interim dividend for 2022		
4.2p per share paid 7 October 2022 (2021: 3.8p per share paid 11 October 2021)	1,340	1,218
Total dividend paid	3,829	2,922

The Directors propose a final dividend for 2022 of 8.8p per share totalling £2.82m, which they expect will be paid on 9 June 2023. As this is subject to approval by the shareholders no provision has been made for this in these financial statements.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

17. Intangible assets

	Master Franchise Agreement £'000	Brands £'000	Technology £'000	Customer lists £'000	Goodwill £'000	Total £'000
Cost						
Brought forward at 1 January 2021	7,803	1,972	338	225	7,411	17,749
Acquisitions (note 35)	10,789	3,060	14	3,556	16,017	33,436
Additions	–	–	51	65	–	116
Disposals	–	–	–	–	(185)	(185)
Carried forward 31 December 2021	18,592	5,032	403	3,846	23,243	51,116
Additions	–	–	387	–	–	387
Disposals	–	–	–	(527)	–	(527)
Carried forward 31 December 2022	18,592	5,032	790	3,319	23,243	50,976
Amortisation & Impairment						
Brought forward at 1 January 2021	2,565	289	314	201	–	3,369
Charge for year	798	181	30	240	–	1,249
Carried forward 31 December 2021	3,363	470	344	441	–	4,618
Charge for the year	927	220	31	299	–	1,477
Amortisation on disposals	–	–	–	(77)	–	(77)
Carried forward 31 December 2022	4,290	690	375	663	–	6,018
Net book value						
At 31 December 2022	14,302	4,342	415	2,656	23,243	44,958
At 31 December 2021	15,229	4,562	59	3,405	23,243	46,498

The carrying amount of goodwill relates to 6 (2021: 6) cash generating units and reflects the difference between the fair value of consideration transferred and the fair value of assets and liabilities purchased.

Business combinations completed in October 2014 – Xperience & Whitegates

Goodwill is assessed for impairment by comparing the carrying value to the value in use calculations. The value in use of the goodwill arising on the acquisitions of Xperience Franchising Limited ("XFL") and Whitegates Estate Agency Limited ("WEAL") is based on the cash flows derived from the actual revenues and operating margins for 2022 and projections through to 31 December 2027. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 2.2%.

The cash flows arising were discounted by the weighted average cost of capital which included a small companies' risk premium to allow for factors such as illiquidity in the shares. These discount rates were 13.5% for XFL and 15.0% for WEAL, the latter higher rate reflecting WEAL's smaller size and more volatile earnings. This resulted in a total value for each company of the identifiable intangible assets that exceeded the carrying values of the respective companies' goodwill.

The Directors do not consider goodwill to be impaired. The Directors believe that no reasonably possible change in assumptions at the year end will cause the value in use to fall below the carrying value and hence impair the goodwill.

The master franchise agreements are being amortised over 25 years. The period of amortisation remaining at 31 December 2022 was 16 years 10 months.

The brand names under which XFL trades of C J Hole, Parkers and Ellis & Co have been in existence for between 73 years and 171 years. Management see them as strong brands with significant future value and has deemed them to have indefinite useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. As a consequence, management annually assess whether the carrying value of these brands have been impaired.

The Directors believe that no reasonably possible change in assumptions at the year end will cause the value in use of the brands names C J Hole, Parkers and Ellis & Co to fall below their carrying values and hence impair their intangible values.

The Whitegates brand was valued in a similar manner and deemed to have an immaterial value when the acquisition was made principally due to its lack of profitability over preceding years. It is therefore not recognised separately.

Business combination completed in September 2016 - EweMove

Goodwill is assessed for impairment by comparing the carrying value to the value in use calculations. The value in use of the goodwill arising on the acquisition of EweMove Sales & Lettings Ltd ("ESL") is based on the cash flows derived from the actual revenues and operating margins for 2022 and projections through to 31 December 2027. Thereafter projected revenue growth was assumed to be 2.2% per annum.

The revenue growth rates used in the valuation range from 26% in FY23 to 4% in FY27. The high rate in FY23 is as result of increased activity from the significant number of recruits that joined in FY21 and FY22.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

The cash flows arising were discounted by the weighted average cost of capital being 17.33% which included a small companies' risk premium to allow for factors such as illiquidity in the shares. This resulted in the value in use exceeding the carrying value of the goodwill and separately identifiable intangible assets. The enterprise's overall value exceeds the cash generating unit's carrying value.

The useful life of the master franchise agreement was assessed as 15 years and remains unchanged. The period of amortisation remaining at 31 December 2022 was 8 years 8 months.

The remaining useful life of the brand name was also reviewed. It continues to attract and recruit the same level of franchisees as in previous years and to attract higher numbers of customers. Given these 2 factors the remaining useful life of the brand was considered to be unaltered at 21 years. The period of amortisation remaining at 31 December 2022 was 14 years and 8 months.

