The Property Franchise Group PLC

# National footprint
# Local expertise

Annual report and accounts 2023




# We are the UK's largest multi-brand property franchisor, with a network of over 910 lettings and estate agency businesses delivering high quality services to residential clients.

## 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.**

## Our strategy

**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 share.**

**Learn more**
thepropertyfranchisegroup.co.uk


## In this report

# Highlights

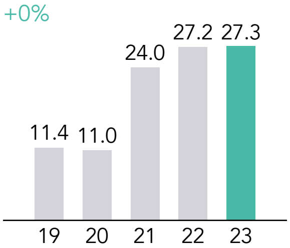


## Financial highlights

### Revenue (£m)

**£27.3m**

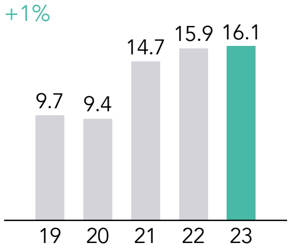
+0%




### MSF (£m)

**£16.1m**

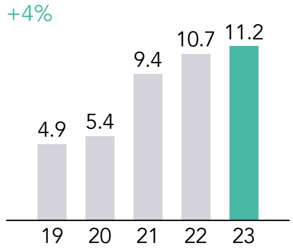
+1%




### Adj Profit before tax* (£m)

**£11.2m**

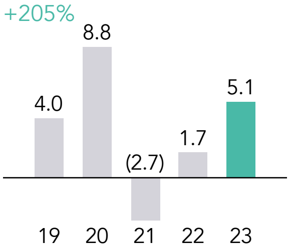
+4%




### Net cash/(debt) (£m)

**£5.1m**

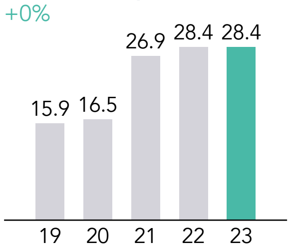
+205%




### Adj EPS* – fully diluted (p)

**28.4p**

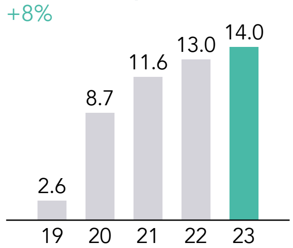
+0%




### Dividends (£m)

**14.0p**

+8%




* Before exceptional items, share-based payment charges, amortisation on acquired intangibles and losses/gains on listed investments.

## Operational highlights

- Managed portfolio up 3% to 78,000 (2022: 76,000) properties.
- Continued strong lettings bias, offering a regular, reliable and recurring income stream. Franchise revenue was split 60% lettings MSF, 39% sales MSF and 1% FS MSF (2022: 55% lettings MSF, 44% sales MSF and 1% FS MSF).
- Year end sales agreed pipeline was 4% higher than the previous year end at £23.1m (2022: £22.2m).
- EweMove sold 31 new territories in a challenging market (2022: 44).
- 22 acquisitions at franchisee level (2022: 19) added 1,879 managed properties (2022: 1,883).
- Successfully negotiated a deal to acquire Belvoir Group PLC which was subsequently agreed in January 2024 and completed in March 2024.

## Sustainability highlights

- ESG Steering Group is now operational and includes representatives from the Board, Finance, HR and the Commercial team who will roll out ESG initiatives across the Group.
- KPIs have been set to measure and manage environmental and social factors.
- Partnered with a new, more energy-efficient data centre which will help to minimise paper usage and reduce carbon emissions.
- Increased the amount of waste that is recycled at Head Office by using a third party waste management company.
- Supported various charities including Agents Giving, a property industry charity. Many franchisees continue to be actively involved with charities in their local communities.

# Our business

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

### Our network
Our network now includes the Belvoir Group brands, we have a footprint with over 910 franchises which extend across the United Kingdom including 102 franchises operating in London.

### Our brands
Our brands are household names in their local communities, regionally and nationally. Whilst the majority of franchisees operate through traditional high street offices, some use serviced offices and a growing number of new franchisees choose to offer a 24/7 hybrid service through EweMove.

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

Notably, our youngest franchise brand, EweMove, continues to win awards and establish itself nationally. For the second year running, it won the "triple crown" at the UK's biggest agency event, the EA Masters Awards in November 2023, winning the "Best National Award" in 3 categories: Lettings Agencies, Sales Agencies and Sales & Lettings Agencies. EweMove also appeared in the HSBC top 100 UK franchised businesses of 2023 at number 53.

Some of our regional brands also enjoyed success in the EA Masters Awards in other categories.

**£261m***
(2022: £163m)
**Franchise network turnover**

**5,000***
(2022: 3,500)
**Franchise network employees**

* Includes Belvoir Group.

### Our locations


**Key**

- Martin & Co
- Hunters
- EweMove
- Whitegates
- Ellis & Co
- Parkers
- Country Properties
- CJ Hole
- Mullucks
- Belvoir
- Newton Fallowell
- Lovelle
- Nicholas Humphreys
- Northwood
- Mr and Mrs Clarke

For more information visit our website: **www.thepropertyfranchisegroup.co.uk**



## National property franchise brands

**MARTIN&CO**

Established in 1986

Martin & Co is a major UK residential letting agent operating mainly from high street premises and with over 42,000 properties under management.

**140 territories**

**HUNTERS**

Established in 1992

Originating in York, Hunters now operates across England and Wales from mainly high street offices, of which 9 are operated directly.

**159 territories**

**EweMove**

Established in 2013

EweMove's model combines local property experts with a centralised 24/7 technology platform and traditional estate agency features.

**189 territories**

## Regional property franchise brands

**whitegates**

Established in 1978

Whitegates offers sales and lettings services through high street offices across the Midlands and North of England.

**29 territories**

**parkers**

Established in 1948

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

**17 territories**

**CJ HOLE**

Established in 1867

CJ Hole is a strong local brand with high street offices in Avon, Somerset, and Gloucestershire.

**16 territories**

**ELLIS&CO**

Established in 1850

Ellis & Co is predominantly based in London and is co-branded with Martin & Co.

**15 territories**

**country properties**

Established in 1974

Country Properties operates 13 high street offices across Hertfordshire and Bedfordshire.

**13 territories**

**Mullucks**

Established in 1991

Based in Hertfordshire and Essex, Mullucks has a long-standing reputation for professionalism and local expertise.

**3 territories**

## New for 2024

Learn more about the acquisition on pages 18–20

**BELVOIR!**

Established in 1995

Historically a lettings franchise, Belvoir now offers both sales and lettings services across the UK and manages 37,000 rental properties.

**157 territories**

**northwood**

Established in 1998

Northwood started as a lettings franchise offering a unique guaranteed rent service; it now offers both sales and lettings and operates nationwide.

**90 territories**

**NEWTON FALLOWELL**

Established in 1999

Originating in Grantham, Newton Fallowell is now a strong regional property brand operating across the Midlands.

**39 territories**

**Nicholas Humphreys**

Established in 2002

Nicholas Humphreys specialises in student lettings in university towns across the UK.

**19 territories**

**lovelle**

Established in 2006

Based in North Lincolnshire and the Humber, Lovelle is a strong regional, predominantly sales network.

**15 territories**

**Mr. and Mrs. Clarke.**

Established 2014

Mr and Mrs Clarke operates a specialist personal estate agency network nationwide.

**10 territories**

# Building a platform to scale up growth

I am delighted to report on a period in which the Group achieved yet another outstanding financial performance and ongoing execution of our strategy.

## Overview of performance

The business delivered record profits despite a challenging trading environment and significant market headwinds, demonstrating the resilience of our business model. TPFG has now delivered continued and sustained growth over the last 11 years in profit before tax (CAGR +23.5%) and dividends (+23.3%). The results are underpinned by the strength of our lettings book; our outstanding franchisees; and the success of our acquisitions. This provides visibility to future earnings and confidence moving forward across a broader base following the completion of the Belvoir merger.

## Transformational acquisition strategy

On 7 March 2024, the Group completed the transformational merger with Belvoir Group plc ("Belvoir"), creating one of the UK's largest multi-brand lettings and estate agency groups, combined with an established and growing financial services business.

The coming together of these two great businesses has been the subject of intense work by both parties over the course of many months. We have long held the view that the strengths of the franchise model are ideally suited to the residential property market allowing business owners to prosper and facilitating high quality services to be delivered to consumers by local experts. This merger represents our continuing belief that this business model will continue to grow in importance within the sector.

The merger significantly increased the scale and reach of The Property Franchise Group, positioning ourselves for accelerated growth and enhancing our position as the UK's leading property franchisor. The merger marks a significant milestone for the Group and consolidation is a natural progression on our journey, which started when we changed our name from MartinCo PLC to The Property Franchise Group PLC in 2017.

Belvoir is a complementary business which, like us, has demonstrated the robustness of its business model and strategy in the face of adverse residential and economic conditions on several occasions over the last decade. It has performed at a similar financial level to TPFG, with good earnings quality and strong conversion of EBITDA to cash. The Group now has increased scale and geographic reach, operating more than 910 outlets in franchised territories, managing in excess of 153,000 tenanted residential properties across the UK, selling more than 28,000 properties per year and advising on the completion of over 21,000 mortgages through its network of c310 advisers.

## Group pro-forma income statement highlights

| | TPFG | | Belvoir | | Combined | |
|---|---|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Revenue | **27,278** | 27,158 | **34,182** | 33,718 | **61,460** | 60,876 |
| Gross Profit | **21,878** | 21,583 | **20,480** | 20,269 | **42,358** | 41,852 |
| Adjusted EBITDA | **12,090** | 11,809 | **11,123** | 10,596 | **23,213** | 22,405 |
| PBT | **9,014** | 8,833 | **9,116** | 9,118 | **18,130** | 17,951 |

**£9.0m**
Profit before tax

**14.0p**
Dividend for FY23

**21%**
Return on capital employed

"The highly cash-generative nature of TPFG has ensured our ability to retain a robust balance sheet and the delivery of a progressive dividend policy."

Going forward, we will continue to seek to exploit the existing and additional income streams that our increased scale presents to us and to assist our franchisees in growing their businesses. One such example is the established Financial Services business, led by Michelle Brook. This presents a great opportunity to scale across the broader footprint with the new focus and leadership.

I would like to take this opportunity to extend my gratitude to our shareholders, employees, customers, suppliers, and other stakeholders for their support and commitment during the merger process and look forward to getting to know our new colleagues in the year ahead.

## Cash generation

The highly cash generative nature of the Group has ensured our ability to retain a robust balance sheet with the remaining £2.5 million of bank debt repaid post period end and the delivery of a progressive dividend policy for our shareholders. I am pleased to report on the ongoing strength of our business model with free cash flow generated of £8.7m (2022: £8.8m) representing 27.0p per share (2022: 27.4p per share) and net cash of £5.1m (2022: £1.7m) at the year end.

## Dividends

The Board is pleased to announce a 7.7% increase in our total dividend to 14.0p per share (2022: 13.0p). Having paid an interim dividend of 4.6p in October 2023 and a special dividend of 2.0p in February 2024, the proposed final dividend for 2023 will be 7.4p per share and this will be paid on 12 June 2024 to all shareholders on the register at the close of business on 17 May 2024 subject to shareholders' approval on 7 June 2024.

## ESG

TPFG has a strong ESG focus and is committed to prioritising environmental, social, and governance to deliver sustainable growth. Integrating sustainability into our business practices aligns with our beliefs and enhances long-term value creation for our stakeholders and the broader community. In June of last year, I was delighted to invite Claire Noyce to join our Board. As Deputy Chair of the QCA, Claire brings a wealth of experience to our Board and will Chair our ESG Committee.

In 2023, we selected Inspired to work alongside us as our ESG partner to help evaluate our current practices and build a strategy and roadmap that would drive meaningful impact. We aim to publish our strategy this year, incorporating aspects of Belvoir's own progress with sustainability and ESG, which will include our areas of focus and the measurements we will use to track our progress.

The Board promotes a culture of good governance, and we continue to apply the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework and work has already begun on updates following the revised 2023 QCA Code.

## Board changes

Post period end, Belvoir's Michelle Brook was appointed as an Executive Director and Jon Di-Stefano and Paul George, also from Belvoir, were appointed as Non-Executive Directors. At the same time Phil Crooks and our founder Richard Martin left our Board.

I am most grateful to Phil for the considerable insight and expertise he has offered our Board throughout his almost 9-year tenure as an independent Non-Executive Director and Chair of our Audit and Risk Committee.

I would also like to extend my gratitude to Richard Martin, the founder of The Property Franchise Group, for his services to the Group and for his stewardship as he steps down from the Board and assumes his new role as Lifetime President.

## Outlook

We remain focused on delivering further value to shareholders and driving profitable growth. The transformational merger with Belvoir provides us with the platform to achieve this and I am very excited about the opportunities that lie ahead for the Group. Pleasingly, the sales market has started strongly and with a broader base of tenanted properties following the merger, we can be confident of further growth in 2024.

**Paul Latham**
Non-Executive Chair
22 April 2024

# Why invest?

The Property Franchise Group has a proven track record of delivering growth underpinned by its resilient business model of supporting networks of entrepreneurial business owners and a strong bias towards lettings, providing a reliable recurring revenue stream.

## Successful acquisition strategy*

7
**acquisitions since 2013**

Successful consolidation of 3 AIM-listed property franchise groups

Learn more about our strategy on **pages 16–17**

* Includes Belvoir Group.

## Proven multi-brand franchise model*

15
**brands**

Harnessing entrepreneurial self-motivated franchisees coupled with specialist central support

Learn more about our brands on **pages 2–3**

* Includes Belvoir Group.

## High degree of recurring revenue

56%
**of total revenues from lettings**

Highly cash generative and underpinned by recurring revenues from lettings

Learn more about our risks on **pages 30–31**

## History of strong financial growth

+21.6%
**compound annual growth rate in adjusted diluted EPS since 2013**

Learn more about our performance on **pages 26–28**

## Progressive dividend policy

**+23.3%**

**compound annual growth rate in dividends since 2023**

Learn more about our performance on **pages 26–28**

## Strong free cash flow generation

**+£8.7m**

**80% of EBITDA converting to cash from operations**

Learn more about our performance on **pages 26–28**

## Capital light model

**21%**

**return on capital employed in 2023**

Learn more about our performance on **pages 26–28**

## Long-serving, experienced leadership team

**25 years**

**average industry experience**

Learn more about our leadership on **pages 40–41**

# Strong franchise model has continued to deliver growth

The merger with Belvoir represents a significant step in achieving our vision.

Since joining as CEO in April 2020, the business has grown from revenues and adjusted EBITDA of £11.3m and £5.3m respectively for FY19 to £27.3m and £12.1m for FY23, representing a compound annual growth rate ("CAGR") of 24.5% in revenue and 22.7% in adjusted EBITDA. Taking into account the pro forma financials for FY23 following the merger with Belvoir, this CAGR would be 52.5% and 44.4%% respectively. This growth has largely come via acquisition, but organic growth has been, and will continue to be, a contributor.

Our business model has proven its strength and resilience time and time again, while our franchise model, with its focus on lettings and the continued diversification of income is improving the resilience of our network.

FY23 represents yet another year of record performance where we have improved the quality of our revenue and adeptly executed our strategic roadmap whilst continuing to navigate a challenging macroeconomic backdrop.

In the year ended 31 December 2023, we grew our recurring revenues from 51% of total revenue to 56% of total revenue and increased adjusted PBT by 4% from £10.7m to £11.2m. In addition, following the repayment of the £2.5m owed to Barclays post period end, the Group is debt free with cash of approximately £4.7m as at 31 March 2024.

The exceptional results achieved in 2023 are testament to the quality and hard work of our team. I would like to take this opportunity to thank them and our franchisees for their continued efforts in delivering this growth. The progress made in the year leaves us with a solid foundation on which to grow further, bolstered by increasing revenue visibility for 2024 across a broader base.

**Further progress in 2023 towards achieving our organic growth ambitions."**

Post-period end, in March, we completed the transformational merger with Belvoir Group, marking a significant milestone in our journey to become one of the leading players in the UK property market. We see a huge opportunity for the Group, with increased scale, breadth of offering and diversity of brands, as well as enhanced geographic reach. Additionally, it provides us with a clear opportunity to accelerate growth in our Financial Services division.

## The market

As anticipated, in 2023 we continued to see a strong lettings market which underpinned the Group's financial performance. Rental rates continued to rise driven by demand and increasing costs for landlords. Whilst annual rent increases have historically tracked inflation, new lets in 2022 saw increases of over 10% and in 2023 of 8%. The upcoming introduction of more regulation is expected to drive more landlords to opt to use a letting agent in the future.

Conversely the sales market was subdued in 2023 compared to the prior year, which was an exceptional comparative period. We saw a slight uptick in sales rates in the second half of 2023, having seen lower activity as a result of rising interest rates, the year ended down 19% on 2022 with around 1.0 million sales completions in the UK. We have seen signs of sales activity picking up and are expecting 1.1 million sales completions in 2024.

Despite varying year-on-year market conditions, there is an enduring demand for both rented housing and home ownership, which continues to outstrip supply, enhancing the profitability of both lettings and estate agencies.

## Operational review

**Acquisitions -** as detailed above, the merger with Belvoir was successfully negotiated in 2023, completing in March 2024, which immediately added significant scale and provides increased opportunities for growth in the current year and beyond.

The merger has significantly increased our borrowing capacity and ability to fund earnings accretive acquisitions. We continue to evaluate further opportunities which would deliver brand expansion and geographic growth and are committed to doing so with limited or no dilution.

**Lettings -** lettings is at the very core of our business. It has been another strong year with the portfolio of managed tenanted properties increasing by 3% to over 78,000. Lettings MSF achieved a new record, growing by 11% to £9.9m (2022: £8.9m) and, in our owned offices, lettings income grew by 13% to £3.4m (2022: £3.0m). Lettings MSF represented 61% of total MSF and 53% of total revenue in the year. As a result, recurring revenues increased to 56% of total revenue.

The Group also successfully executed digitally driven campaigns to win private landlords' business, retain existing landlords and win back lost landlords in the year. This year has had the lowest level of attrition in the Group's history

**Sales -** against a challenging backdrop, with UK sales completions reducing by 19% over 2022, TPFG outperformed the market. Sales MSF reduced by 11% and our owned offices reported a 15% drop in sales revenue.

Encouragingly, the sales market has improved in Q1 2024, with house prices starting to rise, and the Group is well positioned to capitalise from this recovery.

**Financial services -** as for sales, the environment was challenging for financial services, yet we increased the number of franchisees signed up to our service offerings and increased the number of mortgages written as a result. Improved activity in Q1 2024 and a return to writing more new mortgages will assist growth in our financial services' revenues together with the significantly enlarged division now benefitting from the leadership of Michelle Brook.