The carrying value of EweMove the identified cash generating unit, was £7.7m at 31 December 2022 whereas the recoverable amount was assessed to be £13.1m at the same date. Headroom of £5.4m therefore existed at the year end.

The following table reflects the level of movements required in revenue or costs which could result in a potential impairment per the value in use calculation of goodwill. A further percentage (fall)/increase, of the magnitude indicated in the table below, in any one of the key assumptions set out above would result in a removal of the headroom in the value in use calculation for goodwill in 2022. Thus, if the discount rate increased by 76% to 30%, an impairment change would result against goodwill, all other assumptions remaining unchanged.

Assumption	Judgement	Sensitivity
Discount rate	As indicated above the rate used is 17.33%	76%
Revenue – FY23 to FY27	The range of growth rates for FY23 to FY27 are stated above	(142%)
Direct costs – all years	Assumed to be 22% of revenue in FY23 and then 21% of revenue for all years	77%
Indirect costs – all years	Assumed to be 79% of revenue in all years	41%
Direct and indirect costs – all years	As indicated above for direct and indirect costs	27%

Business combination completed in January 2020 - Auxilium

Auxilium Partnership Limited was acquired in January 2020 and disposed of in July 2021.

Business combination completed in March 2021 - Hunters

Goodwill is assessed for impairment by comparing the carrying value to the value in use calculations. The value in use of the goodwill arising on the acquisitions of Hunters is based on the cash flows derived from the actual revenues and operating margins for 2022 and projections through to 31 December 2027. Thereafter projected revenue growth was assumed to be 2.0% per annum.

The revenue growth rates used in the valuation range from (5%) in FY23 to 4% in FY26.

The cash flows arising were discounted by the weighted cost of capital being 12.23%. This resulted in the value in use exceeding the carrying value of the goodwill and separately identifiable intangible assets. The enterprise's overall value exceed the carrying value.

The useful life of the master franchise agreement was assessed as 21 years and remains unchanged. The period of amortisation remaining at 31 December 2022 was 19 years 3 months.

The useful life of the brand name was also reviewed. There have been no significant changes since acquisition so as such it is considered to be unaltered at 20 years. The period of amortisation remaining at 31 December 2022 was 18 years and 3 months.

The useful life of the lettings books was assessed as 12 years and remains unchanged. The period of amortisation remaining at 31 December 2022 was 10 years 3 months.

The carrying value of Hunters the identified cash generating unit, was £25.5m at 31 December 2022 whereas the recoverable amount was assessed to be £29.0m at the same date. Headroom of £3.5m therefore existed at the year end.

The following table reflects the level of movements required in revenue or costs which could result in a potential impairment per the value in use calculation of goodwill. A further percentage (fall)/increase, of the magnitude indicated in the table below, in any one of the key assumptions set out above would result in a removal of the headroom in the value in use calculation for goodwill in 2022. Thus, if the discount rate increased by 11% to 13.6%, an impairment change would result against goodwill, all other assumptions remaining unchanged.

Assumption	Judgement	Sensitivity
Discount rate	Weighted average cost of capital used of 12.2%	11%
Revenue – FY22 to FY27	The range of growth rates for FY23 (5%) to FY27 4%	(52%)
Direct costs – all years	Assumed to be 40% of revenue	64%
Indirect costs – all years	Assumed to be 28% of revenue	39%
Direct and indirect costs – all years	As indicated above for direct and indirect costs	25%

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

17. Intangible assets continued

Business combination completed in September 2021 – The Mortgage Genie

Goodwill is assessed for impairment by comparing the carrying value to the value in use calculations. The value in use of the goodwill arising on the acquisitions of The Mortgage Genie Limited and The Genie Group UK Limited is based on the cash flows derived from the actual revenues and operating margins for 2022 and projections through to 31 December 2027. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 2.2%.

The Directors do not consider goodwill to be impaired. The Directors believe that there are no change in assumptions at the year end that will cause the value in use to fall below the carrying value and hence impair the goodwill.

Goodwill and indefinite life intangible assets have been allocated for impairment testing purposes to the following cash generating units.

The carrying values are as follows:

	Goodwill		Brands	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Xperience Franchising Limited	912	912	571	571
Whitegates Estate Agency Limited	401	401	–	–
Martin & Co (UK) Limited	75	75	–	–
EweMove Sales & Lettings Ltd	5,838	5,838	–	–
Hunters Property Limited	15,871	15,871	–	–
The Mortgage Genie Limited & The Genie Group UK Ltd	146	146	–	–
	23,243	23,243	571	571

Website costs included in technology

In 2017 new websites were launched for each of the 5 traditional brands. The costs associated with these websites have been capitalised as intangible assets as the purpose of the websites is to generate leads and revenue for the network.

Company

No goodwill or customer lists exist in the Parent Company.

18. Property, plant and equipment

Group

	Short leasehold improvements £'000	Office equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
Brought forward 1 January 2021	37	155	163	355
Acquisitions	–	62	99	161
Additions	7	64	16	87
Disposals	–	(14)	(116)	(130)
Carried forward 31 December 2021	44	267	162	473
Additions	–	29	8	37
Disposals	–	(1)	–	(1)
Carried forward 31 December 2022	44	295	170	509
Depreciation				
Brought forward 1 January 2021	33	112	142	287
Charge for year	6	48	25	79
Depreciation on disposals	–	(6)	(104)	(110)
Carried forward 31 December 2021	39	154	63	256
Charge for year	3	59	29	91
Carried forward 31 December 2022	42	213	92	347
Net book value				
At 31 December 2022	2	82	78	162
At 31 December 2021	5	113	99	217

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

19. Leases

The Group has several operating leases relating to office premises and motor vehicles. Under IFRS16, which was adopted on 1 January 2019 these operating leases are accounted for by recognising a right-of-use asset and a lease liability,

Right-of-use assets

	Land and Buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	86	–	86
Acquisitions	1,579	22	1,601
Additions	145	53	198
Amortisation	(304)	(13)	(317)
Carried forward 31 December 2021	1,506	62	1,568
Reclassification from Investment Properties (see note 22)	256	–	256
Additions	94	–	94
Amortisation	(277)	(28)	(305)
Carried forward 31 December 2022	1,579	34	1,613

Lease liabilities

	Land and Buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	86	–	86
Acquisitions	2,833	22	2,855
Additions	145	53	198
Interest expenses	86	2	88
Lease payments	(457)	(30)	(487)
Carried forward 31 December 2021	2,693	47	2,740
Additions	95	–	95
Interest expenses	109	3	112
Lease payments	(555)	(30)	(585)
Carried forward 31 December 2022	2,342	20	2,362

20. Prepaid assisted acquisitions support

Group

	Total £'000
Cost	
Brought forward 1 January 2021	1,109
Additions	57
Carried forward 31 December 2021	1,166
Additions	102
Carried forward 31 December 2022	1,268
Amortisation	
Brought forward 1 January 2021	509
Charge for year – to revenue	188
Charge for year – to cost of sales	45
Carried forward 31 December 2021	742
Charge for year – to revenue	185
Charge for year – to cost of sales	44
Carried forward 31 December 2022	971
Net book value	
At 31 December 2022	297
At 31 December 2021	424

Cashback and broker's commission is presented as prepaid assisted acquisitions support

The additions represent sums provided to franchisees that have made qualifying acquisitions to grow their lettings' portfolios. The cashback sum provided is based on a calculation of the estimated increase in MSF as a result of the acquisition and the sum provided for broker's commission is based on the charge payable to the broker. In providing these sums the Group ensures that franchisees are contractually bound to the relevant franchisor for a period in excess of that required for the economic benefits to exceed the sums provided.

Company

No prepaid assisted acquisitions support exists in the Parent Company.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

21. Investments

Group

	Shares in listed and unlisted companies £'000	Total £'000
Cost		
At 1 January 2021	–	–
Acquisitions	61	61
Additions	25	25
Movement in fair value of listed investment	83	83
At 31 December 2021	169	169
Movement in fair value of listed investment	(32)	(32)
At 31 December 2022	137	137
Net book value		
At 31 December 2022	137	137
At 31 December 2021	169	169

Company

	Shares in Group undertakings £'000	Shares in listed company £'000	Total £'000
Cost			
At 1 January 2021	34,083	–	34,083
Disposal of Auxilium Partnership Limited	(200)	–	(200)
Acquisition of Hunters Property plc	26,134	–	26,134
Acquisition of The Mortgage Genie Limited and The Genie Group UK Ltd	461	–	461
Capital contribution to subsidiaries – share options	197	–	197
Movement in fair value of listed investment	–	68	68
At 1 January 2022	60,675	68	60,743
Movement in fair value of listed investment	–	(15)	(15)
Capital contribution to subsidiaries – share options	45	–	45
At 31 December 2022	60,720	53	60,773
Net book value			
At 31 December 2022	60,720	53	60,773
At 31 December 2021	60,675	68	60,743

The Property Franchise Group PLC was incorporated on 7 October 2013. On the 10 December 2013 a share for share exchange acquisition took place with Martin & Co (UK) Limited; 17,990,000 ordinary shares in The Property Franchise Group PLC were exchanged for 100% of the issued share capital in Martin & Co (UK) Limited.

On 31 October 2014 the Company acquired the entire issued share capital of Xperience Franchising Limited and Whitegates Estate Agency Limited for a consideration of £6.1m.

On 5 September 2016 the Company acquired the entire issued share capital of EweMove Sales & Lettings Ltd, and its dormant subsidiary Ewesheep Ltd, for an initial consideration of £8m. Of the total consideration, £2.1m represented contingent consideration, of which £0.5m was paid out on 30 July 2017 and £0.5m was paid out on 31 December 2017. No further sums are due.

On 7 January 2020 the Company acquired a majority share of Auxilium Partnership Limited for a total cash consideration of £0.2m. The Company disposed of this on 22 July 2021.