**Recruitment -** TPFG delivered against its objective to attract new franchisees to the Group, increasing its UK coverage and enabling the resales of existing franchise territories. In the year, 46 new franchise owners were recruited, 15 as traditional agents and 31 to our hybrid model. Then, to bring in new impetus to a mature network, the Group facilitated 21 resales of existing franchises.

Prior to the merger TPFG operated in over 580 franchised outlets and, following the merger, it now operates over 910 franchised outlets. The year has started well, especially in EweMove, and the Board expects an improved performance in 2024.

**Digital marketing -** specific milestones in the year included completing the installation of a new operating system for EweMove, the installation of a new operating platform to enable more digital interaction and developing a portal to give our franchisees access to a wealth of information to improve efficiency. We have had positive feedback from franchisees on these operating systems and expect to roll the portal out and further enhancements in 2024 to drive growth

## Creating the UK's largest multi-brand property network

Both Belvoir and TPFG traded well during the year and demonstrated ability to drive earnings. In FY23, the pro forma financials for the Group showed revenue in excess of £61m and adjusted EBITDA of £23m.

We are working on a comprehensive integration strategy with the assistance of Dorian Gonsalves and Louise George which will be completed towards the end of H1 2024. We are delighted that Dorian Gonsalves, former CEO of Belvoir, and Louise George, former CFO of Belvoir, have stayed on for up to a year, to share their expertise and support in the integration of the businesses.

## Enlarged Group Strategy

In September 2020, having had 6 months in the Group, I set out 6 key strategic initiatives which have driven our growth since:

- Lettings growth
- Develop sales activity in the high street-led brands
- Financial services growth
- EweMove recruitment
- Acquisitions (franchisee and franchisor level)
- Digital marketing

It is pleasing to see that significant advances have been made on each of these initiatives. Growth opportunities remain for each. Some are developing into far more reaching initiatives such as for financial services and digital marketing.

The scale of the Group has changed materially since I joined and we now have a much stronger and broader platform from which to grow with yet greater resilience should we need it. In so doing, we aim to hold on to key financial fundamentals like our 40% operating margin.

## Current trading and outlook

FY24 has started well with lettings' revenues continuing to grow at similar rates to last year and sales revenues ahead of management's expectations in Q1. There are strong indications of further growth in revenue and profitability during 2024.

March 2024 was a pivotal month for TPFG with the completion of the Belvoir merger which is transformational for the business.

We are delighted Dorian Gonsalves and Louise George are working with us on the integration of the business which is progressing well with exciting opportunities for the Group and the addition of an established Financial Services business.

Despite some broader headwinds, our high levels of recurring revenue and resilient business model has demonstrated, time and time again, that we can continue to grow profitability regardless of market cycles. For this reason, I look to the future with confidence and excitement about the further value we can deliver for all stakeholders from our increased scale and ongoing ambition.

**Gareth Samples**
Chief Executive Officer
22 April 2024

# The drivers of the residential property market

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

## Market drivers

1

### People will always need somewhere to live

The vast majority of our franchises operate in both sales and lettings so are well placed to service this need.

2

### Population growth and increasing life expectancy means more UK households in the future

As housebuilding is ramped up in response to the expanding population, there will be more demand for lettings and estate agencies to service the increased number of properties.

3

### Social housing provision has declined significantly over the last 30 years

This has led to more demand for private rental properties and thus more demand for the services of residential lettings agencies.

4

### The private rental sector has consistently represented around 19% of the total housing stock since 2016

Whilst many landlords continue to manage their own properties, the introduction of more regulation is expected to drive more landlords to opt to use a letting agent.

5

### Residential property remains a key investment asset class

The growth in house prices over the long term, and recent substantial increases in rental income, has meant residential property continues to be a high performing investment asset.

6

### Demand continues to outstrip supply

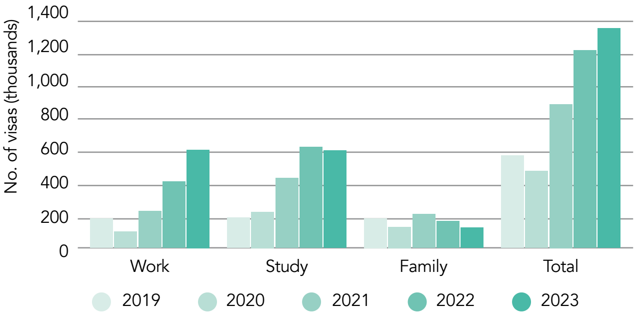
The excess demand for rental properties prevails, resulting in higher rents being charged on new tenancies and periodically mid-tenancy, which in turn increases management fees paid to agents.

# Key factors – Lettings

## Net migration

Long-term net migration continues to play a significant part in the demand for rental properties. Net migration in the year to June 2023 was 672,000. 2023 saw an 11% increase in UK visas issued (excludes tourist visas).

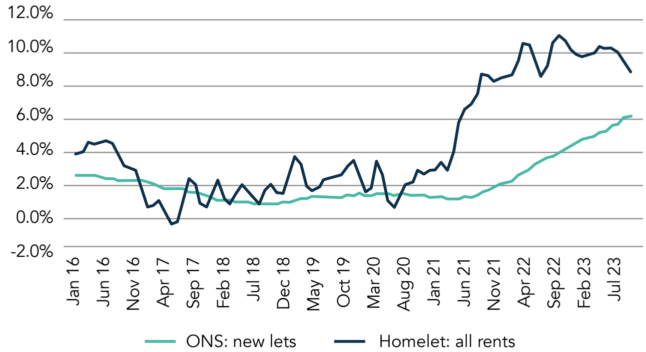
UK visas granted




Source: Home Office Immigration system statistics Dec 2023.

## Rent increases

Annual rent increases have historically tracked inflation, but the rent charged on new lets saw increases of over 10% in 2022 and 8% in 2023. This has had a knock-on effect to increase all rents, which in January 2024 were 6% higher than a year ago, according to the Index of Private Housing Rental Prices.

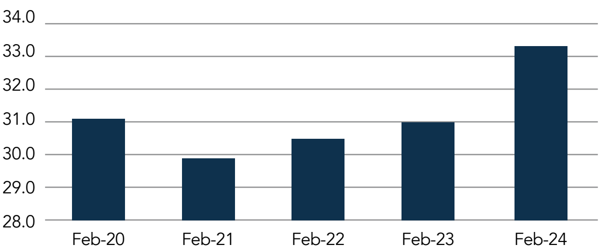



Source: ONS and Homelet.

## Affordability

The percentage of household income spent on rent has increased in the last year after being relatively static in the previous 4 years. According to Homelet, rent for new tenancies represented 33.5% of household income, up from 31% a year ago, demonstrating wage inflation has not kept up with the increase in rents for new tenancies.

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

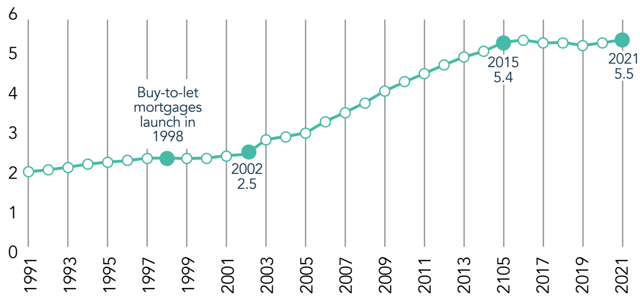



Source: Homelet Rental Index Report Feb 24.

## Homes in the private rented sector

The number of private rented homes in Britain remained flat at 5.4 - 5.5m between 2015-2021 and has changed very little since. The challenges of the current tax regime are holding back growth although buy to let is still attractive for low LTV purchases.

Number of homes (millions)

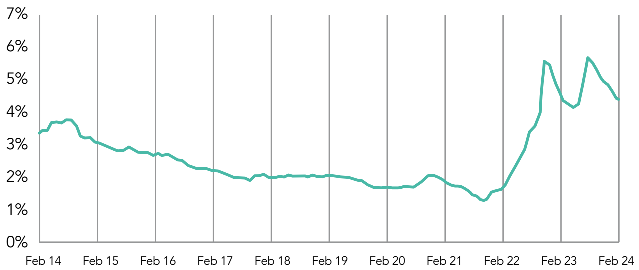



Source: Zoopla.

## Key factors – Sales

### Mortgage rates

The Bank of England base rate has increased from 0.1% in December 2021 to 5.25% in August 2023; since then it has remained constant. Mortgage rates rose in line with the interest rate rises but have started to fall slightly with the increasing optimism that interest rates have reached their peak. It is expected that housing transactions will begin to increase again with more certainty on interest rates.

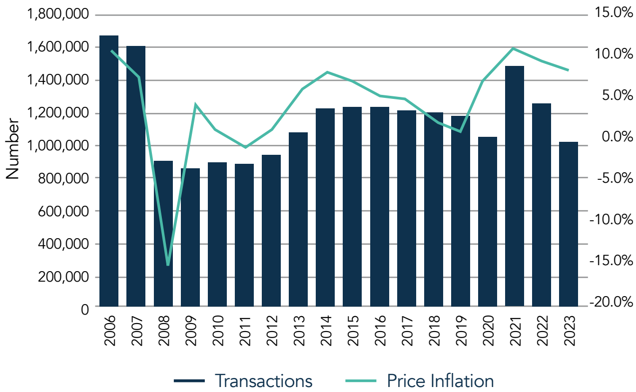



Mortgage rates for 75% LTV

Source: Bank of England, Zoopla.

### UK residential sales

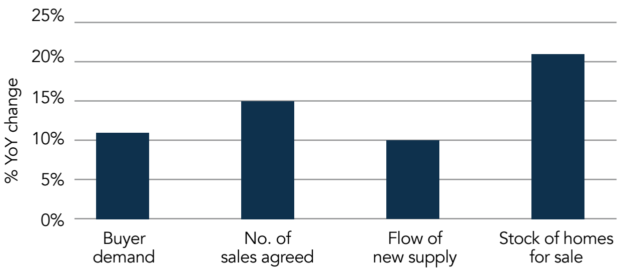
On average there are 1.2m property transactions each year; the motivation for people to move remains strong, driven by many factors including cost of living, rise in rents, ageing population and working from home changes. In 2023, there were 1.02m transactions, in 2022 there were 1.26m transactions and the prediction for 2024 is 1.1m transactions (Source: Zoopla House Price Index Feb 2024).




Source: HMRC.

### Sales market activity

Sales market activity began to pick up in the second half of 2023 after initially being adversely impacted by rising interest rates. Early signs in 2024 is that activity continues to strengthen, with the graph below showing the year-on-year change of 2024 compared to 2023.

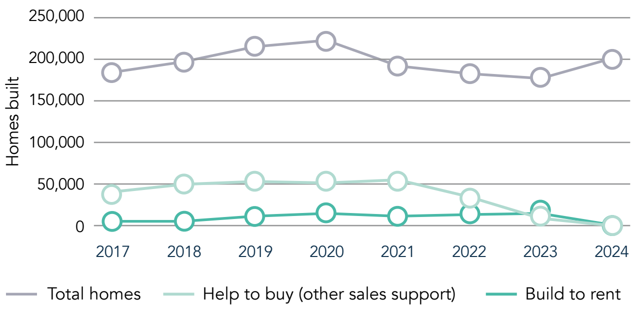



% change – 4 weeks to 18 Feb 2024 compared to same period in 2023

Source: Zoopla.

### House building in England

House building in England continues to fall short of the government targets. The target is 300,000 per annum and although almost 200,000 new builds were completed in 2023, which is a small increase over 2022, this still falls short of the government target by a third. Build to Rent completions have been static at around 15,000 in 2023 and 2022.




Source: DLUHC.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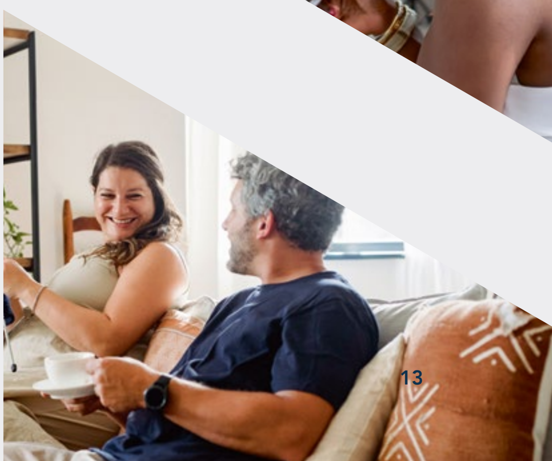


# Focused on achieving growth

Our franchise business model is built on 28 years of experience of operating a central office team, providing support and guidance to a network of entrepreneurial franchise owners with the drive and local knowledge to deliver success.

## What we do

### Franchising
We operate the largest property franchise group in the UK, offering specialist residential lettings, sales and related mortgage advice services, delivered by local entrepreneurs committed to running their own business but with the support of a strong regional or national brand. The consistent franchise model at the heart of our business is based around a long-term commitment by the franchisor and franchisee to the development of the franchisees' revenue streams within their designated territory. Our franchisees, all fully insured members of professional bodies and supported by specialist software, know their local property market and strive to give the very best service.

### Lettings and property management
We manage one of the largest portfolios of residential properties in the UK with a deep understanding of lettings and a clear view of how to develop long-term value from property management.

### Estate agency
Our estate agency services are on a no sale no fee basis, catering both for the majority of sellers who prefer to instruct a traditional high street agent and for those who choose a more technologically based service.

### Financial services
We have invested in a growing financial services business with the aim of enabling our franchisees to give their clients access to specialist property-related mortgage advice.

## How we add value

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

### Expertise and scale
Whilst historically a lettings specialist, in recent years we have greatly strengthened our expertise in selling homes, having acquired some sales-dominated businesses. As a result, we now represent the second largest branch network for residential sales and the second largest manager of rental properties.

### Central support
The franchise support required evolves as franchises mature and as the economic environment changes. Alongside support delivered by our MD-led operations teams, we continue to invest in our central support through IT, marketing, assisted acquisitions, compliance and business advice.

### Harnessing technology
Engagement with new technologies by our franchisees is critical to their successful growth. Lead generation has benefitted from improved websites and CRM, and increased activity in areas such as social media, live chat, online viewings and online appointments.

### Training
In addition to the comprehensive induction training, we deliver a continual programme of professional training and development which is conducted centrally, regionally and online.

### Networking
We facilitate a culture of learning from each other and sharing experiences through franchise committees, regional business meetings and at the annual franchise conferences.

## Delivering value

### Franchisees
- Leading edge technology and digital marketing to increase market share
- Central expertise to maximise growth opportunities

**911**
franchise territories (at 31 March 2024)

### Employees
- Recognition of the need to attract, retain and develop the very best talent
- Access to high quality training and career development opportunities

**5,000**
employees in network (at 31 March 2024)

### Shareholders
- A stable annuity-like earnings stream underpinned by a substantial portfolio of managed properties
- A growing dividend through successful acquisitions and income diversification

**56%**
recurring revenue TPFG FY23

### Consumers
- Local expertise able to help landlords, tenants, buyers and sellers achieve their property aspirations
- Second largest branch network of residential sales and managed properties

# Strategy for growth

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

## 1 Lettings growth

Increasing the market share of existing franchise territories through franchisee assisted acquisitions, and improved attraction and retention of landlords.

### Milestones of 2023

- Added 1,879 (2022: 1,890) managed properties under the assisted acquisitions programme
- Digitally driven campaigns to win private landlords' business, retain existing landlords and win back lost landlords
- Generating more interest and engagement from franchise owners with our acquisitions programme

### Focus for the future

- Targeting to grow network revenue acquired under the assisted acquisitions programme in 2024
- Brand managing directors to actively work with franchisees to source opportunities
- Position our franchisees to take advantage of consolidation within the sector

Links to KPIs: **1** **2** **3** **4** **5** **6** **7** 8 **9** **10** 11 12

Links to risks: **A** **B** **C** **D** E F

## 2 Develop sales activity in the high street-led brands

Expanding the offering of sales through our franchise network, some offices have primarily been focused on lettings.

### Milestones of 2023

- Sales MSF outperformed the market seeing a reduction of 11% compared to a 19% reduction in UK sales transactions in the market
- Successful trial of software aimed at speeding up the sales process

### Focus for the future

- Continue on our upskilling journey through our network wide training portal
- Extend the range of property-related services offered through our franchise networks

Links to KPIs: **1** **2** **3** **4** **5** **6** 7 **8** 9 10 11 **12**

Links to risks: **A** **B** C **D** E F

## 3 Financial services growth

Building a financial services offering that serves the customers of our brands as part of becoming a full service provider.

### Milestones of 2023

- Grown the number of engaged franchisees and also the number of sign ups being generated
- Successes achieved through referrals into local appointed representatives
- A number of network employees have qualified as advisors to offer financial services in-house

### Focus for the future

- The Belvoir Group (acquired March 2024) has a large, well established financial services division which we can leverage the benefits from
- Encourage collaboration between franchisees and advisers to maximise conversion of mortgage leads
- Extend our financial services network of advisers across the UK

Links to KPIs: **1** **2** **3** **4** **5** **6** 7 8 9 10 11 12

Links to risks: **A** **B** C **D** E F

Links to KPIs

1 Net cash generated
2 Profit before tax
3 Adjusted EBITDA
4 MSF per franchise
5 Adjusted diluted EPS
6 Adj profit before tax
7 Managed properties
8 Properties sold
9 Managed properties acquired
10 Properties let
11 EweMove territories
12 Properties listed for sale

Links to risks

A Failure to achieve our growth ambition
B Legislative changes and government policy
C Growth in portfolio of managed properties
D Finding, recruiting, retaining and scaling up skilled franchisees
E Reputational risk to our brands
F Online and cyber threats

Learn more about how we manage risk on **page 29**



## 4 Group acquisitions strategy

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

### Milestones of 2023

- Successful negotiation to merge with Belvoir Group PLC which will add significant scale and opportunities to the Group
- Acquisition of Michael Searchers Property Management portfolio of 147 properties which were added to the Hunters Solihull corporate office
- Funding agreed in principle with Barclays Bank PLC to support growth plans

### Focus for the future

- Fully assimilate Belvoir Group to achieve early benefits from scale of enlarged Group
- Position the Group to take advantage of further strategic consolidation and alliances within the property sector
- Identify alternative property-related income streams complementary to the Group

Links to KPIs: 1 2 3 5 6

Links to risks: A

## 5 Recruitment

Attracting new franchisees to both increase UK coverage and enable resales of existing franchise territories.

### Milestones of 2023

- 31 new franchise owners recruited to our hybrid model, EweMove, in a more challenging market (2022: 44)
- Facilitated 21 resales of existing franchises as necessary to bring new impetus to a mature network
- 15 new franchisees recruited into high street-led brands.