On 19 March 2021 the Company acquired the entire issued share capital of Hunters Property plc for a total consideration of £26.1m.

On 6 September 2021 the Company acquired the entire issued share capital of The Genie Group UK Ltd and 80% of the issued share capital of The Mortgage Genie Limited for an initial cash consideration of £0.4m. A further consideration of £0.06m is due which was based on working capital at the time of acquisition.

The carrying value of the investment in EweMove has been considered for impairment through value in use calculations and it was determined that no impairment was required in the year ended 31 December 2022.

The carrying value of the investment in Hunters Property Limited has been considered for impairment through value in use calculations and it was determined that no impairment was required in the year ended 31 December 2022.

The carrying values of the other investments (all companies except for EweMove and Hunters) have been considered for impairment and it has been determined that the value of the discounted future cash inflows exceeds the carrying value. Thus, there is no impairment charge.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

The listed investments comprise a 0.2% holding of ordinary shares in OnTheMarket plc, a company listed on the Alternative Investment Market. The movement in fair value of listed investment represents the difference between the market value at 31 December 2022 and 31 December 2021.

The Company's investments at the balance sheet date in the share capital of companies include the following, which all have their registered offices at the same address as the Company:

Subsidiaries

	Company number	Share class	% ownership and voting rights	Country of incorporation
Martin & Co (UK) Limited	02999803	Ordinary	100	England
Xperience Franchising Limited	02334260	Ordinary	100	England
Whitegates Estate Agency Limited	00757788	Ordinary	100	England
EweMove Sales & Lettings Ltd	07191403	Ordinary	100	England
Ewesheep Ltd*	08191713	Ordinary	100	England
MartinCo Limited	09724369	Ordinary	100	England
Hunters Property Limited	09448465	Ordinary	100	England
Hunters Property Group Limited*	03947557	Ordinary	100	England
Greenrose Network (Franchise) Limited*	02934219	Ordinary	100	England
Hunters Franchising Limited*	05537909	Ordinary	100	England
Hunters (Midlands) Limited*	02587709	Ordinary	100	England
Hunters Financial Services Limited*	02604278	Ordinary	100	England
Hapollo Limited*	08008359	Ordinary	100	England
RealCube Limited*	07736494	Ordinary	100	England
Hunters Group Limited*	02965842	Ordinary	100	England
Hunters Land & New Homes Limited*	06292723	Ordinary	100	England
Maddison James Limited*	05920686	Ordinary	100	England
Herriot Cottages Limited*	04452874	Ordinary	100	England
Hunters Partners Limited*	03777494	Ordinary	100	England
Hunters Survey & Valuation Limited*	02602087	Ordinary	100	England
RealCube Technology Limited*	08139888	Ordinary	100	England
The Genie Group UK Ltd	12372201	Ordinary	100	England
The Mortgage Genie Limited	09803176	Ordinary	80	England

* indirectly owned

All companies in the Subsidiaries list above are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006.

At the year-end The Property Franchise Group plc has guaranteed all liabilities of all companies in the Subsidiaries list above. The value of the contingent liability resulting from this guarantee is unknown at the year-end.

22. Investment properties

Group	Total £'000
Cost	
Brought forward 1 January 2021	–
Acquisitions	292
Carried forward 31 December 2021	292
Reclassification to Right of Use Assets (see note 19)	(292)
Carried forward 31 December 2022	–
Depreciation	
Brought forward 1 January 2021	–
Charge for year	36
Carried forward 31 December 2021	36
Reclassification to Right of Use Assets (see note 19)	(36)
Carried forward 31 December 2022	–
Net book value	
At 31 December 2022	–
At 31 December 2021	256

In the year ended 31 December 2021 Investment Properties comprised a property held under operating lease within Hunters Property Group Limited which is subleased to an independent third party. The investment property was held at historic cost less accumulated depreciation. This accounting treatment was consistent with that used by Hunters Property Group Limited prior to its acquisition by The Property Franchise Group plc in March 2021. In the year ended 31 December 2022 the asset was reclassified as a Right of Use Asset which management consider to be a more accurate representation of the asset.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

23. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables	1,856	1,193	11	–
Less: provision for impairment of trade receivables	(420)	(323)	–	–
Trade receivables – net of impairment provisions	1,436	870	11	–
Loans to franchisees	319	31	–	–
Other receivables	60	137	–	–
Amounts due from Group undertakings	–	–	770	21
Prepayments and accrued income	2,143	1,782	9	47
Tax receivable	–	–	275	743
Total trade and other receivables	3,958	2,820	1,065	811
Less: non-current portion – Loans to franchisees	(240)	–	–	–
Current portion	3,718	2,820	1,065	811

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over the previous year. Forward looking factors are considered to the extent that they are deemed material.

The Group is entitled to the revenue by virtue of the terms in the franchise agreements and can force the sale of a franchise to recover a debt if necessary.

Ageing of trade receivables

The following is an analysis of trade receivables that are past due date but not impaired. These relate to a number of customers for whom there is no recent history of defaults. The ageing analysis of these trade receivables is as follows:

	2022 £'000	2021 £'000
Group		
Not more than 3 months	72	137
More than 3 months but not more than 6 months	–	7
More than 6 months but not more than 1 year	–	13
	72	157

The Directors consider that the carrying value of trade and other receivables represents their fair value.

The Group does not hold any collateral as security for its trade and other receivables.

Included within "Prepayments and accrued income" is accrued income of £1.1m (2021: £1.11m) in relation to Management Service Fees for some of our brands that are invoiced at the beginning of the month following the month to which they relate and EweMove license fees. Hunters invoices to franchisees are dated the same month to which they relate therefore their December month balance is included in trade receivables rather than accrued income at the year end.

24. Called up share capital

	2022		2021	
	Number	£'000	Number	£'000
Group				
Authorised, allotted issued and fully paid ordinary shares of 1p each	32,041,966	320	32,041,966	320
Company				
Authorised, allotted issued and fully paid ordinary shares of 1p each	32,041,966	320	32,041,966	320

25. Share premium

	Number of shares	Share capital £'000	Share premium £'000
At 31 December 2022	32,041,966	320	4,129
At 31 December 2021	32,041,966	320	4,129

Share premium is the amount subscribed for share capital in excess of nominal value.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

26. Merger reserve

	Merger reserve £'000
Group	
At 1 January 2021	2,797
Acquisition of Hunters Property plc	11,548
At 1 January 2022 and 31 December 2022	14,345
Company	
At 1 January 2021	20,787
Acquisition of Hunters Property plc	11,548
At 1 January 2022 and 31 December 2022	32,335

Merger reserve

Acquisition of Martin & Co (UK) Limited

The acquisition of Martin & Co (UK) Limited by The Property Franchise Group PLC did not meet the definition of a business combination and therefore, falls outside of the scope of IFRS 3. This transaction was in 2013 and accounted for in accordance with the principles of merger accounting.

The consideration paid to the shareholders of the subsidiary was £17.99m (the value of the investment). As these shares had a nominal value of £179,900, the merger reserve in the Company is £17.81m.

On consolidation the investment value of £17.99m is eliminated so that the nominal value of the shares remaining is £0.1799m and, as there is a difference between the Company value of the investment and the nominal value of the shares purchased in the subsidiary of £100, this is also eliminated, to generate a merger reserve in the Group of £0.1798m.

Acquisition of EweMove Sales & Lettings Ltd

The consideration for the acquisition of EweMove Sales & Lettings Ltd included the issue of 2,321,550 shares to the vendors at market price. A merger reserve of £2.797m is recognised in the Group and the Company being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Acquisition of Hunters Property plc

The consideration for the acquisition of Hunters Property plc included the issue of 5,551,916 shares to the vendors at market price. A merger reserve of £11.548m is recognised in the Group and the Company being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

27. Own share reserve and Other reserves

Own share reserve

Weighted average cost of own shares held in the Employee Benefit Trust.

Other reserves

	Share-based payment reserve £'000	Other reserve £'000	Total £'000
Group			
At 1 January 2021	697	81	778
Share-based payment charge	970	–	970
Release of reserve – share options exercised	(762)	–	(762)
Deferred tax on share-based payments	–	(81)	(81)
At 1 January 2022	905	–	905
Share-based payment charge	411	–	411
At 31 December 2022	1,316	–	1,316
Company			
At 1 January 2021	697	81	778
Share-based payment charge	970	–	970
Release of reserve – share options exercised	(762)	–	(762)
Deferred tax on share-based payments	–	(81)	(81)
At 1 January 2022	905	–	905
Share-based payment charge	411	–	411
At 31 December 2022	1,316	–	1,316

Share-based payment reserve

The share-based payments reserve comprises charges made to the income statement in respect of share-based payments.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

28. Borrowings

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Repayable within 1 year:				
Bank loan (term loan)	–	1,875	–	1,875
Repayable in more than 1 year:				
Bank loan (term loan)	–	4,219	–	4,219
Bank loan (revolving credit facility)	5,000	5,000	5,000	5,000
Bank loans due after more than 1 year are repayable as follows:				
Between 1 and 2 years	5,000	1,875	5,000	1,875
Between 2 and 5 years	–	7,344	–	7,344

On 30 March 2021 the Company drew down a £12.5m loan facility provided by Barclays to partially fund the purchase consideration for the acquisition of Hunters Property plc. This loan facility comprised:

Term loan – £7.5m drawn down on 30 March 2021 and was repayable over 4 years in equal instalments. Interest was charged quarterly on the outstanding amount and the rate is 2.4% above Bank of England base rate. The term loan was repaid early on 28 November 2022. The amount outstanding at 31 December 2022 was £nil (2021: £6.1m).

Revolving credit facility ("RCF") – £5m drawn down on 30 March 2021 and is repayable on 27 January 2024 being the third anniversary of the date of facility agreement. Interest is charged quarterly on the outstanding amount, the rate is variable during the term at 2.2% above Bank of England base rate. The amount outstanding at 31 December 2022 was £5m (2021: £5m).