### Focus for the future

- Continue to attract new franchise owners to the Group
- Facilitate the resale of existing property franchise territories
- Continue to expand our network by supporting franchise owners to open up businesses in new territories

Links to KPIs: 1 2 3 4 5 6 11

Links to risks: A D

## 6 Digital marketing

Our digital marketing strategy is focused on providing an intuitive and engaging customer journey with the right communications at the right time.

### Milestones of 2023

- Completed the installation of a new operating system for EweMove
- Completed the installation of a new operating platform in our 3 national brands to enable more digital interaction
- Development of a portal to give franchisees access to a wealth of information and improve efficiency

### Focus for the future

- Further develop our digital marketing, delivering an intuitive customer journey with the right communications at the right time
- Integrate our Group CRM and mortgage advisers for direct lead referral
- Launch an automated lead responder and nurture programme for inbound leads to help generate more business from our clients

Links to KPIs: 1 2 3 4 5 6

Links to risks: E F

Strategy in action

# Merger with Belvoir Group PLC

Founded in 1995 and admitted to trading on AIM in 2012, Belvoir Group is a leading UK property, mortgage and franchise group operating through 2 divisions: a network of property franchisees and a network of mortgage advisers, combining to support customers with their property transactions.

### About Belvoir Group

On the property franchising side, the Belvoir Group has a nationwide network of 330 offices across 6 brands specialising in residential lettings, property management and residential sales. The brands comprise Belvoir, Northwood, Newton Fallowell, Lovelle and Nicholas Humphreys, all operating from high street offices, and Mr and Mrs Clarke, which operates a home-based personal agent model. The Belvoir Group currently manages approximately 75,200 rental properties.

Belvoir's financial services division was started in 2017, on the acquisition of Brook Financial Services, and trades as the largest appointed representative of the Mortgage Advice Bureau, one of the UK's leading networks for mortgage intermediaries. Belvoir has extended its financial services footprint through organic growth and a number of subsequent acquisitions: MAB Glos (2018), Purely Mortgage Consultants (2019), Nottingham Mortgage Services (2021), Time Mortgage Experts (2022), BMA Bristol (2023) and MAB South West (2023).

Belvoir's financial services division now comprises a network of 306 advisers that wrote 19,682 mortgages in 2023 (2022: 18,329).

Belvoir operates a very similar franchise business model to The Property Franchise Group. Both are built on many years' experience of running central office and field support and ensuring that franchisees have the knowledge, training and tools they need to grow their businesses, enabling them to be responsive and entrepreneurial in their local markets.

Belvoir has a proven track record in delivering growth. During the 2007 financial crash, the 2020 Covid-19 pandemic and the current cost-of-living crisis, Belvoir has continued to build on its resilient business model of supporting networks of entrepreneurial business owners. This is underpinned by a strong bias towards lettings, providing a reliable recurring revenue stream.

As well as acquisitions at the corporate level, which have been instrumental in the development of its property franchising and financial services divisions, Belvoir is also highly committed to its assisted acquisitions growth strategy, whereby franchisees are encouraged to grow their businesses, drawing upon commercial and financial support from Belvoir itself. This strategy is primarily focused on franchisees acquiring lettings books from local competitors. First launched in 2013, Belvoir has supported 142 such transactions which have been an important contributor to the growth in average Management Service Fees per office over the same period.

### Financial performance

For the financial year ending 31 December 2023, the Belvoir Group revenue was £34.2m (2022: £33.7m), adjusted EBITDA was £11.1m (2022: £10.6m) and adjusted profit before tax was £11.0m (2022: £10.2m).

Management Service Fees, the key underlying revenue from franchisees, increased by 5% to £11.5 million (2022: 11.0 million). The strong lettings market gave rise to an increase of 9% in lettings MSF against a UK rental index for 2023 of 6.2%. Meanwhile, 10% lower sales MSF compared favourably with a reduction of 19% in UK housing transactions.

Despite 2023 being a difficult year for the mortgage market with higher interest rates putting pressure on finances for home buyers and those coming to the end of their fixed-rate deals, Belvoir increased commission from financial services by 5%. This resulted partly from the mid-year acquisitions of 2 small financial services businesses and the full-year impact of its 2022 acquisition, but also from the underlying financial services business mitigating the lower level of new purchase mortgages with remortgages secured for its extensive client base.

Learn more about the Belvoir Group brands on **pages 2–3**

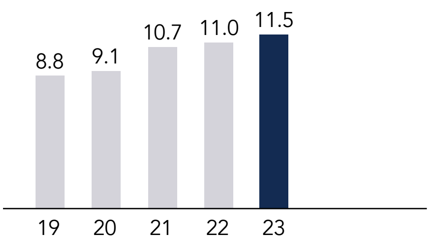
## Belvoir KPIs

## Financial KPIs

### MSF (£m)

£11.5m

+5%




**Definition**

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

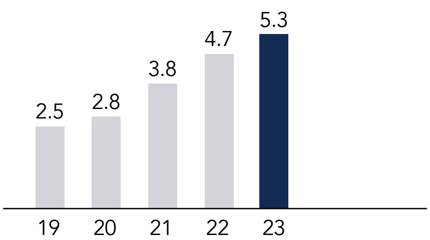
**Comment**

Up 5% with lettings growth of 9% mitigating the fall in sales of 10%, compared with the UK rental index of 6.2% and UK sales transactions down 19%.

### Net financial services commission (£m)

£5.3m

+12%




**Definition**

Commission receivable on financial services less commission payable to advisers.

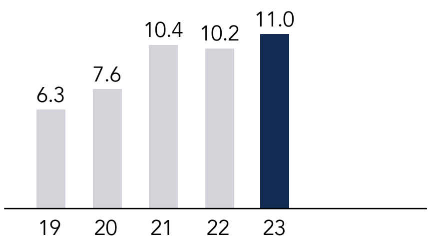
**Comment**

Predominantly reflects impact of acquired financial services businesses expanding the adviser network.

### Adjusted profit before tax (£m)

£11.0m

+8%




**Definition**

Profit before tax arising from ongoing operations adjusted for share-based payments, acquired amortisation and one-off or exceptional items.

**Comment**

The reduction in house sales and associated mortgage activity following the mini budget in September 2022 was mitigated by a strong lettings market and investment in further financial services businesses.

**Building scale and increasing diversity to create one of the UK's largest property groups."**

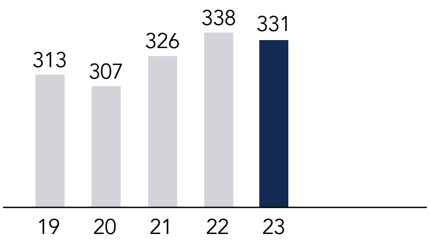
## Belvoir KPIs continued

# Non-financial KPIs

### Number of property franchise offices (#)

**331**

-2%




**Definition**

Total number of lettings and estate agency offices, including personal agents, at the year end.

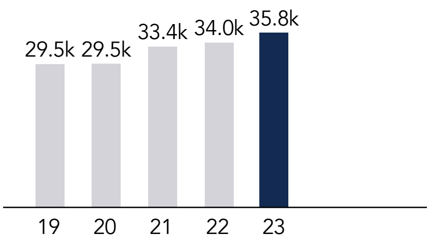
**Comment**

321 physical offices and 10 personal agents. Some consolidation of franchise offices in the year.

### Average MSF per franchised office (£)

**£35,800**

+5%




**Definition**

MSF from high street networks divided by the number of physical franchised offices.

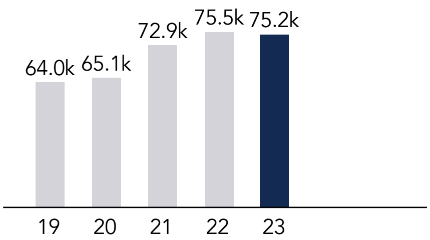
**Comment**

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

### Number of managed properties (#)

**75,200**

+0%




**Definition**

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

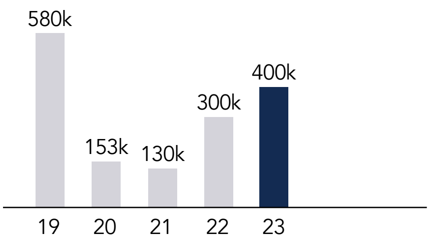
**Comment**

Despite there being no growth in the portfolio in 2023, Lettings MSF increased due to rent rises.

### MSF p.a. from assisted acquisitions (£)

**£400,000**

33%




**Definition**

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

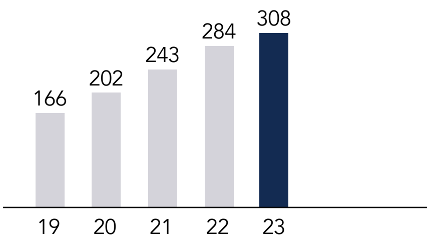
**Comment**

A greater willingness in vendors' appetite for selling as the property market normalises.

### Number of advisers (#)

**308**

+8%




**Definition**

The number of advisers operating within Belvoir Group at the year end.

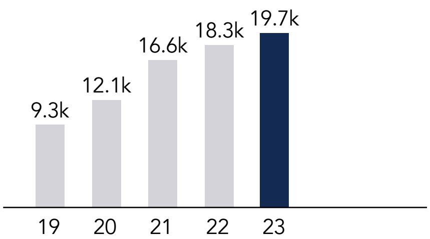
**Comment**

The acquisition of BMA Bristol and MAB South West added 41 advisers which mitigated the impact of a difficult mortgage market on advisers retention.

### Number of mortgages arranged (#)

**19,682**

+7%




**Definition**

The number of mortgages written for clients of Belvoir Group during the year.

**Comment**

Increased adviser network through 2 acquisitions in 2023 which delivered greater quantity of written mortgage business.

# Building strong partnerships

## The relationships built with our stakeholders contribute to our long-term success.

This engagement sets the context for the strategy set out on pages 16 and 17. In particular, our engagement with shareholders has influenced our acquisition, capital structure and dividend policy. Our engagement with our franchisees has influenced our assisted acquisitions programme, our diversification into financial services and the roll out of our new technology programme. Our employees are fundamental to the execution of our strategy. We aim to be a responsible employer, providing a fair package of pay and benefits including opportunities for personal development and sharing in the financial success of the Group.

### Directors' Section 172 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; and
- need to act fairly between members of the company.

### Key decisions in 2023

**We have considered the decisions taken by the Board which will have an impact on the longer-term performance and prospects for our Group. In 2023 the following key decision was taken:**

- Merger with the Belvoir Group PLC.

The merger of The Property Franchise Group PLC and Belvoir Group PLC has long been an ambition of both the Board and both groups' shareholders. The Combined Group, which operates in an increasing fragmented UK market, will benefit from increased scale operating from over 910 locations. The Board has identified potential synergies, which in the short term will arise from cost savings and in the medium term from exploiting existing and additional revenue streams.


# Stakeholder engagement

### Links to KPIs

1. Net cash generated
2. Profit before tax
3. Adjusted EBITDA
4. MSF per franchise
5. Adj diluted EPS
6. Adj profit before tax
7. Managed properties
8. Properties sold
9. Managed properties acquired
10. Properties let
11. EweMove territories
12. Properties listed for sale

### Links to risks

- A Failure to achieve our growth ambition
- B Legislative changes and government policy
- C Growth in portfolio of managed properties
- D Finding, recruiting, retaining and scaling up skilled franchisees
- E Reputational risk to our brands
- F Online and cyber threats


> Learn more about our key decisions on **page 21**

> Learn more about our KPIs on **pages 24–25**

> Learn more about how we manage risk on **page 29**


## Franchisees

### Why are they important?

Our local franchisees are ultimately those who deliver the Group services to the end consumer.

### Our priorities

- Ongoing compliance and regulatory updates, training and development
- Leveraging new revenue streams
- Engagement with digital marketing

### Our engagement

- Dedicated regional operations team providing day-to-day business support
- Regular newsletters highlight any changes in the law, processes, third-party services, our services, training events and new offerings
- Regional franchise meetings and annual conference enabling franchisees to share ideas

### Outcomes

- Increased average lettings revenue per franchise office
- Increasing interest in assisted acquisitions for rapid growth
- High level of success across our networks with some franchisees winning industry awards

Links to KPIs

**1 2 3 4 5 6 7 8 9 10 11 12**

Links to risks

**A** B C **D** E F

## Employees

### Why are they important?

People lie at the heart of everything that we do, so attracting and retaining talented individuals is an important success factor.

### Our priorities

- Recruitment, retention and career development
- Staff training and wellbeing to develop effective teams
- Listening to our employees

### Our engagement

- Annual personal development review and regular one-to-one meetings between staff and their line manager
- Twice-yearly team briefings held by the CEO and CFO to give updates on Company performance and gather employee feedback
- Combination of physical and virtual meetings to bring together people based in different locations

### Outcomes

- 64% of franchising support staff have length of service of over 2 years and 42% are over 5 years
- 10 of our senior employees were awarded share options in 2023
- Promotions made during the year demonstrated our commitment to offering employees a career path as they develop

Links to KPIs

**1 2 3 4 5 6 7 8 9 10 11 12**

Links to risks

**A** B C D E F

## Communities

### Why are they important?
Our franchises are part of their local communities and its vibrancy is critical to the success of their businesses.

### Our priorities
- Providing employment opportunities to local people
- Encouraging an ethos of charitable giving and volunteering
- Promoting investment in local businesses

### Our engagement
- Sponsorship of local community groups
- Participation in fundraising events across the Group
- Instigating a culture of volunteering to benefit our local communities

### Outcomes
- Hunters head office in York's charitable activities supported a number of children's hospices and child mental health services
- Belvoir's central office team clocked up 4 days of volunteering to clean up its local park
- Various events held by franchise owners

Links to KPIs

1 2 3 4 5 6 7 8 9 10 11 12

Links to risks

A B C D E F

## Shareholders

### Why are they important?
As owners of the Property Franchise Group, our shareholders need to understand and have confidence in our business strategy.

### Our priorities
- Transparency of our business operations to investors
- Aligning Group strategy with the interests of shareholders
- Making the Group an attractive and reliable investment proposition

### Our engagement
- Regular in-person and virtual investor presentations and one-to-one meetings providing institutional and private investors direct access to our CEO and CFO
- Trading and relevant business updates between results roadshows via RNSs
- Clear guidance to shareholders and well-articulated growth strategy

### Outcomes
- Post merger 53% of total shares are owned by retail investors
- Three of our four largest institutional investors at IPO remain investors today
- 75% of shareholders voted on the Belvoir merger, of which 99.9% were in favour, showing their support for our growth strategy

Links to KPIs

1 2 3 4 5 6 7 8 9 10 11 12

Links to risks

A B C D E F

## Regulators

### Why are they important?
The regulators are responsible for setting industry standards that give customers confidence in our sector.

### Our priorities
- Adhering to industry standards as a minimum
- Encouraging property-related qualifications across all network staff
- Meaningful engagement with the regulators and other government bodies

### Our engagement
- Regular dialogue with trade bodies
- Participation in discussions on key industry legislative changes and regulatory reforms, including the Renters Reform Bill
- Working with qualification setters to develop appropriate training courses

### Outcomes
- Encourages use of accredited, trained and fully insured property professionals
- Ensures all consumers are treated fairly
- Improves standards across the sector

Links to KPIs

1 2 3 4 5 6 7 8 9 10 11 12

Links to risks

A B C D E F

# Measuring our performance

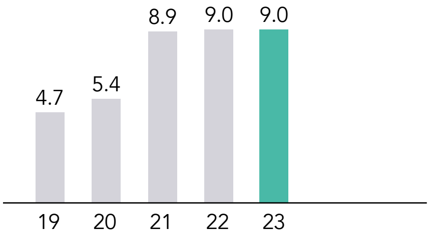
The Group tracks a series of financial and non-financial metrics that demonstrate the progress it is making. These have been discussed in further detail throughout the Strategic Report.

## Financial KPIs

### Net cash generated from operations (£m)

£9.0m

+0%




**Definition**

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

**Comment**

The franchise model continues to be highly cash generative.

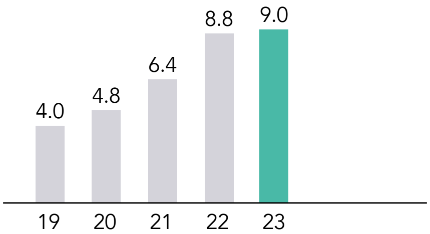
**Link to strategy**

1 2 3 4 5 6

### Profit before tax (£m)

£9.0m

+2%




**Definition**

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

**Comment**

Profit before tax increased in 2023 due to a combination of increased revenue and reduction in costs.

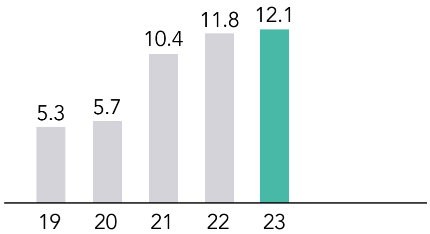
**Link to strategy**

1 2 3 4 5 6

### Adjusted EBITDA (£m)

£12.1m

+2%




**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 10 to the financial statements.

**Comment**

The adjusted EBITDA increase in 2023 was in line with the increase in profit before tax.

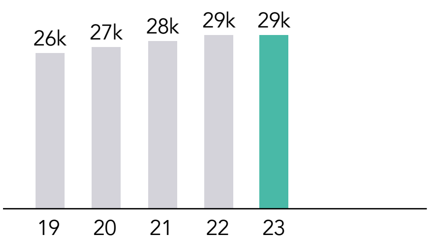
**Link to strategy**

1 2 3 4 5 6

### MSF per franchise – all brands (£)

£29k

+1%




**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.

**Comment**

The average MSF per trading franchised territory increased again (by 1%).

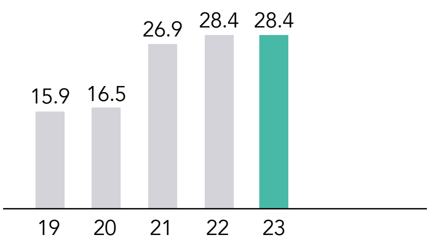
**Link to strategy**

1 2 3 4 5 6

### Adjusted diluted EPS (p)

28.4p

+0%




**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 13 in the financial statements.

**Comment**

Earnings increased year on year but EPS was impacted by the issue of shares and more dilution from share options.

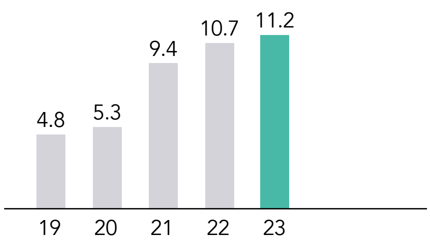
**Link to strategy**

1 2 3 4 5 6

### Adjusted profit before tax (£m)

£11.2m

+5%




**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 13 to the financial statements.

**Comment**

This is a more accurate measure of the Group performance because it removes the impact of the increase in share-based payment charges.