The loans are secured with a fixed and floating charge over the Group's assets and a cross guarantee across all companies in the Group.

The cash outflow for borrowings arising from financing activities during the year was £6.1m (2021: £4.4m), in the year ended 31 December 2021 this included the repayment of £3.0m in relation to a Hunters loan balance at acquisition.

29. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	1,627	850	51	39
Other taxes and social security	1,231	1,387	92	134
Other payables	230	159	–	–
Amounts due to Group undertakings	–	–	257	102
Accruals and deferred income	3,636	3,884	1,361	1,188
	6,724	6,280	1,761	1,463

The Directors consider that the carrying value of trade and other payables approximates their fair value.

Included in "Accruals and deferred income" is deferred income of £0.6m (2021: £0.7m) in relation to revenue received in advance which will be recognised over the next 3 years.

30. Deferred tax

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Balance at beginning of year	(5,570)	(1,115)	377	228
Movement during the year:				
Acquisitions	–	(3,419)	–	–
Adjustment to deferred tax rate from 19% to 25%	–	(1,540)	–	15
Statement of comprehensive income	402	657	35	287
Release of deferred tax balance relating to share options exercised in year	–	(153)	–	(153)
Balance at end of year	(5,168)	(5,570)	412	377

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

Deferred taxation has been provided as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Accelerated capital allowances	6	6	10	10
Share-based payments	445	409	402	367
Acquired business combinations	(5,619)	(5,985)	–	–
	(5,168)	(5,570)	412	377

31. Provisions

The provisions relate to dilapidations on office buildings £0.21m (2021: £0.21m) in relation to Hunters.

32. Financial instruments

Financial instruments – risk management

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

- Credit risk
- Liquidity risk
- Interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

- Receivables
- Loans to franchisees
- Cash at bank
- Trade and other payables
- Borrowings

Financial assets

Financial assets measured at amortised cost:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Loans and receivables:				
Trade receivables	1,435	870	–	–
Loans to franchisees	319	31	–	–
Other receivables	60	137	–	–
Cash and cash equivalents	6,684	8,413	1,539	4,635
Accrued income	1,093	1,107	–	–
Amount owed by Group undertakings	–	–	20	21
	9,591	10,558	1,559	4,656

Financial liabilities

Financial liabilities measured at amortised cost:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Other financial liabilities:				
Trade payables	1,627	850	51	39
Other payables	230	159	92	134
Accruals	3,028	3,172	751	526
Amounts owed to Group undertakings	–	–	257	102
	4,885	4,181	1,151	801

All of the financial assets and liabilities above are recorded in the statement of financial position at amortised cost.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

32. Financial instruments *continued*

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 finance function. The Board receives monthly reports from the finance function 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:

Capital management policy

The Board considers capital to be the carrying amount of equity and debt. Its capital objective is to maintain a strong and efficient capital base to support the Group's strategic objectives, provide progressive returns for shareholders and safeguard the Group's status as a going concern. The principal financial risks faced by the Group are liquidity risk and interest rate risk. The Directors review and agree policies for managing each of these risks. These policies remain unchanged from previous years.

The Board monitors a broad range of financial metrics including growth in MSF, operating margin, EBITDA, return on capital employed, and balance sheet gearing.

It manages the capital structure and makes changes in light of changes in economic conditions. In order to maintain or adjust the capital structure, it may adjust the amount of dividends paid to shareholders.

Credit risk

Credit risk is the risk of financial loss to the Group if a franchisee or 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 and to obtain credit information during the franchise agreement to highlight potential credit risks.

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 franchisees are analysed for creditworthiness before a loan is offered. The Group's review includes external ratings, when available, and in some cases bank references. The Group does not consider that it currently has significant concentration of credit risk with loans extended to franchisees of £319k.

The Group does not offer credit terms with regards sales and lettings transactions occurring in the offices it operates itself, revenue is typically recognised at the completion date of property or upon receipt of rent from tenants.

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 development, the Group monitors forecast cash inflows and outflows on a monthly basis.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities, including future interest charges, which may differ from the carrying value of the liabilities as at the reporting date:

As at 31 December 2022	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	1,857	–	–	–	–
Loans and borrowings	–	–	5,000	–	–
Lease liabilities	130	376	300	773	783
Total	1,987	376	5,300	773	783

Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the effect of an adverse movement in interest rates. The Group has bank borrowings with a variable interest rate linked to the Bank of England base rate (see note 28). The recent rate increases are in line with expectations and the Group has factored in further changes to its forecasts.

Fair values of financial instruments

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

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

33. Share-based payments

Share Option Scheme 2022

On 9 August 2022 an option over 175,000 ordinary shares was granted to the Chief Executive Officer, an option over 115,000 ordinary shares was granted to the Chief Financial Officer and options over 175,000 ordinary shares were granted to senior management. All options have an exercise price of £0.01.

This option has a vesting condition based on two performance conditions; adjusted basic earnings per share adjusted for exceptional income/costs, amortisation arising on consolidation and share-based payment charges ("adjusted EPS") and total shareholder return ("TSR") over the 3 years to 31 December 2024. Each performance condition will apply to 50% of the award being made.

In respect of both performance conditions, growth of 20% in adjusted EPS and 20% in TSR over the three-year period will be required for threshold vesting of the awards, with growth of 42% or higher in adjusted EPS and 42% or higher in TSR required for all of the awards to vest. Straight-line vesting applies between the floor and the cap.

The following principal assumptions were used in the valuation of the grant made in the year ended 31 December 2022 using the Black-Scholes option pricing model:

Assumptions	
Date of vesting	30/04/2025
Share price at grant	£2.78
Exercise price	£0.01
Risk free rate	3.50%
Dividend yield	4.50%
Expected life	3 years
Share price volatility	31.00%

The weighted average contractual life remaining of this option is 2 year and 4 months.

Expected volatility is a measure of the amount by which a share price is expected to fluctuate during a period. The assumptions used in valuing each grant are based on the daily historical volatility of the share price over a period commensurate with the expected term assumption.

The risk free rate of return is the implied yield at the date of grant for a zero coupon UK government bond with a remaining term equal to the expected term of the options.

It's expected that with an exercise price of £0.01, should the EPS condition be met, the holder will exercise as soon as the option vests. The Group announces its results usually within the first 10 days of April. So, it has been assumed that the options will be exercised on 30 April 2025.

EPS is measured as the basic earnings per share excluding any exceptional income/costs and any share-based payments charges.

Management has used the budget for FY23, the market outlook and projections for FY24 to determine, at 31 December 2022, the achievement of the EPS condition. The expectation is that 27% of the options will vest.

The estimated fair value of the option over 443,000 ordinary shares at 31 December 2022 was £978,144. This fair value, moderated for the extent to which the option is expected to vest, is spread as a charge between grant and the assumed vesting date. Accordingly, a share-based payments charge of £38,221 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2022.

Share Option Scheme 2021

On 24 April 2021 a new Share Option Scheme 2021 was introduced, all options under this scheme have an exercise price of £0.01. On 24 April 2021 an option over 700,000 ordinary shares was granted to the Chief Executive Officer and an option over 400,000 ordinary shares was granted to the Chief Financial Officer under this scheme. On 7 July 2021 options over 425,500 ordinary shares were granted to a director and senior management under this scheme.

This option has a vesting condition based on two performance conditions; adjusted basic earnings per share adjusted for exceptional income/costs, amortisation arising on consolidation and share-based payment charges ("adjusted EPS") and total shareholder return ("TSR") over the 3 years to 31 December 2023. Each performance condition will apply to 50% of the award being made.

In respect of both performance conditions, growth of 60% in adjusted EPS and 80% in TSR over the three-year period will be required for threshold vesting of the awards, with growth of 65% or higher in adjusted EPS and 90% or higher in TSR required for all of the awards to vest. At threshold vesting, 75% of the shares subject to each performance condition, will vest.

The weighted average contractual life remaining of this option is 1 year and 4 months.

Management has used the budget for FY23, the market outlook and projections for FY23, to determine, at 31 December 2022, the achievement of the EPS condition. The expectation is that 100% of the EPS target measure will be achieved. At this juncture the TSR condition is not expected to be achieved. Accordingly Management expect 50% of the options to vest.

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

33. Share-based payments continued

The estimated fair value of the option over 1,470,000 ordinary shares at 31 December 2022 was £3,016,974. This fair value, moderated for the extent to which the option is expected to vest, is spread as a charge between grant and the assumed vesting date. Accordingly, a share-based payments charge of £153,657 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2022.

Share Option Scheme – CEO bonus deferral

On 24 March 2021 the Chief Executive Officer was granted an option over 100,000 ordinary shares. The award of the nil cost option was in substitution for two thirds of the total £150,000 performance-based cash bonus payable to the Chief Executive Officer for the financial year to 31 December 2020, with a 100% uplift based on a 30-day VWAP applied to the deferred element, and will become exercisable two years' after being granted subject to continued employment, vesting criteria and malus conditions. Under the award, the Chief Executive Officer is not be able to dispose of any of the acquired shares for a further period of two years (save as required to pay tax due on exercise).

The weighted average contractual life remaining of this option is 3 months.

The estimated fair value of the option over 100,000 ordinary shares at 31 December 2022 was £211,455. This fair value, moderated for the extent to which the option is expected to vest, is spread as a charge between grant and the assumed vesting date. Accordingly, a share-based payments charge of £105,873 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2022.

Enterprise Management Incentive ("EMI") Share Option Scheme 2020

On 23 July 2020 a new EMI Share Option Scheme 2020 was introduced and an option over 100,000 ordinary shares each at an exercise price of £0.01 each was granted to two directors under this scheme.