**Link to strategy**

1 2 3 4 5 6

**Links to strategy**

1. Lettings growth
2. Develop sales activity in the high street-led brands
3. Financial services growth
4. Group acquisitions strategy
5. Recruitment
6. Digital marketing

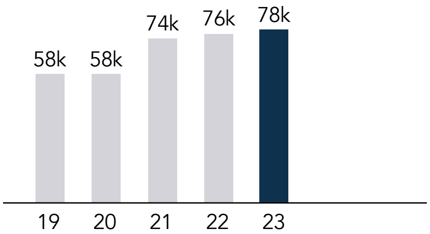
Learn more about our strategy on **pages 16–17**

# Non-financial KPIs

## Number of managed properties (#)

**78,000**

+3%




**Definition**

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

**Comment**

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

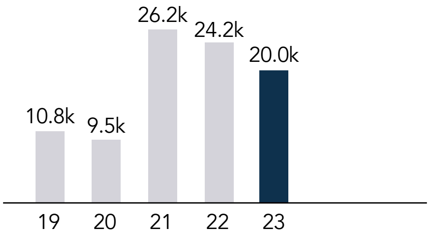
**Link to strategy**

1 2 3 4 5 6

## Properties sold in the year (#)

**20.0k**

-17%




**Definition**

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

**Comment**

Our franchises outperformed the market because transactions in the UK market reduced by 19% in 2023.

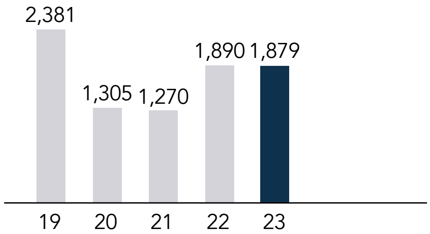
**Link to strategy**

1 2 3 4 5 6

## Managed properties acquired by franchisees (#)

**1,879**

-0%




**Definition**

Number of fully managed rental properties acquired by a franchisee from an independent property agent.

**Comment**

Another good year after previous years' subdued activity.

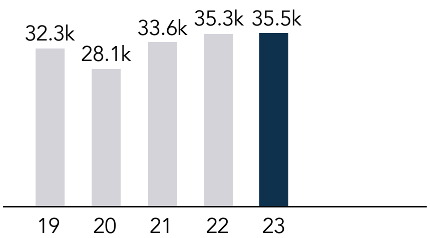
**Link to strategy**

1 2 3 4 5 6

## Properties let in the year (#)

**35.5k**

+1%




**Definition**

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

**Comment**

Activity was driven by the increase in the managed portfolio.

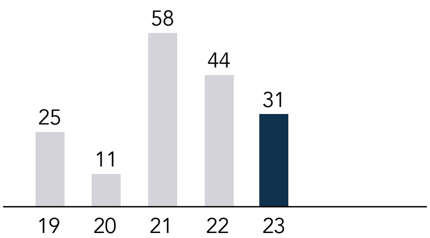
**Link to strategy**

1 2 3 4 5 6

## EweMove territories sold (#)

**31**

-13




**Definition**

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

**Comment**

The recruitment of 31 new franchisees in a challenging sales market was a very good result.

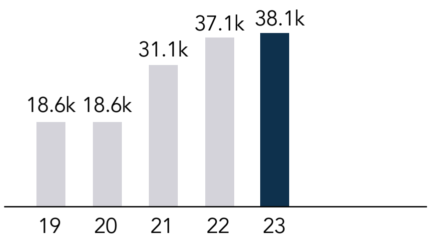
**Link to strategy**

1 2 3 4 5 6

## Properties listed for sale (#)

**38.1k**

+3%




**Definition**

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

**Comment**

The second half of the year was stronger as more confidence returned to the market.

**Link to strategy**

1 2 3 4 5 6

# A solid performance

Our growth strategy continues to generate increased profits.

| | Percentage change | 2023 | 2022 |
|---|---|---|---|
| Revenue | +0% | **£27.3m** | £27.2m |
| Management Service Fees | +1% | **£16.1m** | £15.9m |
| Cost of sales | -3% | **£5.4m** | £5.6m |
| Administrative expenses | -0% | **£11.8m** | £11.9m |
| Adjusted operating profit* | +3% | **£11.5m** | £11.1m |
| Operating profit | +0% | **£9.3m** | £9.3m |
| Adjusted profit before tax** | +4% | **£11.2m** | £10.7m |
| Profit before tax | +2% | **£9.0m** | £8.8m |
| Adjusted EBITDA** | +2% | **£12.1m** | £11.8m |
| Dividend | +8% | **14.0p** | 13.0p |
| Diluted EPS | -2% | **22.0p** | 22.5p |
| Adjusted diluted EPS** | +0% | **28.4p** | 28.4p |

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

** Before exceptional costs, share-based payment charges and losses/gains on listed investments.

**Adjusted PBT****

£11.2m
(+4%)

**Dividend paid**

14.0p
(+8%)

**"Delivering financial growth through a resilient franchise business model with a reliable recurring revenue stream."**

Another year of profit growth against a background of challenging market conditions, with our reliable recurring lettings stream growing and more than offsetting the decline in sales income. With further cost synergies being realised, it meant profit increased by more than the uplift in revenue.

Lettings income growth was driven by an increase in our managed portfolio of 3% and the significant increases in rents for new lets seen across the industry, which reached close to 9% increase in 2023. Our revenue from sales transactions was slow in the first half of the year but activity picked up in the second half of the year as inflation started to fall and interest rates peaked.

We have once again increased the dividends paid to shareholders, demonstrating our cash generation and our commitment to following a progressive dividend policy.

## Revenue

Group revenue for the financial year ended 31 December 2023 was £27.3m (2022: £27.2m), an increase of £0.1m over the prior year.

Management Service Fees ("MSF"), our key underlying revenue stream, increased 2% from £15.9m to £16.1m and represented 59% (2022: 58%) of the Group's revenue. Lettings contributed 60% of MSF (2022: 55%), sales contributed 39% of MSF (2022: 44%) and financial services contributed 1% of MSF (2022: 1%). Lettings MSF increased by 11% in the year, excluding the amortisation of prepaid assisted acquisitions support, and sales MSF decreased by 11%.

Our franchise sales activity was a mix of sales to new entrants and experienced franchise owners in the high street-led brands and encouraging new entrants into EweMove. Territory sales in EweMove were 31 (2022: 44), which was a great achievement in a challenging sales market.

Financial services suffered from significant mortgage rate increases, uncertainty in the direction of these rates and a reduction in residential sales. Revenue reduced by £0.2m (13%) to £1.5m (2022: £1.7m).

## Operating profit

Headline operating profit remained unchanged on the prior year at £9.3m (2022: £9.3m) with an operating margin of 34% (2022: 34%). Adjusted operating profit before exceptional items, amortisation of acquired intangibles and share-based payments charges increased 3% from £11.1m to £11.5m and the resulting operating margin increased to 42% (2022: 41%).

Our cost of sales reduced by 3% to £5.4m (2022: £5.6m) which was due to the lower sales transaction in the owned offices this year but also some synergies achieved. Headline administrative expenses decreased by 0.4% to £11.8m (2022: £11.9m).

Share options were granted to the Executive Directors in 2023 over a maximum of 172,619 ordinary shares. There were also share options granted to senior employees in 2023 amounting to a maximum of 83,334 ordinary shares on the same conditions as those applying to the Executive Directors. Total shares under option at 31 December 2023 were 2,100,453.

An assessment of the share-based payment charges resulting from the options granted was made on 31 December 2023 resulting in £0.8m being charged to the profit and loss account (2022: £0.4m). Further details can be found in notes 4, 5 and 30 to the consolidated financial statements.

## Adjusted EBITDA

Adjusted EBITDA for 2023 was £12.1m (2022: £11.8m), an increase of £0.3m (2%) over the prior year.

## Profit before tax

Profit before tax increased to £9.0m (2022: £8.8m). Excluding amortisation arising on acquired intangibles of £1.4m (2022: £1.4m), the share-based payment charges of £0.8m (2022: £0.4m) and the gain on revaluation of the listed investment of £0.09m (2022: loss on revaluation £0.03m), the adjusted profit before tax increased by 4% from £10.7m to £11.2m.

## Taxation

The effective rate of corporation tax for the year was 18% (2022: 18%). The total tax charge for 2023 was £1.6m (2022: £1.6m).

## Earnings per share

Basic earnings per share ("EPS") for the year was 23.0p (2022: 22.6p), an increase of 2%.

Diluted EPS for the year was 22.0p (2022: 22.5p), a decrease of 2% based on the average number of shares in issue for the period plus an estimate for the dilutive effect of option grants vesting, being 33,561,469 (2022: 32,141,592).

Adjusted basic EPS for the year was 29.7p (2022: 28.4p), an increase of 5% based on the average number of shares in issue for the period of 32,142,942 (2022: 32,041,966).

Adjusted diluted EPS for the year was 28.4p (2022: 28.4p), unchanged from last year, based on an estimate of diluted shares in issue of 33,561,469 (2022: 32,141,592).

The adjustments to earnings to derive the adjusted EPS figures total £2.1m (2022: £1.9m) and mainly result from the share-based payment charge of £0.8m and amortisation of acquired intangibles of £1.4m.

The profit attributable to owners increased 2% to £7.4m (2022: £7.2m).

## 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 three years and is generating significantly more cash than ever before. As a result, the Board is pleased to announce a proposed final dividend of 7.4p (2022: 8.8p), after already paying a special dividend of 2.0p, which together with the first interim dividend of 4.6p, brings the total dividend for 2023 to 14.0p (2022: 13.0p). It will be paid on 12 June 2024 to all shareholders on the register on 17 May 2024 conditional on shareholder approval at the AGM. Our shares will be marked ex-dividend on 16 May 2024. The total amount payable is £4.6m (2022: £2.8m), the significant increase over last year being as a result in the increase in share capital of 30.1m shares in March 2024 following the Belvoir Group PLC acquisition.

# Financial review continued

## Cash flow

The Group is strongly operationally cash generative. The net cash inflow from operating activities in 2023 was £9.0m (2022: £9.0m).

The net cash outflow from investing activities was £0.4m (2022: £0.2m).

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 ("RCF") 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 2023, the Group repaid £2.5m of the RCF with the remaining £2.5m being repaid in January 2024 leaving the Group with no debt.

Dividend payments totalling £4.3m were paid in the year (2022: £3.8m).

## Liquidity

The Group had cash balances of £7.6m on 31 December 2023 (2022: £6.7m) and after deducting the RCF of £2.5m (2022: £5.0m) mentioned above, net cash was £5.1m (2022: £1.7m).

The RCF expired and was replaced by a £5m overdraft facility in January 2024 providing the Group with sufficient funds together with its existing cash to meet the costs of the merger with Belvoir and ongoing working capital requirements.

## Key performance indicators

The Group uses a number of key financial and non-financial performance indicators to measure performance, which are regularly reviewed by the Board to ensure that they remain relevant to the Group's operations. These have been discussed in detail throughout the Strategic Report and are illustrated on pages 24 and 25.

## Financial position

The Consolidated Statement of Financial Position remains strong with total assets of £57.7m (2022: £57.8m), the decrease being impacted by amortisation and cash used to pay off the RCF.

Liabilities reduced from £20.6m to £16.9m mainly as a result of the repayment of the £2.5m RCF during the period.

The Group finished the year with the total equity attributable to owners of £40.8m, an increase of £3.6m or 10% over the prior year. It achieved a ROCE of 21% (2022: 20%) and a ROCI of 28% (2022: 27%).

The Group again generated strong cash inflows in 2023 due to growth in lettings revenues and its operating margins.

This put the Group in a strong position to execute on the merger with Belvoir and is expected to provide the Group with an increased predictability of free cash flow generation going forward.

**David Raggett**
Chief Financial Officer
22 April 2024

# How we manage risk

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 to the risk review. The Audit and Risk Committee reviews the document, examines the risks, decides on the actions to recommend and then passes 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.

Learn more on **pages 30–31**

# Principal risks and uncertainties

## The Board has determined the most significant risks to achieving the business objectives, including those that would threaten its business model, future performance, solvency or liquidity.

The table below summarises these principal risks and how they are managed or mitigated. The risks listed do not comprise all those associated with the Group and are not set out in any order of priority. There could be additional risks and uncertainties that are not presently known to management or currently deemed to be less material, which may also have an adverse effect on the business.

| Risk area | | Potential impact |
|---|---|---|
| **Failure to achieve our growth ambition** | 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.<br>Reduced market share and representation.<br>Poor or no profit growth from the franchise model.<br>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.<br>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.<br>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.<br>Lower resale values may result and discourage new entrants. |
| **Reputational risk to our brands** | 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.<br>We may lose MSF and find it difficult to recruit franchisees. |
| **Online and cyber 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. |

### Links to strategy

1. Lettings growth
2. Develop sales activity in the high-street led brands
3. Financial services growth
4. Group acquisitions strategy
5. Recruitment
6. Digital marketing

Learn more about our strategy on **pages 16–17**

### Indicators

Increase | Decrease | No change

| Mitigation | | Indicator | Strategy |
|---|---|---|---|
| The ongoing search for acquisitions to increase market share which in 2023 culminated in the decision to acquire Belvoir Group PLC.<br>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. | 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.<br>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. Progress has been made in this in 2023. | No change | 1 2 3 4 5 6 |
| The property management service offered by the network aims to free landlords from the burden of legislation where it can.<br>We have in-house resources and tools to ensure our network is compliant. | We have entered into a strategic partnership with LSL, a respected partner, which means they take care of the FCA requirements.<br>We have several compliance experts in the Group, some of whom assist the regulatory bodies. | No change | 1 2 3 |
| In-house experienced team assists throughout the whole process.<br>The Group is actively engaged in "walking the talk" through the purchase of managed portfolios for its owned offices. | The Group has earmarked funds to help franchisees buy portfolios in 2024 where primary sources of traditional finance are scarcer and other sources of finance are too expensive. | Decrease | 1 |
| In-house experienced franchise sales team plays an active role in promoting a career in franchising.<br>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. | EweMove has continued to be a very successful recruiter of franchisees.<br>A network training portal to support e-learning and qualifications has been rolled out alongside further investment in the regional team to support franchisees. | No change | 1 2 3 5 |
| Minimum standards are set out to franchisees and their compliance is monitored.<br>Increased leadership team supported by Regional Operations Managers. | Increased focus on social media by the central team.<br>PR agencies are retained to monitor, assist and advise on strategies to minimise these risks. | No change | 6 |
| Specialist advisers are regularly consulted and reviews undertaken, supplementing the 2 main service providers' activities in the Group, to ensure that any vulnerabilities are addressed.<br>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. | The security of franchisees' operating systems have been improved through the implementation of new platforms. | Increase | 6 |

# Understanding our social, environmental and economic impacts

TPFG is firmly committed to steering, advancing and ensuring the success of the business, using the guidance of the Environmental, Social and Governance ("ESG") principles.

### ESG assessment

This year we have committed to expanding our ESG knowledge and increasing our ESG standing; to support this, we have conducted a materiality assessment of ESG matters to identify and prioritise potential issues that could impact our operations or performance, and to highlight near and medium-term ESG initiatives that can fit into existing TPFG practices. We believe this will have a positive impact on our stakeholders and benefit the communities in which we operate.

The assessment was performed by our specialist consultant, Inspired ESG, and included a thorough review of our activities against international standards of ESG such as the Global Reporting Initiative ("GRI"), the Task-Force on Climate-Related Financial Disclosures ("TCFD"), Science Based Targets initiative ("SBTi") and social value models.

During the assessment, our consultants found that the Group already supports some best practices in its governance, such as training and upskilling, and promoting diversity and inclusion. They concluded that these existing activities should be the foundation of our planned ESG strategy in the near term.

The assessment also highlighted that governance and social categories such as corporate governance, communities and employees were most material to our business. The results of the materiality assessment will be used to improve strategic decision-making for ESG and enhance stakeholder engagement. The Group seeks to analyse and action the materiality assessment in the next financial year. In 2024, we will hold a workshop to discuss the findings and facilitate actions to increase our ESG standing.

## Good governance is key

### Setting sound governance through our ESG Steering Group

Effective governance is pivotal to the Group's dedication to ESG. The Board of Directors offers strategic guidance and oversight of the Company's management team, which is responsible for implementing the Board's strategy and managing the Group's day-to-day operations.

The Board is composed of a group of Directors with a broad range of skills and experience, who are committed to continually growing their knowledge on ESG matters. Therefore, this year, the Board and senior management have undertaken ESG training. The training included a review of international ESG standards, unconscious bias, diversity and inclusion, and cybersecurity awareness. In addition to the training, in 2024, the senior management team will take part in an ESG workshop to explore further ways in which we can develop our ESG-aligned activities.

The Company regularly reviews and updates its corporate governance policies and procedures to ensure that they remain relevant and effective. In 2024, we aim to update our QCA Corporate Governance Code to version two. We understand that good governance is vital to our long-term success.

The ESG Steering Group, formed in 2023 and chaired by one of our Non-Executive Directors Claire Noyce, facilitates ESG matters and assists in the implementation of the ESG strategy within daily operations. The ESG Steering Group is comprised of Claire Noyce as a link to the Board, and of members of the senior leadership team and HR, its role is to examine our ESG position, identify good practices within ESG principles, ascertain the risks and opportunities in the transition to a decarbonised economy, and explore ways to advocate for improved environmental practices. In the next financial year, the ESG Steering Group aims to develop a comprehensive ESG strategy, supported by an environmental policy.

### Governance KPIs

**Our ESG Steering Group has identified the following KPIs which we will measure in 2024:**

1. **Compliance with the QCA Corporate Governance Code 2023 v2**
2. **Formation of an ESG Committee, responsibilities defined for ESG Steering Group and Board ESG Committee, assimilation of Belvoir's ESG KPIs**

# Reducing our environmental impact

## Environmental matters

An increasing element of our franchising reputation and the value that our brands enjoy will be determined by the difference we make to the environment. Our Board is mindful of the need to determine where our Group and our franchisees can make a greater difference and to provide the necessary leadership and support to establish good environmental practices. At the same time, our Board 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.

The Property Franchise Group recognises the importance of ESG, specifically to prioritise environmental sustainability in all facets of our operations and decision-making processes. The Group acknowledges that business activities inherently have environmental impacts, and to mitigate these impacts, there is a need to formulate a strategy and response to reduce our impact for the betterment of the Group and the societies in which our franchises belong. The Group recognises that our ESG journey and strategy will be a continuous process where we will need to self-assess our progress and learn how to improve continuously.

**“Through our work with our ESG consultant, we have identified a few key focus areas, which will reduce our operational environmental impact.”**

Despite being at the start of our ESG journey, the work that we have begun will help improve our ESG performance, assess our current standings and formulate recommendations for how we can become an environmentally sustainable franchise Group and meet both internal and external environmental goals to the benefit of our Group and the wider community to which our franchises belong.

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

We seek to act in ways which set an example and respect the communities we operate in. Therefore, the ESG Steering Group is looking to introduce employee volunteering days where employees can help in the local community, both environmentally and socially.

## Energy efficiency

We are committed to reducing our energy consumption and promoting energy efficiency across all of our leased properties. As part of our refurbishment programme, energy-efficient lighting and appliances are installed in our newly refurbished properties to reduce their energy demand. We also assess our properties’ thermal efficiency to identify improvement opportunities. Where possible, we promote energy efficiency technologies, such as the use of smart thermostats, LED lighting, and energy-efficient glazing, and in some cases we have installed motion-detecting lights.

We recognise that we can do more to combat climate change, and the energy consumption of our own operations is an area we are aiming to focus on in the coming years to limit our impact. Through our work with our ESG consultant, we have identified a few key focus areas, which will reduce our operational environmental impact, such as lowering the Group’s carbon footprint by completing a voluntary Streamlined Energy and Carbon Report (“SECR”). This will measure the Group’s operational Scope 1, 2 and partial Scope 3 emissions, which can lead to introducing more reduction measures to how the Group can best manage and reduce our carbon footprint. In addition to that, the Group will also look to complete a voluntary Energy Savings Opportunity Scheme (“ESOS”) assessment to see where energy reductions can take place to reduce financed operational emissions as well as developing a Net Zero strategy which will include a detailed carbon reduction plan.

We have recently partnered with a carbon-efficient data centre to reduce our emissions and environmental impact as a business. This will not only reduce the amount of paper we use, due to a reduction in physical records, but also reduce our carbon footprint as the data centre that stores our online systems will have a smaller impact on the environment and be more energy efficient.

**We have recently partnered with a carbon-efficient data centre to reduce our emissions and environmental impact as a business.**

## Reducing our environmental impact continued

### Getting around

We understand the impact business travel has on our carbon footprint. As we expand our team to support our franchisees and owned businesses, we are adopting sustainable travel practices. We 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. Over the next few years, we will explore ways we can further reduce this impact, such as the opportunity to invest in electric vehicle ("EV") infrastructure at our sites and encouraging our staff to switch to EVs for business travel.

We offer a cycle-to-work scheme which not only gives local employees another option of travel to our offices but also promotes a more environmentally friendly form of travel. This can also offer an outlet for employees to incorporate health and well being into their daily commute.

**We offer a cycle-to-work scheme, incorporating health and well being into the daily commute.**

### Waste reduction

At TPFG, we are committed to reducing our environmental impact through a range of recycling initiatives. Therefore, we implemented a paper and cardboard recycling program and a system for reusing plastic waste around our offices. In addition, the Group has adopted electronic document storage, which has significantly reduced the need for paper-based documentation.

As part of our efforts to promote sustainable practices, we encourage employees to use reusable drinking containers, mugs and cups and have implemented a system to reduce food waste within our offices. The Group has also discussed the goal of recording and managing our water usage throughout all offices, as this will be useful in understanding what we can do to reduce our water use and make it more sustainable.

Sustainable practices have also been extended to include the kind of products the offices purchase, such as sustainably sourced coffee and other products of that nature.

**We are committed to reducing our environmental impact through a range of recycling initiatives.**

### Environmental KPIs

**Our ESG Steering Group has identified the following KPIs which we will measure in 2024:**

1. **Scope 1 and 2 emissions reporting**
2. **Energy Savings Opportunity Scheme ("ESOS") Phase 3**

## Our people

People are at the centre of our operations and we understand many factors influence a workforce. 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; and
- provide appropriate training and development.

We are committed to developing and cultivating future talent within our Group, and we recognise that a thriving workforce is comprised of people inclusive of all backgrounds. We want to take steps to increase representation for all who share our values within our ranks. We want to offer employees the opportunity to grow their careers like those who have gone before them in our own Group and the franchised network and provide support for them to do so.

Highly engaged teams with appropriate skills for the Group are fundamental for future growth and success. Providing our teams with the necessary skills and training they need to thrive drives our success, and this year we have rolled out a new training platform across the Group to facilitate this learning. We have set ambitious training targets for our Board, senior management and employees over the next year to encourage continual improvement of ESG matters.

**Highly engaged teams with appropriate skills for the Group are fundamental for future growth and success.**

We have developed an employee newsletter and wish to roll it out across the Group in the next year to increase employee engagement and create feedback loops within the business. Prioritising employee engagement and well being aligns with our core values, and we seek to continually improve this by creating an Employee Engagement Survey in the next few years.

**"We are committed to developing and cultivating future talent within our Group, and we recognise that a thriving workforce is comprised of people inclusive of all backgrounds."**

## Engaging with our suppliers

We recognise the integral role that our suppliers play in our ESG journey. As part of our commitment to ESG, we will look to engage with our suppliers over the coming years to ensure that our values are aligned in our commitment to ESG. We seek to strengthen our relationships and promote mutual benefit and success in our partnerships. 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.

**We seek to strengthen our relationships and promote mutual benefit and success in our partnerships.**

## Helping to build strong communities

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.

## Social KPIs

**Our ESG Steering Group has identified the following KPIs which we will measure in 2024:**

1. **Training platform engagement**
2. **Staff and team engagement**

The Strategic Report is contained on pages 1 to 35.

It was approved by the Board on 22 April 2024 and signed on its behalf by:

**David Raggett**

Chief Financial Officer
22 April 2024

# Committed to driving profitability and shareholder value in a socially responsible way

Our Board is a highly experienced and diverse group of individuals who are responsible for the overall performance of the Group, which includes the broad strategic direction, development and control.

## Paul Latham
Non-Executive Chair

N R

### Appointment
December 2013

### Experience
Paul, a Chartered Surveyor, served as Deputy Group CEO of LSL Property Services PLC until 2010, having been part of the management buyout in 2004, and subsequently as a non-executive director of LSL until 2012. He was also Chair of the Residential Board for the Royal Institution of Chartered Surveyors until 2011.

Paul was appointed as a Non-Executive Director of The Property Franchise Group PLC in December 2013 and served as Chair of its Remuneration Committee until being appointed Chair of the Board in May 2022.

### Key skills
strategic growth, stakeholder relations, corporate governance

## Gareth Samples
Chief Executive Officer

### Appointment
April 2020

### Experience
Gareth has over 35 years' industry experience encompassing estate agency, financial services and digital marketing. During his 21-year career at LSL, Gareth was appointed Managing Director of the Your Move brand, the largest single brand estate agency in the UK at the time. 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.

Gareth subsequently became Managing Director of Briefyourmarket.com where he gained significant digital marketing experience. Gareth was appointed CEO of TPFG in April 2020.

### Key skills
strategic business planning, stakeholder relations, people management

## David Raggett
Chief Financial Officer

### Appointment
October 2013

### Experience
Since qualifying with PwC as a Chartered Accountant, David has spent his whole working life in franchising. Initially David held financial responsibility for several Ford franchises before moving to Porsche's UK headquarters, where he had financial responsibility for its distribution, retail and financial services businesses at various times, and acted as its company secretary and Head of Legal.

In 2007, David was appointed Finance Director for the Motability Scooter and Powered Wheelchair Scheme to help turn it around and lead it into new ownership. David joined TPFG in February 2013 and was appointed to the Board in October 2013.

### Key skills
financial management, franchising, mergers and acquisitions, stakeholder relations

## Michelle Brook
Financial Services Director

### Appointment
March 2024

### Experience
Michelle has 35 years' experience within the financial services sector. Having previously worked for Mortgage Advice Bureau, Michelle set up her own business in 2010, building it to a network of 32 advisers before selling to the Belvoir Group in 2017.

As Managing Director of Belvoir's financial services division since 2017, Michelle has overseen its financial services network increase to over 300 advisers. Michelle was appointed to the Belvoir board in January 2022 with responsibility for driving the Group's financial services strategy, which she will continue to do with TPFG.

### Key skills
financial services, people management. mergers and acquisitions

## Committee membership

- (A) Audit and Risk Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- Committee Chair

## Key

- TPFG
- Belvoir

Richard Martin, who set up the founder brand (Martin & Co) in 1986, stepped down from the Board in 2024 but remains a shareholder and now holds the position of Lifetime President.

Learn more about our Audit and Risk Committee on **pages 42–43**
Learn more about our Remuneration Committee on **pages 44–47**

### Jon Di-Stefano
Senior Independent Non-Executive Director

A N R

**Appointment**
March 2024

**Experience**
Jon has a deep understanding of the housebuilding and construction sector from his 19-year tenure at AIM-listed Telford Homes PLC. After 9 years as CFO, Jon was appointed CEO in 2011, overseeing an increase in profits from £3m in 2011 to over £40m when the business was sold in 2019.

Jon is currently CEO of Greencore Homes Ltd. He was appointed to the Belvoir board as a non-executive director in April 2022 and then Chair in September 2022. Jon now acts as the Senior Independent Director to the TPFG Board.

**Key skills**
strategic growth
stakeholder relations

### Dean Fielding
Non-Executive Director

A N R

**Appointment**
March 2021

**Experience**
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 non-executive roles. He was appointed a non-executive director of Hunters Property PLC in April 2015.

Dean joined the Board of TPFG as a Non-Executive Director in March 2021 and chairs the Remuneration Committee.

**Key skills**
financial management
corporate reporting

### Paul George
Independent Non-Executive Director

A N

**Appointment**
March 2024

**Experience**
Paul has extensive experience in audit, reporting and governance. Having previously been an executive director of MCG PLC and an audit partner at KPMG, Paul spent 16 years as an executive director of the Financial Reporting Council with responsibility for corporate governance and reporting.

Paul is currently a partner of Board Excellence, a business providing board advisory services, and a non-executive director of Strip Tinning Holdings PLC. He was appointed to the Belvoir board as a non-executive director in June 2018 and is now Chair of the Audit and Risk Committee on the TPFG Board.

**Key skills**
corporate reporting
corporate governance
audit and risk management

### Claire Noyce
Independent Non-Executive Director

N

**Appointment**
June 2023

**Experience**
Claire brings over 25 years of significant capital markets experience. Having started her career in management consultancy, Claire moved into investment banking with the global banks Lazard Brothers Inc and Nomura International Bank PLC.

Claire is founding Partner and CEO of Hydridan LLP, a corporate broking firm, and a Chartered Member of the Chartered Institute for Securities & Investment. Claire was appointed as a non-executive director of the Quoted Companies Alliance in 2015 and Deputy Chair in 2019. Claire joined the TPFG Board in June 2023 and is helping drive the Group's ESG strategy.

**Key skills**
stakeholder relations
strategic growth
corporate governance

# High standards of corporate governance contribute to our success

"The Board promotes a culture of good governance in dealing with all stakeholders."

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 Chair, 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 have recently established a Nomination Committee. We are currently reviewing the updated version of the QCA Corporate Governance Code, which comes into effect for financial years beginning on or after 1 April 2024, and we are assessing the impact on our policies and procedures.

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 Chair
22 April 2024

# 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. | Our strategy can be summarised as to buy and build, diversify our income streams, maintain operational efficiency and support our franchisees' growth. Our growth will principally be achieved through our franchise model. | ✓ | See more on **pages 16–17** |
| **2** Seek to understand and meet shareholder needs and expectations. | The Board is committed to ensuring that its shareholders and potential shareholders have opportunities to express their expectations through roadshows, investor platforms, the AGM, its advisers' organised feedback sessions and ensuring that their contact details are easily available. | ✓ | See more on **pages 21–23** |
| **3** Take into account wider stakeholder and social responsibilities and their implications for long-term success. | Wider stakeholders start with our people, our franchise owners and their staff. Then those who support and partner our franchise model to deliver products and services to end-customers. We are intent on binding them together in a fair and respectful partnership to deliver our long-term success. | ✓ | See more on **pages 21–23** |
| **4** Embed effective risk management, considering both opportunities and threats, throughout the organisation. | Board meetings have naturally become even more focused on how to mitigate risks and exploit opportunities given uncertainties over recent years such as Brexit, the global pandemic and the conflict in Ukraine. | ✓ | See more on **pages 29–31** |
| **5** Maintain the Board as a well-functioning, balanced team led by the Chair. | The Board consists of 5 Non-Executive Directors, 3 of whom are independent, and 3 Executive Directors. It has operated with a majority of Non-Executives for many years. | ✓ | See more on **pages 36–37** |
| **6** Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities. | The Board consists of members with extensive property franchising and listed company experience. They are encouraged to keep their skills up to date. | ✓ | See more on **pages 36–37** |
| **7** Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. | Our strategy, franchise model and size allow us to have greater freedom to discuss our performance and effectiveness than many organisations enjoy. We are continually improving what we do, how we do it and, at times, how we correct underperformance. | ✓ | See more on **pages 16–17** |
| **8** Promote a corporate culture that is based on ethical values and behaviours. | We are a people business led by hard working executives mindful of the need to work ethically. Our teams, whether home working, hybrid working or office-based working, are led by managers who promote our culture, supported by extensive policies setting out what behaviours we expect. | ✓ | See more on **pages 22 and 34** |
| **9** Maintain governance structures and processes that are fit for purpose and support good decision making by the Board. | We have the appropriate size specific structures recommended by the QCA which includes a number of committees. The Board is supported by an experienced senior management team. | ✓ | See more on **pages 40–41** |
| **10** Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. | We engage in investor roadshows, an active financial PR process and dialogue with analysts following our sector. We have continued to focus more resource on engaging with retail investors and making research more easily accessible to them. At the same time, we keep our people, our franchisees and their staff, our suppliers and our lenders regularly informed about our performance and strategy. | ✓ | See more on **pages 21–23** |

# Corporate governance statement

## The Board

The Board comprises the Non-Executive Chairman (non-independent), 4 Non-Executive Directors (3 of whom are independent) and 3 Executive Directors who are the Chief Executive Officer, the Chief Financial Officer and the Financial Services Director of the Company. It has established an Audit and Risk Committee, a Remuneration Committee and very recently a Nomination 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 Chair'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 Chair'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 their own sphere of responsibility. Decisions relating to strategy, major contracts, acquisitions and 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 36 and 37 which demonstrates the experience mix.

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

During the years ended 2022 and 2023, 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. The Board does not consider it appropriate for a company of its size to carry out an externally facilitated assessment of its performance.

## 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.

## Board independence

The Company has 3 independent Non-Executive Directors, being Claire Noyce, Paul George and Jon Di-Stefano, who provide an important contribution to its strategic development. They 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 and Risk, Remuneration and Nomination 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. Its other members that served during the year were Paul Latham and Phil Crooks (resigned 7 March 2024). It met 3 times in 2023 and will continue to meet at least twice a year.

Following the merger with Belvoir in March 2024 Jon Di-Stefano was appointed as a member of the Committee.

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 44 to 47.

## Audit and Risk Committee

Phil Crooks was the Chair of the Audit and Risk Committee until he resigned on 7 March 2024. It's other members that served during the year were Paul Latham and Dean Fielding. The Audit and Risk Committee met 3 times in 2023 and will continue to meet at least twice a year.

Following the merger with Belvoir in March 2024 Paul George was appointed as Chair of the Committee and Jon Di-Stefano was appointed as a member of the Committee.

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 42 and 43.

## Nomination Committee

Claire Noyce is the Chair of the Nomination Committee which has recently been established. The other members are all other Non-Executive Directors. This committee has not had any meetings to date but has established some terms of reference and plans to meet at least twice a year.

The Nomination Committee will be responsible for identifying candidates for Board and senior leadership positions, including identifying the skills and characteristics required.

## 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 30 and 31.

Directors' attendance at meetings held during the financial year ended 31 December 2023:

| | Board | Audit and Risk Committee | Remuneration Committee |
|---|---|---|---|
| Number of meetings | 12 | 3 | 3 |
| Gareth Samples | 12 | — | — |
| David Raggett | 12 | — | — |
| Richard Martin | 9 | — | — |
| Paul Latham | 12 | — | — |
| Phil Crooks | 12 | 3 | 3 |
| Dean Fielding | 9 | 3 | 3 |
| Claire Noyce | 9 | — | — |

## 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:

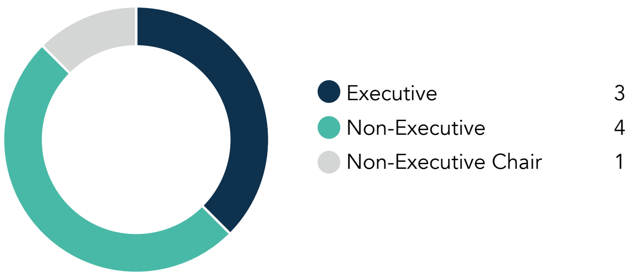
- monthly financial reporting against budget and the prior year;
- day-to-day financial control of operations;
- annual budgeting, half-yearly forecasting and monthly outturn review;
- the monitoring and assessment of risk;
- performance monitoring and the taking of remedial action; and
- planning, reviewing,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

## Relations with shareholders

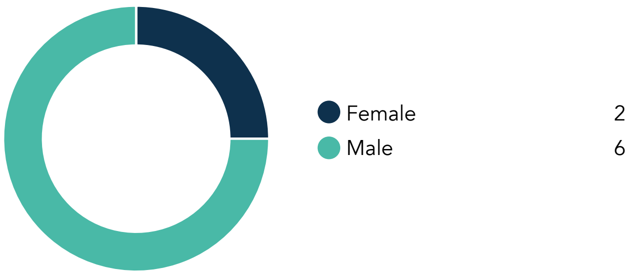
The Board is committed to maintaining good communications with shareholders and the website thepropertyfranchisegroup.co.uk provides up-to-date information on the Group. The AGM is an important opportunity to meet and communicate with its investors and for them to raise with the Board any issues or concerns 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.