This option has a vesting condition based on two performance conditions; basic earnings per share adjusted for exceptional income/costs and share based payments ("adjusted EPS") and total shareholder return over the 3 years to 31 December 2022. Each performance condition will apply to 50% of the award being made. In respect of both performance conditions, growth of 15% over the three year period will be required for threshold vesting of the awards, with growth of 35% or higher required for all of the awards to vest. The shares will be awarded on a sliding scale for growth between 15% and 35%. None of the awards will vest for adjusted EPS growth below 15% over the period.

The weighted average contractual life remaining of this option is 4 months.

It's expected that with an exercise price of £0.01, should the EPS condition be met, the holder will exercise as soon as the option vests. The Group announces its results usually within the first 10 days of April. So, it has been assumed that the options will be exercised on 30 April 2023.

Management has used the actual results for FY22, to determine, at 31 December 2022, that it expects 100% of the options will vest.

The estimated fair value of the option over 200,000 ordinary shares at 31 December 2022 was £312,800. This fair value, moderated for the extent to which the option is expected to vest, is spread as a charge between grant and the assumed vesting date. Accordingly, a share-based payments charge of £112,818 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2022.

Enterprise Management Incentive ("EMI") Share Option Schemes 2013, 2017, 2018 and 2019

There are no options remaining under these schemes as all vested options were exercised during 2021. Share-based payments charges totalling £97,389 were recognised in the Statement of Comprehensive Income in the year ended 31 December 2021 in relation to share options that were exercised.

Movement in the number of ordinary shares under options for all schemes was as follows:

	2022		2021	
	'000	Weighted average exercise price	'000	Weighted average exercise price
Number of share options				
Outstanding at the beginning of the year	1,826	£0.01	2,380	£0.0474
Exercised	–	–	(667)	£0.14
Forfeited	(116)	£0.01	(1,513)	£0.01
Granted	503	£0.01	1,626	£0.01
Outstanding at the end of the year	2,213	£0.01	1,826	£0.01

The outstanding options at 31 December 2022 comprised 2,213,000 options with an exercise price of £0.01. 100,000 are exercisable on 23/03/2023, 200,000 are exercisable on 30/4/2023, 1,470,000 are exercisable on 30/04/2024 and 443,000 are exercisable on 30/04/2025.

The outstanding options at 31 December 2021 comprised 1,825,500 options with an exercise price of £0.01. 100,000 are exercisable on 23/03/2023, 200,000 are exercisable on 30/4/2023 and 1,525,500 are exercisable on 30/04/2024.

During the year ended 31 December 2022:

- 37,500 options were granted under the 2021 scheme
- 465,000 options were granted under the 2022 scheme

The weighted average remaining contractual life of options is 1.4 years (2021: 2.3 years).

Notes to the consolidated and company financial statements

for the year ended 31 December 2022

34. Related party disclosures

Transactions with Directors

Dividends

During the year the total interim and final dividends paid to the Directors and their spouses were as follows:

	2022 £'000	2021 £'000
Interim and final dividend (ordinary shares of £0.01 each)		
Richard Martin	845	836
Paul Latham	9	8
Phil Crooks	1	0
Dean Fielding	5	1
David Raggett	46	29
Glynis Frew	37	12
	943	886

Directors' emoluments

Included within the remuneration of key management and personnel detailed in note 9, the following amounts were paid to the Directors:

	2022 £'000	2021 £'000
Wages and salaries	1,098	1,096
Social security costs	145	291
Pension contribution	45	76
	1,288	1,463

Details of Directors' interests in share options are disclosed in the Directors' remuneration report on pages 38 to 40.

Shareholder information

Financial calendar

Announcement of results – 18 April 2023

Annual General Meeting – 6 June 2023

Half year results – 12 September 2023

Interim dividend – October 2023

Registered office address

The Property Franchise Group PLC

2 St Stephen's Court

St Stephen's Road

Bournemouth

BH2 6LA

Company No. 08721920

01202 614 614

www.propertyfranchise.co.uk

Auditors

BDO LLP

Arcadia House

Maritime Walk – Ocean Village

Southampton

SO14 3TL

Registrar

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol

BS13 8AE



**WORLD
LAND
TRUST™**

www.carbonbalancedprinter.com

Registration No. CBP2269

Printed by a carbon balanced, FSC®-recognised printer, certified to ISO 14001 environmental management system using 100% renewable energy. This product has been made of material from well-managed, FSC®-certified forests and other controlled sources. Both paper and production are measured and carbon balanced, based on a third party, audited, calculation.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The printer contributes to the World Land Trust's 'Conservation Coast' project in Guatemala. This scheme supports many landowners and local communities to register and obtain their own land and thereby protect thousands of acres of threatened coastal forest. The local organisation FUNDAECO works with over 3000 families to help transform local livelihoods through job creation and ecotourism.





The Property Franchise Group PLC

2 St. Stephen's Court
St. Stephen's Road
Bournemouth
Dorset
BH2 6LA

www.thepropertyfranchisegroup.co.uk