## Board composition, diversity and experience

### Composition and roles

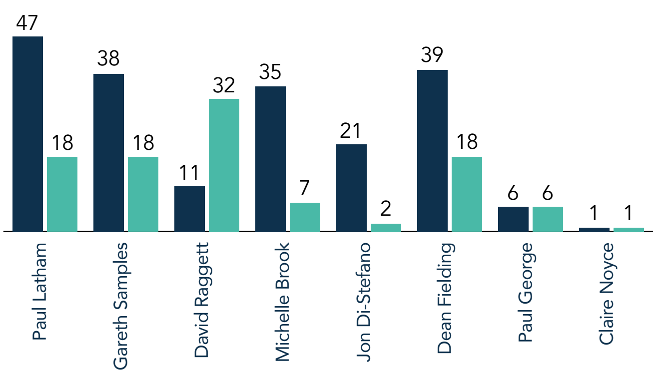



### Diversity




### Experience (years)

Relevant industry experience
Franchising experience



# Ensuring effective controls are maintained across the business

### Audit and Risk Committee

**Key highlights of 2023**

- There were no special projects this year so work focussed on standard matters relating to financial statements, audit and risks

**Priorities for 2024**

- Accounting for the acquisition of Belvoir
- Overseeing the risks associated with the integration of the Belvoir businesses and ensuring consistency of accounting policies across the enlarged Group
- Continuation of our work on financial statements, audit and risks

### Time spent

Risk management and internal controls

10%

Consideration of key reporting judgements

10%

Review of audit planning, results of testing and reporting

30%

Interim reporting

15%

Annual Report and Accounts

35%

### Members

Paul George (Chair)

Dean Fielding

Jon Di-Stefano

---

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

I am delighted to have been appointed as Chair of the ARC and will bring my extensive audit, reporting and governance experience to bear in continuing the work led by Phil Crooks in respect of 2023 and throughout his 9-year tenure. I am grateful to Phil, David and Helen in particular, on the support they have provided in getting me up to speed in respect of the 2023 Annual Report and Accounts.

In taking over from Phil in March 2024, my primary responsibility has been to lead the Committee through the final stages of the audit and the recommendation to the Board on the approval of the Annual Report and Accounts.

The ARC is formed of Dean Fielding, Jon Di-Stefano and myself. The 3 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 audit, reporting and governance and Jon's sector knowledge.

Regular meeting attendees in 2023 included Paul, Dean and Phil as well as David, our Chief Financial Officer, and Helen, our Finance Director, and representatives of our external auditor, BDO LLP.

We undertake to meet at least twice a year and in the last year the Committee 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 41.

In addition, in 2023 my 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;

“

**The independence and objectivity of the external audit function is a fundamental safeguard to the Company’s shareholders.”**

- 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; and
- report to the Board on how it has discharged its responsibilities.

## Activity in 2023

### Financial information

The ARC has taken a leading role in ensuring, on behalf of the Board, that the Annual Report remains fair, balanced and 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.

Subsequent to the year end the ARC has reviewed the draft Annual Report and Accounts and recommended their approval to the Board. In doing so we considered whether the Group had adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements, taking into account the external auditor’s view. We have assessed the estimates and judgements made in particular 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 its 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 and 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. Upon signing the 2022 Annual Report, our audit partner had completed 5 years service and has therefore now been replaced for this 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 2024 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 2024.

### 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.

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

**Paul George**
Chair of the Audit and Risk Committee
22 April 2024

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

### Remuneration Committee

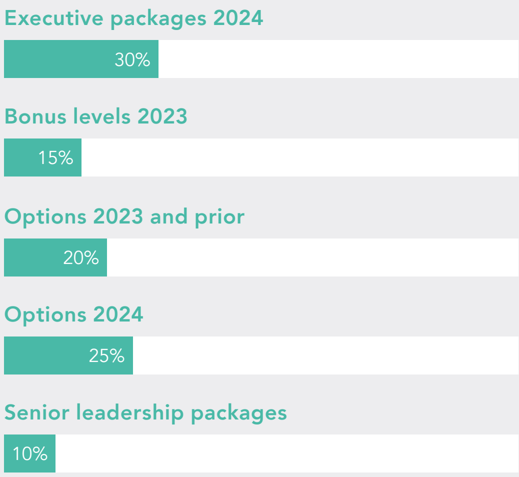
**Key highlights of 2023**

- Understand executive directors' salary packages for £200m-£300m market cap PLCs
- Introduce a non-financial element into Board remuneration
- Re-assess option packages for potentially enlarged Group

**Priorities for 2024**

- Succession planning
- Assessment and remuneration of senior management
- Review Remuneration Committee terms of reference and policy

### Time spent




### Members of the Remuneration Committee

Dean Fielding (Chair)

Paul Latham

Jon Di-Stefano

## Dear Shareholders

As the Remuneration Committee Chair, I am pleased to present the Remuneration Committee Report for 2023 following this letter.

It has clearly been an outstanding 16 months for TPFG. In a challenging market, the business delivered record profits and, since the year end, the acquisition of Belvoir has propelled our market cap to over £200m and moved the dial. The performance of the Group both operationally and as a consolidator is no accident. It has been driven by outstanding leadership from Gareth and David, and also the strength of the team they have recruited below them. We need to reward that leadership, reflect on our position as a market leader with significantly higher market cap and retain and incentivise our key people.

The Remuneration Committee, which comprised, Paul Latham, Phil Crooks and me, has met formally three times in the year and informally almost monthly. We also called on the expertise of Claire Noyce, our new Non-Executive Director, as a guest to the meetings and externally we have consulted with h2glenfern. We positioned in the Circular that we will look to provide substantial pay awards in 2024.Those awards are summarised in the table below:

| £'000 | 2023 Basic | Potential Bonus | Total | 2024 Basic | Potential Bonus | Total |
|---|---|---|---|---|---|---|
| Gareth Samples | 275 | 250 | 525 | 300 | 300 | 600 |
| David Raggett | 200 | 150 | 350 | 250 | 250 | 500 |

LTIPs have been key to underpinning our growth. The 2021 LTIPs which will vest in full in April 2024 are significant and a reflection of the growth achieved in TSR and EPS.

**"Ensuring that remuneration packages are competitive and effective in attracting, retaining and motivating Directors of the right calibre."**

The awards and the total shareholding of Gareth and David are reflected in the table below:

| | 2021 options vesting | Total shares held* |
|---|---|---|
| Gareth Samples | 700,000 | 142,070 |
| David Raggett | 400,000 | 448,274 |

Gareth and David have a significant stake in the future of TPFG.

* At 31 December 2023, prior to 2021 options vesting.

The acquisition of Belvoir provides a reset of the Group. We are reviewing the options put in place in 2022 and 2023 and will re-base the targets based on the enlarged Group. In addition, as highlighted in the Circular, we will put in place a substantial option scheme for 2024 that underpins the next chapter. Further details to follow once we have consulted with shareholders.

Clearly our dialogue has not been limited to just Gareth and David. The options for 2024 will include key management for the enlarged Group.

Apologies for the long-winded lead into the Remuneration Committee report that follows. I felt given the significance of the changes in the Group over the last 16 months it was important to position the considerations of the Remuneration Committee. Exciting times.

**Dean Fielding**
Chair of the Remuneration Committee
22 April 2024

# Remuneration Committee report for 2023

The Remuneration Committee comprises Paul Latham, Jon Di-Stefano and myself. 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 2023. It also held a number of informal meetings. Apart from Paul and myself, Phil Crooks a former Non-Executive Director attended during the year (resigned 7 March 2024) and our Chief Financial Officer and Claire Noyce, Non-Executive Director, were regular attendees of our meetings.

## Purpose

The Committee aims to ensure the Remuneration Policy is aligned to the long-term success of the Group and that executive remuneration is competitive to aid retention, recruitment and motivation.

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; and
- oversee any major changes in employee benefit structures throughout the Group.

## Activity in 2023

The Committee believes that the entire senior team, and in particular the Executive Directors, has 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 2023 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; and
- 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 £718,000 (2022: £698,000).

### 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 £375,000 (2022: £400,000).

### Pensions

Contributions made to Executive Directors' pensions in the year were £20,000 (2022: £45,000).

## Share options

On 10 July 2023, an option over 109,127 ordinary shares was granted to the Chief Executive Officer, an option over 63,492 ordinary shares was granted to the Chief Financial Officer and options were granted to senior management over 83,333 ordinary shares. These options have an exercise price of £0.01.

The vesting conditions are based on 2 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 2025. Each performance condition will apply to 50% of the award being made.

In respect of both performance conditions, growth of 20% over the 3-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

| | |
|---|---|
| Gareth Samples | 12 months' notice |
| David Raggett | 12 months' notice |
| Michelle Brook | 12 months' notice |
| Paul Latham | 3 months' notice |
| Dean Fielding | 3 months' notice |
| Jon Di-Stefano | 3 months' notice |
| Paul George | 3 months' notice |
| Claire Noyce | 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.

| | Salary and fees £'000 | Bonus £'000 | Total 2023 £'000 | Total 2022 £'000 |
|---|---|---|---|---|
| **Executive Directors:** | | | | |
| Gareth Samples | 282 | 225 | **507** | 507 |
| David Raggett | 207 | 150 | **357** | 357 |
| Glynis Frew (resigned 31 March 2022) | — | — | **—** | 34 |
| | 489 | 375 | **864** | 898 |
| **Non-Executive Directors:** | | | | |
| Richard Martin | 55 | — | **55** | 55 |
| Paul Latham | 50 | — | **50** | 50 |
| Phil Crooks | 50 | — | **50** | 50 |
| Dean Fielding | 45 | — | **45** | 45 |
| Claire Noyce (appointed 1 June 2023) | 29 | — | **29** | — |
| | 229 | — | **229** | 200 |
| Total remuneration | 718 | 375 | **1,093** | 1,098 |

## Changes to Board members

Claire Noyce was appointed as a Non-Executive Director on 1 June 2023.

Richard Martin resigned as a Non-Executive Director on 7 March 2024 but will continue with the business in the role of Lifetime President.

Phil Crooks resigned as a Non-Executive Director on 7 March 2024, after 9 years of service. We thank him for his contribution.

Michelle Brook was appointed Executive Director on 7 March 2024, coming across from the Belvoir board. See page 36 for further details.

Paul George and Jon Di-Stefano were appointed Non-Executive Director on 7 March 2024, coming across from the Belvoir board. See page 37 for further details.

## 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 2023:

The Property Franchise Group PLC ordinary 1 pence shares.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Shares** | **Options** | Shares | Options |
| **Directors:** | | | | |
| Gareth Samples | **142,070** | **984,127** | 9,000 | 1,075,000 |
| David Raggett | **448,274** | **578,492** | 390,101 | 615,000 |
| Richard Martin | **7,039,950** | **—** | 7,039,950 | — |
| Paul Latham | **79,727** | **—** | 79,727 | — |
| Phil Crooks | **15,000** | **—** | 15,000 | — |
| 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 29 to the financial statements.

By order of the Board

**Dean Fielding**
Chair of the Remuneration Committee
22 April 2024

# Delivering value to our stakeholders

The Directors present their Annual Report and audited financial statements for the financial year ended 31 December 2023. 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.

**"The Board continues to deliver against its acquisition growth strategy by building scale at franchisee and Group level."**

## 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 £9.0m in the financial year as compared to £8.8m for the prior year and a profit after tax of £7.4m (2022: £7.2m). The results are shown in the Consolidated Statement of Comprehensive Income on page 55. A full review of the Group's business is included in the Strategic Report on pages 1 to 35.

The Group's profit before tax was £0.2m higher than the previous year. Excluding amortisation of acquired intangibles of £1.4m (2022: £1.4m), the share-based payment charges of £0.8m (2022: £0.4m) and the gain on the listed investment £0.09m (2022: loss £0.03m), the adjusted profit before tax increased by 4% from £10.7m to £11.2m.

## Financial risk management

The Group's objectives and policies with regards to financial risk management are set out in note 29 to the consolidated financial statements.

## Future developments

The Group, newly enlarged in March 2024 through the merger with Belvoir Group PLC, intends to continue to pursue its strategic initiatives first set out in September 2020:

- 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 network participation in the existing partnerships and through further development of the Group's financial services division;
- the search for suitable corporate acquisitions so as to continue to buy and build;
- the accelerated recruitment of franchisees through its hybrid offerings; and
- 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 2023 of 4.6p per share on 6 October 2023 and a second interim dividend of 2.0p per share on 2 February 2024 (2022: 4.2p per share on 7 October 2022).

The Board recommends a final dividend for the financial year ended 31 December 2023 of 7.4p per share (2022: 8.8p per share) to be paid on 12 June 2024 to all shareholders on the register at the close of business on 17 May 2024, subject to shareholders approval on 7 June 2024.

## Directors

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

Richard Martin
Gareth Samples
David Raggett
Paul Latham
Phil Crooks
Dean Fielding
Claire Noyce (appointed 1 June 2023)

The Directors' remuneration and the Directors' interests in the Group are disclosed in the Directors' Remuneration Report on pages 44 to 47.

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 a detailed model to project future cash flow generation resulting from the merger which incorporates detailed budgets for FY24 and key assumptions for the following 3 financial years.

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 £7.6m (2022: £6.7m), with bank debt of £2.5m (2022: £5.0m). The bank debt in both years consists of a revolving credit facility which was repaid in January 2024.

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
22 April 2024

# 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 2023 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 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 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of changes in Equity, the Consolidated Statement of Cashflows, the Company Statement of Cashflows and notes to the financial statements, including a summary of material accounting policy information . 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 the assumptions and changes to the 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;
- Verifying the mathematical accuracy of the going concern forecasts running up to April 2025;
- Considering the Directors' plans for future actions within their going concern assessment including whether such plans are feasible in the circumstances.

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** | 93% (2022: 91%) of Group profit before tax<br>93% (2022: 93%) of Group revenue<br>98% (2022: 98%) of Group total assets |

**Key audit matters**

| | 2023 | 2022 |
|---|---|---|
| Goodwill and intangible asset impairment risk – Ewemove and Hunters CGU | ✓ | ✓ |
| Revenue Recognition | × | ✓ |

Revenue recognition is no longer considered to be a key audit matter in the current year due to a lack of significant judgement and estimation in this area.

**Materiality**

**Group financial statements as a whole**
£466,000 (2022: £420,000) based on 5% (2022: 5%) of adjusted profit before tax (2022: profit before tax)

## 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. All components are based in the UK.

### 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 |
|---|---|---|
| **Goodwill impairment risk – Ewemove and Hunters CGUs**<br>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 further details are included in note 15. | The risk that goodwill and intangible assets may be impaired is considered to lie in the Ewemove and Hunters CGUs as the conclusion is dependent on achieving forecasted growth. The impairment review was therefore considered significant due to the level of judgement involved, and the opportunity for management bias within the impairment model and value-in-use model assumptions including the forecast growth rate applied to future cashflows and the discount rate applied. We considered this to be a key audit matter due to the inherent level of judgement and assumptions. | We assessed the impairment review of the Group's goodwill prepared by management, specifically checking the integrity of management's value-in-use model and, with the assistance of our valuation experts, we challenged the key inputs – being forecast growth rates, operating cash flows and the discount rate.<br><br>We also checked if the Cash-Generating Unit ("CGU") was appropriately determined, and the correct assets included in the carrying value.<br><br>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 to ensure growth rates were reasonable, including checking for consistency with forecasts prepared for the purposes of the going concern assessment.<br><br>We used market data to independently calculate a discount rate for comparison to management's discount rate and also performed our own sensitivity analysis upon the key valuation inputs.<br><br>Forecast performance was also compared to market expectations published by third parties in the sector.<br><br>**Key observations:**<br>We found management's judgements and assumptions in this area to be reasonable and found no evidence of management bias in the assumptions used. |

### 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** | |
|---|---|---|---|---|
| | **2023 £000** | 2022 £000 | **2023 £000** | 2022 £000 |
| Materiality | **466** | **420** | **399** | **399** |
| Basis for determining materiality | 5% of adjusted profit before tax (2022: 5% of profit before tax) | | 85% of Group materiality (2022: 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 85% (2022: 95%) of Group materiality given the assessment of the component's aggregation risk. | |
| Performance materiality | **349** | 315 | **299** | 299 |
| Basis for determining performance materiality | 75% of materiality (2022: 75% of materiality) | | 75% of materiality (2022: 75% of materiality) | |
| Rationale for the percentage applied for performance materiality | 75% of materiality based on a low expected total value of known and likely misstatements. | | | |

#### Component materiality

For the purposes of our Group audit opinion, 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 32% and 99% (2022: 18% 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 £150,000 to £461,000 (2022: £77,000 to £399,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £19,000 (2022: £16,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other Companies Act 2006 reporting

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

| | |
|---|---|
| **Strategic report and Directors' report** | In our opinion, based on the work undertaken in the course of the audit:<br>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and<br>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.<br>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report. |
| **Matters on which we are required to report by exception** | We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:<br>• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or<br>• the Parent Company financial statements are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• we have not received all the information and explanations we require for our audit. |

## Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities which can be found on page 49 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:

### Non-compliance with laws and regulations

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.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of the company's tax computations and returns and financial statements against the requirements of the relevant tax legislation and applicable accounting frameworks respectively.

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

### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- 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 matter 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;
- Obtaining an understanding of controls designed to prevent and detect irregularities, including the reconciliation of customer monies held in client account balances;

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by assessing against supporting documentation;
- We have reviewed and assessed the appropriateness of management's estimates and exercised professional scepticism in considering the impact of those estimates on the financial statements.

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.

**Alex Stansbury (Senior Statutory Auditor)**
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
22 April 2024

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 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| Revenue | 7 | **27,278** | 27,158 |
| Cost of sales | | **(5,400)** | (5,575) |
| **Gross profit** | | **21,878** | 21,583 |
| Administrative expenses | 8 | **(11,831)** | (11,876) |
| Share-based payments charge | 9, 30 | **(783)** | (411) |
| **Operating profit** | 10 | **9,264** | 9,296 |
| Finance income | 11 | **20** | 39 |
| Finance costs | 11 | **(357)** | (470) |
| Other gains and losses | 19 | **87** | (32) |
| **Profit before income tax expense** | | **9,014** | 8,833 |
| Income tax expense | 12 | **(1,644)** | (1,588) |
| **Profit and total comprehensive income for the year** | | **7,370** | 7,245 |
| | | | |
| **Profit and total comprehensive income for the year attributable to:** | | | |
| Owners of the parent | | **7,395** | 7,229 |
| Non-controlling interest | | **(25)** | 16 |
| | | **7,370** | 7,245 |
| | | | |
| Earnings per share attributable to owners of parent | 13 | **23.0p** | 22.6p |
| Diluted Earnings per share attributable to owners of parent | 13 | **22.0p** | 22.5p |

# Consolidated statement of financial position

31 December 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 15 | **43,757** | 44,958 |
| Property, plant and equipment | 16 | **181** | 162 |
| Right-of-use assets | 17 | **1,525** | 1,613 |
| Prepaid assisted acquisitions support | 18 | **230** | 297 |
| Investments | 19 | **—** | 137 |
| Other receivables | 20 | **210** | 240 |
| | | **45,903** | 47,407 |
| **Current assets** | | | |
| Trade and other receivables | 20 | **4,134** | 3,718 |
| Cash and cash equivalents | | **7,642** | 6,684 |
| | | **11,776** | 10,402 |
| **Total assets** | | **57,679** | 57,809 |
| **Equity** | | | |
| **Shareholders' equity** | | | |
| Called up share capital | 21 | **323** | 320 |
| Share premium | 22 | **4,129** | 4,129 |
| Own share reserve | 24 | **(420)** | (348) |
| Merger reserve | 23 | **14,345** | 14,345 |
| Other reserves | 24 | **1,673** | 1,316 |
| Retained earnings | | **20,765** | 17,399 |
| | | **40,815** | 37,161 |
| Non-controlling interest | | **(3)** | 22 |
| **Total equity attributable to owners** | | **40,812** | 37,183 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **—** | 5,000 |
| Lease liabilities | 17 | **1,647** | 1,856 |
| Deferred tax | 27 | **4,394** | 5,168 |
| Provisions | 28 | **181** | 212 |
| | | **6,222** | 12,236 |
| **Current liabilities** | | | |
| Borrowings | 25 | **2,500** | — |
| Trade and other payables | 26 | **6,319** | 6,724 |
| Lease liabilities | 17 | **395** | 506 |
| Tax payable | | **1,431** | 1,160 |
| | | **10,645** | 8,390 |
| **Total liabilities** | | **16,867** | 20,626 |
| Total equity and liabilities | | **57,679** | 57,809 |

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2024 and were signed on its behalf by:

**David Raggett**
Chief Financial Officer

# Company statement of financial position

31 December 2023 (Company No: 08721920)

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 19 | **60,966** | 60,773 |
| Deferred tax asset | 27 | **820** | 412 |
| | | **61,786** | 61,185 |
| **Current assets** | | | |
| Trade and other receivables | 20 | **1,476** | 1,065 |
| Cash and cash equivalents | | **2,337** | 1,539 |
| | | **3,813** | 2,604 |
| **Total assets** | | **65,599** | 63,789 |
| **Equity** | | | |
| **Shareholders' equity** | | | |
| Called up share capital | 21 | **323** | 320 |
| Share premium | 22 | **4,129** | 4,129 |
| Own share reserve | 24 | **(420)** | (348) |
| Merger reserve | 23 | **32,335** | 32,335 |
| Other reserves | 24 | **1,673** | 1,316 |
| Retained earnings | | **23,371** | 19,276 |
| **Total equity** | | **61,411** | 57,028 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **—** | 5,000 |
| | | **—** | 5,000 |
| **Current liabilities** | | | |
| Borrowings | 25 | **2,500** | — |
| Trade and other payables | 26 | **1,688** | 1,761 |
| | | **4,188** | 1,761 |
| **Total liabilities** | | **4,188** | 6,761 |
| Total equity and liabilities | | **65,599** | 63,789 |

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 £8.1m (2022: £6.4m).

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2024 and were signed on its behalf by:

**David Raggett**
Chief Financial Officer

# Statements of changes in equity

for the year ended 31 December 2023

## Group

| | Attributable to owners | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Called up share capital £'000 | Retained earnings £'000 | Share premium £'000 | Own share reserve £'000 | Merger reserve £'000 | Other reserves £'000 | Total equity £'000 | Non-controlling interest £'000 | Total equity £'000 |
| **Balance at 1 January 2022** | **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** |
| Profit and total comprehensive income | — | 7,395 | — | — | — | — | 7,395 | (25) | 7,370 |
| Dividends | — | (4,283) | — | — | — | — | (4,283) | — | (4,283) |
| Shares issued – share option exercises | 3 | 254 | — | — | — | (524) | (267) | — | (267) |
| Share-based payments charge | — | — | — | — | — | 783 | 783 | — | 783 |
| Purchase of shares by Employee Benefit Trust | — | — | — | (72) | — | — | (72) | — | (72) |
| Deferred tax on share-based payments | — | — | — | — | — | 98 | 98 | — | 98 |
| Total transactions with owners | 3 | (4,029) | — | (72) | — | 357 | (3,741) | — | (3,743) |
| **Balance at 31 December 2023** | **323** | **20,765** | **4,129** | **(420)** | **14,345** | **1,673** | **40,817** | **(3)** | **40,812** |

## Company

| | 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 2022** | **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 at 31 December 2022** | **320** | **19,276** | **4,129** | **(348)** | **32,335** | **1,316** | **57,028** |
| Profit and total comprehensive income | — | 8,124 | — | — | — | — | 8,124 |
| Dividends | — | (4,283) | — | — | — | — | (4,283) |
| Shares issued – share option exercises | 3 | 254 | — | — | — | (524) | (267) |
| Purchase of shares by Employee Benefit Trust | — | — | — | (72) | — | — | (72) |
| Deferred tax on share-based payments | — | — | — | — | — | 98 | 98 |
| Share-based payments charge | — | — | — | — | — | 783 | 783 |
| Total transactions with owners | 3 | (4,029) | — | (72) | — | 357 | (3,741) |
| **Balance at 31 December 2023** | **323** | **23,371** | **4,129** | **(420)** | **32,335** | **1,673** | **61,411** |

# Consolidated statement of cash flows

for the year ended 31 December 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | A | **11,324** | 11,295 |
| Interest paid | | **(255)** | (359) |
| Tax paid | | **(2,048)** | (1,962) |
| Net cash from operating activities | | **9,021** | 8,974 |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets – Customer lists | | **(201)** | (387) |
| Disposal of investment in shares | | **81** | — |
| The Mortgage Genie deferred consideration | | **(138)** | — |
| Disposal of intangible assets – FDGs and rebrands | | **53** | 143 |
| Disposal of intangible assets – Customer lists | | **—** | 150 |
| Purchase of tangible assets | | **(114)** | (38) |
| Assisted acquisitions support | | **(115)** | (102) |
| Interest received | | **20** | 39 |
| Net cash generated used in investing activities | | **(414)** | (195) |
| **Cash flows from financing activities** | | | |
| Issue of ordinary shares | | **3** | — |
| Equity dividends paid | | **(4,283)** | (3,829) |
| Purchase of shares by Employee Benefit Trust | | **(72)** | — |
| Net settlement of share options | | **(270)** | — |
| Bank loan repaid | | **(2,500)** | (6,094) |
| Principal paid on lease liabilities | | **(431)** | (473) |
| Interest paid on lease liabilities | | **(96)** | (112) |
| Net cash used in financing activities | | **(7,649)** | (10,508) |
| **Increase/(decrease) in cash and cash equivalents** | | **958** | (1,729) |
| **Cash and cash equivalents at beginning of year** | | **6,684** | 8,413 |
| **Cash and cash equivalents at end of year** | | **7,642** | 6,684 |

# Notes to the consolidated statement of cash flows

for the year ended 31 December 2023

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | **9,014** | 8,833 |
| Depreciation of property, plant and equipment | **95** | 91 |
| Amortisation of intangibles | **1,531** | 1,477 |
| Amortisation of prepaid assisted acquisitions support | **183** | 229 |
| Amortisation of right-of-use assets | **234** | 305 |
| Profit on disposal of FDGs and rebrands | **(89)** | (195) |
| Share-based payments charge | **783** | 411 |
| (Gain)/loss on revaluation of listed investment | **(87)** | 32 |
| Finance costs | **357** | 471 |
| Finance income | **(20)** | (39) |
| **Operating cash flow before changes in working capital** | **12,001** | 11,615 |
| Increase in trade and other receivables | **(319)** | (837) |
| (Decrease)/increase in trade and other payables | **(358)** | 517 |
| **Cash generated from operations** | **11,324** | 11,295 |

# Company statement of cash flows

for the year ended 31 December 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | B | **(1,337)** | (764) |
| Interest paid | | **(256)** | (359) |
| Net cash used in operating activities | | **(1,593)** | (1,123) |
| Cash flows from investing activities | | | |
| The Mortgage Genie – deferred consideration | | **(138)** | — |
| Equity dividends received | | **9,651** | 7,950 |
| **Net cash generated from investing activities** | | **9,513** | 7,950 |
| **Cash flows from financing activities** | | | |
| Issue of ordinary shares | | **3** | — |
| Equity dividends paid | | **(4,283)** | (3,829) |
| Purchase of shares by Employee Benefit Trust | | **(72)** | — |
| Net settlement of share options | | **(270)** | — |
| Bank loan repaid | | **(2,500)** | (6,094) |
| Net cash used in financing activities | | **(7,122)** | (9,923) |
| **Increase/(decrease) in cash and cash equivalents** | | **798** | (3,096) |
| **Cash and cash equivalents at beginning of year** | | **1,539** | 4,635 |
| **Cash and cash equivalents at end of year** | | **2,337** | 1,539 |

# Notes to the Company statement of cash flows

for the year ended 31 December 2023

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

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | **7,555** | 6,120 |
| Share-based payments charge | **613** | 366 |
| (Gain)/loss on revaluation of listed investment | **(22)** | 15 |
| Finance costs | **261** | 358 |
| Equity dividend received | **(9,651)** | (7,950) |
| **Operating cash flow before changes in working capital** | **(1,244)** | (1,091) |
| (Increase)/decrease in trade and other receivables | **(94)** | 28 |
| Increase in trade and other payables | **1** | 299 |
| **Cash used in operations** | **(1,337)** | (764) |

# Notes to the consolidated and Company financial statements

for the year ended 31 December 2023

## 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, BH2 6LA, 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 incorporate the recently acquired Belvoir Group PLC. 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 2023

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 2023, which would have had 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 2023, which would have had 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 2023. 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.

## 4. Significant accounting policies continued

### Revenue recognition continued

#### Performance obligations and the timing of revenue recognition 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 licence. Revenue is recognised over the period of the licence.

### Operating profit

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

### 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 – Ewereka | 5 years |
| Technology – websites, CRM system and software | 3 years |

## 4. Significant accounting policies continued

### Intangible assets continued

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 an expected useful 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 an expected useful 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 indefinite useful lives, management is 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 is 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 the income statement. 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 should the valuation subsequently recover. 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.

### 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.

## 4. Significant accounting policies continued

### 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.

### 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 amended 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 payments 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 (e.g. 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.

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.

## 4. Significant accounting policies continued

### Financial liabilities continued

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 is 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 recognise 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.

### 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 15.

### 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 have a non-market-based performance condition, earnings per share, and a market-based performance condition, total shareholder return.

In order to estimate the likely achievement of the performance conditions, management has used the actual results for FY23, the budget for FY24 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 the EPS performance condition will generate vesting of 100% of the maximum number of shares available under those options because the performance measurement period has ended and, subject to approval by the Board, full vesting has been achieved. The charge is £0.5m.

The share-based payment charge in relation to the performance-based options granted in 2022 assumes that performance will generate vesting of 55.5% of the maximum number of shares available under those options. The charge is £0.2m. If the adjusted EPS performance condition was 100% achieved, the cumulative charge would increase by £0.1m and if the adjusted EPS performance condition was not achieved at all, so 0%, the cumulative charge would decrease by £0.1m.

The share-based payment charge in relation to the performance-based options granted in 2023 assumes that performance will generate vesting of 23% of the maximum number of shares available under those options. The charge is £0.03m. If the adjusted EPS performance condition was 100% achieved, the cumulative charge would increase by £0.06m and if the adjusted EPS condition was not achieved at all, so 0%, the cumulative charge would decrease by £nil.

## 6. Segmental reporting

The Directors consider there to be 2 operating segments in 2023 and 2022, being Property Franchising and Financial Services.

For the year ended 31 December 2023:

| Continuing | **Property Franchising £'000** | **Financial Services £'000** | **Total £'000** |
|---|---|---|---|
| Revenue | **25,776** | **1,502** | **27,278** |
| Segment profit before tax | **8,662** | **352** | **9,014** |

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 |

There was no inter-segment revenue in any period.

## 7. Revenue

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Property Franchising segment: | | |
| Management Service Fees | **16,099** | 15,882 |
| Owned offices – lettings and sales fees | **4,902** | 5,157 |
| Franchise sales | **458** | 318 |
| Franchisee support and similar services | **4,317** | 4,072 |
| | **25,776** | 25,429 |
| Financial Services segment: | | |
| Financial Services commissions | **1,502** | 1,729 |
| | **27,278** | 27,158 |

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 20 for details of accrued income and note 26 for details of deferred income.

See note 18 for the value of prepaid assisted acquisitions support amortised as a deduction from Management Service Fees.

## 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:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Employee costs | **6,526** | 6,563 |
| Marketing and digital costs | **1,032** | 1,004 |
| Property costs | **513** | 408 |
| Amortisation | **1,766** | 1,782 |
| Other administrative costs | **1,994** | 2,119 |
| | **11,831** | 11,876 |

## 9. Employees and Directors

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Administration | **164** | 173 | **—** | — |
| Management | **12** | 12 | **2** | 2 |
| | **176** | 185 | **2** | 2 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Wages and salaries | **7,939** | 8,302 | **1,151** | 929 |
| Social security costs | **842** | 946 | **150** | 126 |
| Pension costs | **175** | 193 | **48** | 45 |
| Private medical insurance | **24** | 22 | **—** | — |
| | **8,980** | 9,463 | **1,349** | 1,100 |
| Share-based payments charge | **783** | 411 | **613** | 366 |

Key management personnel is defined as Executive Directors and members of Senior Leadership Team of the Group. Details of the remuneration of the key management personnel are shown below:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Wages and salaries | **2,535** | 2,293 |
| Social security costs | **408** | 314 |
| Pension costs | **34** | 63 |
| | **2,977** | 2,670 |
| Share-based payments charge | **613** | 372 |

Details of the Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 44 to 47. The share-based payments charge for the current year has been charged to the Statement of Comprehensive Income, of this £0.58m (2022: £0.36m) relates to Directors.

## 10. Breakdown of expenses by nature

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| The operating profit is stated after charging: | | |
| Depreciation | **95** | 91 |
| Amortisation – intangibles | **1,531** | 1,477 |
| Amortisation – prepaid assisted acquisitions support | **183** | 229 |
| Amortisation – leases | **234** | 305 |
| Share-based payments charge | **783** | 411 |
| Auditor's remuneration (see below) | **137** | 127 |
| Staff costs (note 9) | **8,980** | 8,791 |
| Audit services | | |
| – Audit of the Company and consolidated accounts | **137** | 127 |
| | **137** | 127 |

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## 11. Finance income and costs

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Finance income: | | |
| Bank interest | **9** | 37 |
| Other similar income | **11** | 2 |
| | **20** | 39 |

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Finance costs: | | |
| Bank interest | **261** | 358 |
| Interest expense on lease liabilities | **96** | 112 |
| | **357** | 470 |

## 12. Taxation

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Current tax | **2,439** | 1,930 |
| Adjustments in respect of previous periods | **(120)** | 60 |
| Current tax total | **2,319** | 1,990 |
| Deferred tax on acquired business combinations | **(366)** | (366) |
| Deferred tax on share-based payments | **(309)** | (36) |
| Deferred tax total | **(675)** | (402) |
| Total tax charge in Statement of Comprehensive Income | **1,644** | 1,588 |

The tax assessed for the period is lower (2022: lower) than the standard rate of corporation tax in the UK. The difference is explained below.

| | 2023 £ | 2022 £ |
|---|---|---|
| Profit on ordinary activities before tax | **9,014** | 8,833 |
| Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 23.5% (2022: 19%) | **2,118** | 1,678 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **453** | 253 |
| Depreciation in excess of capital allowances | **3** | (1) |
| Deferred tax provision | **(675)** | (402) |
| Exercise of share options | **(135)** | — |
| Adjustments in respect of previous periods | **(120)** | 60 |
| Total tax charge in respect of continuing activities | **1,644** | 1,588 |

### Tax rate changes

The corporation tax rate in the UK changed from 19% to 25% effective from 1 April 2023, meaning the rate applicable for the financial year ended 31 December 2023 was 23.5% and the rate applicable for next year will be 25%. The value of the deferred tax asset at the statement of financial position date in 2023 and 2022 has been calculated using the applicable rate when the asset is expected to be realised.

## 13. 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.

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Profit for the financial year attributable to owners of the parent | **7,395** | 7,229 |
| Amortisation on acquired intangibles | **1,443** | 1,443 |
| Share-based payments charge | **783** | 411 |
| (Gain)/loss on revaluation of listed investment | **(87)** | 32 |
| Adjusted profit for the financial year | **9,534** | 9,115 |
| Weighted average number of shares | | |
| Number used in basic earnings per share | **32,142,942** | 32,041,966 |
| Dilutive effect of share options on ordinary shares | **1,418,527** | 99,626 |
| Number used in diluted earnings per share | **33,561,469** | 32,141,592 |
| Basic earnings per share | **23.0p** | 22.6p |
| Diluted earnings per share | **22.0p** | 22.5p |
| Adjusted basic earnings per share | **29.7p** | 28.4p |
| Adjusted diluted earnings per share | **28.4p** | 28.4p |

There were options over 2,100,453 ordinary shares outstanding at 31 December 2023; 676,953 had not vested and have performance conditions which determine whether they vest or not in future; it can be determined that 1,423,500 options under the 2021 scheme will vest in full based on these financial statements. The average share price during the year ended 31 December 2023 was above the exercise price of the 1,423,500 options that are due to vest based on these financial statements; for this reason, in 2023 there is a dilutive effect of share options on the earnings per share calculation.

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

## 14. Dividends

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Final dividend for 2022** | | |
| 8.8p per share paid 9 June 2023 (2022: 7.8p per share paid 27 May 2022) | **2,807** | 2,489 |
| **Interim dividend for 2023** | | |
| 4.6p per share paid 6 October 2023 (2022: 4.2p per share paid 7 October 2022) | **1,476** | 1,340 |
| Total dividend paid | **4,283** | 3,829 |

On 10 January 2024 the Board declared a special dividend of 2p per share payable to those shareholders on the register on 19 January 2024. It was paid on 2 February 2024 and amounted to £0.6m in total.

The Directors propose a final dividend for 2023 of 7.4p per share totalling £4.6m, which they expect will be paid on 12 June 2024. As this is subject to approval by the shareholders, no provision has been made for this in these financial statements.

## 15. Intangible assets

| | Master franchise agreement £'000 | Brands £'000 | Technology £'000 | Customer lists £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Brought forward at 1 January 2022 | 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** |
| Additions | — | — | — | 254 | 76 | 330 |
| **Carried forward 31 December 2023** | **18,592** | **5,032** | **790** | **3,573** | **23,319** | **51,306** |
| **Amortisation and Impairment** | | | | | | |
| Brought forward at 1 January 2022 | 3,363 | 470 | 344 | 441 | — | 4,618 |
| Charge for year | 927 | 220 | 31 | 299 | — | 1,477 |
| Amortisation on disposals | — | — | — | (77) | — | (77) |
| **Carried forward 31 December 2022** | **4,290** | **690** | **375** | **663** | **—** | **6,018** |
| Charge for the year | 927 | 220 | 60 | 324 | — | 1,531 |
| **Carried forward 31 December 2023** | **5,217** | **910** | **435** | **987** | **—** | **7,549** |
| Net book value | | | | | | |
| **At 31 December 2023** | **13,375** | **4,122** | **355** | **2,586** | **23,319** | **43,757** |
| At 31 December 2022 | 14,302 | 4,342 | 415 | 2,656 | 23,243 | 44,958 |

The carrying amount of goodwill relates to 6 (2022: 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 and 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 2023 and projections through to 31 December 2028. 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 2023 was 15 years 10 months.

The brand names under which XFL trades of CJ Hole, Parkers and Ellis & Co have been in existence for between 75 years and 173 years. Management sees 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 assesses whether the carrying value of these brands has 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 CJ 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.

## 15. Intangible assets continued

### 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 2023 and projections through to 31 December 2028. Thereafter, projected revenue growth was assumed to be 2.2% per annum.

The revenue growth rates used in the valuation range from 11% in FY24 to 4% in FY27.

The cash flows arising were discounted by the weighted average cost of capital being 15.17% 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 2023 was 7 years and 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 2023 was 13 years and 8 months.

The carrying value of EweMove, the identified cash generating unit, was £8m at 31 December 2023 whereas the recoverable amount was assessed to be £13.0m at the same date. Headroom of £5.0m therefore existed at the year end.

The cumulative effect of an increase in the discount rate to 19.8% and a 75% reduction in the assumed growth rate of the free cash flows would result in a carrying value of £8m.

### 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 2023 and projections through to 31 December 2028. Thereafter, projected revenue growth was assumed to be 2.0% per annum.

The annual revenue growth rates used in the valuation for FY24 to FY28 ranged from 3% to 7%.

The cash flows arising were discounted by the weighted cost of capital being 10.1%. 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 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 2023 was 18 years and 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 2023 was 17 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 2023 was 9 years and 3 months.

The carrying value of Hunters, the identified cash generating unit, was £25.0m at 31 December 2023 whereas the recoverable amount was assessed to be £41m at the same date. Headroom of £16m therefore existed at the year end.

The cumulative effect of limiting growth in free cash flow to 2% and increasing the discount rate to 13.6% would result in a carrying value of £25.0m.

## 15. 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 2023 and projections through to 31 December 2028. 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 despite the poorer trading performance in 2023 resulting from the Liz Truss government at the end of 2022, the continued uncertainty over the direction of mortgage rates in 2023 and the general economic uncertainty. Another year of the same could cause the Board to take a view that the carrying value of the goodwill is impaired. However, the mortgage market started to improve in the second half of 2023 and that has continued into 2024. As a result, the Board expects an improvement in the financial performance of The Mortgage Genie in 2024.

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 | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'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 | **222** | 146 | **—** | — |
| | **23,319** | 23,243 | **571** | 571 |

### Company

No goodwill or customer lists exist in the Parent Company.

## 16. Property, plant and equipment

### Group

| | Short leasehold improvements £'000 | Office equipment £'000 | Motor vehicles £'000 | Fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Brought forward 1 January 2022 | 44 | 267 | — | 162 | 473 |
| Additions | — | 29 | — | 8 | 37 |
| Disposals | — | (1) | — | — | (1) |
| **Carried forward 31 December 2022** | **44** | **295** | **—** | **170** | **509** |
| Additions | — | 21 | 66 | 27 | 114 |
| **Carried forward 31 December 2023** | **44** | **316** | **66** | **197** | **623** |
| **Depreciation** | | | | | |
| Brought forward 1 January 2022 | 39 | 154 | — | 63 | 256 |
| Charge for year | 3 | 59 | — | 29 | 91 |
| **Carried forward 31 December 2022** | **42** | **213** | **—** | **92** | **347** |
| Charge for year | 2 | 51 | 14 | 28 | 95 |
| **Carried forward 31 December 2023** | **44** | **264** | **14** | **120** | **442** |
| **Net book value** | | | | | |
| **At 31 December 2023** | **—** | **52** | **52** | **77** | **181** |
| At 31 December 2022 | 2 | 82 | — | 78 | 162 |

## 17. Leases

The Group has several operating leases relating to office premises and motor vehicles. Under IFRS 16, 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 2022 | 1,506 | 62 | 1,568 |
| Reclassification from Investment Properties | 256 | — | 256 |
| Additions | 94 | — | 94 |
| Amortisation | (277) | (28) | (305) |
| **Carried forward 31 December 2022** | **1,579** | **34** | **1,613** |
| Additions | 146 | — | 146 |
| Amortisation | (211) | (23) | (234) |
| **Carried forward 31 December 2023** | **1,514** | **11** | **1,525** |

Lease liabilities:

| | Land and Buildings £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2022 | 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** |
| Additions | 143 | — | 143 |
| Interest expenses | 95 | 1 | 96 |
| Disposals | (32) | — | (32) |
| Lease payments | (506) | (21) | (527) |
| **Carried forward 31 December 2023** | **2,042** | **—** | **2,042** |

## 18. Prepaid assisted acquisitions support

### Group

| | Total £'000 |
|---|---|
| **Cost** | |
| Brought forward 1 January 2022 | 1,166 |
| Additions | 102 |
| **Carried forward 31 December 2022** | **1,268** |
| Additions | 115 |
| **Carried forward 31 December 2023** | **1,383** |
| **Amortisation** | |
| Brought forward 1 January 2022 | 742 |
| Charge for year – to revenue | 185 |
| Charge for year – to cost of sales | 44 |
| Carried forward 31 December 2022 | **971** |
| Charge for year – to revenue | 148 |
| Charge for year – to cost of sales | 34 |
| **Carried forward 31 December 2023** | **1,153** |
| **Net book value** | |
| **At 31 December 2023** | **230** |
| At 31 December 2022 | 297 |

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## 18. Prepaid assisted acquisitions support continued

### 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.

## 19. Investments

### Group

| | Shares in listed and unlisted companies £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2022 | 169 | 169 |
| Movement in fair value of listed investment | (32) | (32) |
| **At 31 December 2022** | **137** | **137** |
| Movement in fair value of listed investment | 87 | 87 |
| Disposal of listed investment | (224) | (224) |
| **At 31 December 2023** | — | — |
| **Net book value** | | |
| **At 31 December 2023** | — | — |
| At 31 December 2022 | 137 | 137 |

### Company

| | Shares in Group undertakings £'000 | Shares in listed company £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| 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** |
| The Mortgage Genie additional consideration | 76 | — | 76 |
| Movement in fair value of listed investment | — | 22 | 22 |
| Disposal of listed investment | — | (75) | (75) |
| Capital contribution to subsidiaries – share options | 170 | — | 170 |
| **At 31 December 2023** | **60,966** | — | **60,966** |
| **Net book value** | | | |
| **At 31 December 2023** | **60,966** | — | **60,966** |
| At 31 December 2022 | 60,720 | 53 | 60,773 |

The Property Franchise Group PLC was incorporated on 7 October 2013. On 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 19 March 2021, the Company acquired the entire issued share capital of Hunters Property plc for a total consideration of £26.1m.

## 19. Investments continued

### Company continued

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 £0.5m which comprised an initial cash consideration of £0.4m and a deferred consideration of £0.1m, which was settled in the year ended 31 December 2023.

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 2023.

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 2023.

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.

The listed investments at 31 December 2022 comprised a 0.2% holding of ordinary shares in OnTheMarket plc, a company listed on the Alternative Investment Market. The shares were sold in 2023.

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 |
| Michael Searchers Property Management Ltd* | 03056834 | Ordinary | 100 | 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.

On 31 January 2023 Hunters (Midlands) Limited acquired Michael Searchers Property Management Ltd, having applied the concentration test in IFRS 3 it was concluded that the transaction was in substance the purchase of a customer list rather than a business combination.

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.

## 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Trade receivables | **2,792** | 1,856 | **1** | 11 |
| Less: provision for impairment of trade receivables | **(892)** | (420) | **—** | — |
| Trade receivables – net of impairment provisions | **1,900** | 1,436 | **1** | 11 |
| Loans to franchisees | **433** | 319 | **—** | — |
| Other receivables | **248** | 60 | **96** | — |
| Amounts due from Group undertakings | **—** | — | **952** | 770 |
| Prepayments and accrued income | **1,763** | 2,143 | **38** | 9 |
| Tax receivable | **—** | — | **389** | 275 |
| **Total trade and other receivables** | **4,344** | 3,958 | **1,476** | 1,065 |
| Less: non-current portion – Loans to franchisees | **(210)** | (240) | **—** | — |
| Current portion | **4,134** | 3,718 | **1,476** | 1,065 |

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 ageing. 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 or where a sale of a franchise could be forced to recover debt. The ageing analysis of these trade receivables is as follows:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Group** | | |
| Not more than 3 months | **186** | 72 |
| More than 3 months but not more than 6 months | **106** | — |
| More than 6 months but not more than 1 year | **108** | — |
| | **440** | 72 |

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

Loans to franchisees are secured against the franchise and the franchisees give personal guarantees over all debts. If a loan payment default occurs, the franchisor could force immediate repayment, pursue the personal guarantees or force a resale of the franchise.

Included within "Prepayments and accrued income" is accrued income of £1.2m (2022: £1.1m) 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 licence 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.

## 21. Called up share capital

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Number** | **£'000** | Number | £'000 |
| **Group** | | | | |
| Authorised, allotted, issued and fully paid ordinary shares of 1p each | **32,255,107** | **323** | 32,041,966 | 320 |
| **Company** | | | | |
| Authorised, allotted, issued and fully paid ordinary shares of 1p each | **32,255,107** | **323** | 32,041,966 | 320 |

On 10 July 2023, 213,041 shares were issued at £0.01 to the 2 Executive Directors following the exercise of share options.

## 22. Share premium

| | Number of shares | Share capital £'000 | Share premium £'000 |
|---|---|---|---|
| **At 31 December 2023** | **32,255,107** | **323** | **4,129** |
| **At 31 December 2022** | **32,041,966** | **320** | **4,129** |

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

## 23. Merger reserve

| | Merger reserve £'000 |
|---|---|
| **Group** | |
| At 1 January 2022 | 14,345 |
| **At 1 January 2023 and 31 December 2023** | **14,345** |
| **Company** | |
| At 1 January 2022 | 32,335 |
| **At 1 January 2023 and 31 December 2023** | **32,335** |

### 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.

## 24. 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 2022 | 905 | — | 905 |
| Share-based payment charge | 411 | — | 411 |
| At 1 January 2023 | **1,316** | **—** | **1,316** |
| Share-based payment charge | 783 | — | 783 |
| Release of reserve – share options exercised | (524) | — | (524) |
| Deferred tax on share-based payments | — | 98 | 98 |
| **At 31 December 2023** | **1,575** | **98** | **1,673** |
| **Company** | | | |
| At 1 January 2022 | 905 | — | 905 |
| Share-based payment charge | 411 | — | 411 |
| At 1 January 2023 | **1,316** | **—** | **1,316** |
| Share-based payment charge | 783 | — | 783 |
| Release of reserve – share options exercised | (524) | — | (524) |
| Deferred tax on share-based payments | — | 98 | 98 |
| **At 31 December 2023** | **1,575** | **98** | **1,673** |

### Share-based payment reserve

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

## 25. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Repayable within 1 year: | | | | |
| Bank loan (revolving credit facility) | **2,500** | — | **2,500** | — |
| Repayable in more than 1 year: | | | | |
| Bank loan (revolving credit facility) | **—** | 5,000 | **—** | 5,000 |
| Bank loans due after more than 1 year are repayable as follows: | | | | |
| Between 1 and 2 years (revolving credit facility) | **—** | 5,000 | **—** | 5,000 |

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 repaid early on 28 November 2022.

Revolving credit facility ("RCF") – £5m drawn down on 30 March 2021. £2.5m was repaid on 30 June 2023 and £2.5m was repaid on 3 January 2024. The facility ended on 26 January 2024. Interest was charged quarterly on the outstanding amount; the rate was variable during the term at 2.2% above the Bank of England base rate. The amount outstanding at 31 December 2023 was £2.5m (2022: £5.0m).

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 £2.5m (2022: £6.1m).

## 26. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Trade payables | **1,546** | 1,627 | **12** | 51 |
| Other taxes and social security | **1,223** | 1,231 | **93** | 92 |
| Other payables | **315** | 230 | **71** | — |
| Amounts due to Group undertakings | **—** | — | **—** | 257 |
| Accruals and deferred income | **3,235** | 3,636 | **1,512** | 1,361 |
| | **6,319** | 6,724 | **1,688** | 1,761 |

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 £0.4m (2022: £0.6m) in relation to revenue received in advance which will be recognised over the next 2 years.

## 27. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Balance at beginning of year | **(5,168)** | (5,570) | **412** | 377 |
| Movement during the year: | | | | |
| Statement of changes in equity | **98** | — | **98** | — |
| Statement of comprehensive income | **823** | 402 | **457** | 35 |
| Release of deferred tax balance relating to share options exercised in year | **(148)** | — | **(148)** | — |
| Balance at end of year | **(4,394)** | (5,168) | **820** | 412 |

Deferred taxation has been provided as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Accelerated capital allowances | **6** | 6 | **10** | 10 |
| Share-based payments | **853** | 445 | **810** | 402 |
| Acquired business combinations | **(5,253)** | (5,619) | **—** | — |
| | **(4,394)** | (5,168) | **820** | 412 |

## 28. Provisions

The provisions relate to dilapidations on office buildings of £0.18m (2022: £0.21m) in relation to Hunters.

## 29. Financial instruments

### Financial instruments – risk management

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

- credit risk;
- liquidity risk; and
- 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; and
- borrowings.

### Financial assets

Financial assets measured at amortised cost:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Loans and receivables: | | | | |
| Trade receivables | **1,900** | 1,435 | **—** | — |
| Loans to franchisees | **433** | 319 | **—** | — |
| Other receivables | **248** | 60 | **—** | — |
| Cash and cash equivalents | **7,642** | 6,684 | **2,337** | 1,539 |
| Accrued income | **1,209** | 1,093 | **—** | — |
| Amount owed by Group undertakings | **—** | — | **819** | 20 |
| | **11,432** | 9,591 | **3,156** | 1,559 |

### Financial liabilities

Financial liabilities measured at amortised cost:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Other financial liabilities: | | | | |
| Trade payables | **1,546** | 1,627 | **11** | 51 |
| Other payables | **315** | 230 | **461** | 92 |
| Accruals | **2,845** | 3,028 | **1,124** | 751 |
| Amounts owed to Group undertakings | **—** | — | **—** | 257 |
| | **4,706** | 4,885 | **1,596** | 1,151 |

All of the financial assets and liabilities above are recorded in the Statement of Financial Position at amortised cost.

## 29. 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 franchises 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 £433k.

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

#### 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 2023 | 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 | 1,861 | — | — | — | — |
| Loans and borrowings | 2,500 | — | — | — | — |
| Lease liabilities | 83 | 249 | 295 | 892 | 525 |
| **Total** | **4,444** | **249** | **295** | **892** | **525** |

### 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 25). 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.

## 30. Share-based payments

There are a number of share options schemes in place which aim to incentivise Executive Directors and senior management. For each of the schemes, the estimated fair value of the option is calculated at the year ended 31 December 2023 (or at the vesting date if earlier) and the 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 is recognised in the Statement of Comprehensive Income in the year ended 31 December 2023.

### Share Option Scheme 2023

On 17 May 2023, options over 255,953 ordinary shares were granted to the 2 Executive Directors and certain senior managers. All options have an exercise price of £0.01.

These options have a vesting condition based on 2 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 2025. 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 48% in TSR over the 3-year period will be required for threshold vesting of the awards (the "collar"), with growth of 42% or higher in adjusted EPS and 72% or higher in TSR required for all of the awards to vest (the "cap"). Straight-line vesting applies between the collar and the cap.

The following principal assumptions were used in the valuation of the grant made in the year ended 31 December 2023 using the Black Scholes option pricing model:

| Assumptions | |
|---|---|
| Date of vesting | 30/04/2026 |
| Share price at grant | £3.13 |
| Exercise price | £0.01 |
| Risk free rate | 4.50% |
| Dividend yield | 4.50% |
| Expected life | 3 years |
| Share price volatility | 31.00% |

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 in April. So, it has been assumed that the options will be exercised on 30 April 2026.

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 FY24 and the market outlook and projections for FY25 to determine, at 31 December 2023, the achievement of the EPS condition. The expectation is that 23% of the options will vest.

A share-based payment charge of £29,765 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2023.

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

### 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.

These options have a vesting condition based on 2 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 3-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.

Management has used the budget for FY24 and the market outlook and projections for FY25 to determine, at 31 December 2023, the achievement of the EPS condition. The expectation is that 55.5% of the options will vest.

A share-based payments charge of £225,556 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2023.

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

## 30. Share-based payments continued

### Share Option Scheme 2021

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. All the options issued had an exercise price of £0.01.

These options have a vesting condition based on 2 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 3-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.

A share-based payments charge of £466,511 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2023, this has been calculated on the basis of 100% of the EPS condition being met and 0% of the TSR condition being met (as a market-based condition whose fair value was measured at the grant date as zero and not revisited).

Post period end 100% of the share options vested.

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

### 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 became exercisable 2 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 2 years (save as required to pay tax due on exercise).

This option vested in full and was exercised in the year ended 31 December 2023.

A share-based payments charge of £23,785 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2023.

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

There were options over 200,000 ordinary shares granted which fully vested and were exercised in 2023.

A share-based payments charge of £37,091 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2023.

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

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **'000** | **Weighted average exercise price** | '000 | Weighted average exercise price |
| **Number of share options** | | | | |
| Outstanding at the beginning of the year | **2,213** | **£0.01** | 1,826 | £0.01 |
| Exercised | **(300)** | **£0.01** | — | — |
| Forfeited | **(69)** | **£0.01** | (116) | £0.01 |
| Granted | **256** | **£0.01** | 503 | £0.01 |
| Outstanding at the end of the year | **2,100** | **£0.01** | 2,213 | £0.01 |

During the year ended 31 December 2023:

- 200,000 options were exercised under the 2020 scheme;
- 100,000 options were exercised under the 2020 deferred bonus scheme; and
- 255,953 options were granted under the 2023 scheme.

The outstanding options at 31 December 2023 comprised 1,423,500 options under the 2021 scheme which will vest in full upon the announcement of these financial statements. There were also 421,000 options under the 2022 scheme and 255,953 options under the 2023 scheme whose vesting is subject to conditions and, to the extent those conditions are achieved, will vest in 2025 and 2026 respectively.

The weighted average remaining contractual life of options is 0.8 years (2022: 1.4 years).

## 31. 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:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Interim and final dividend (ordinary shares of £0.01 each) | | |
| Richard Martin | **943** | 845 |
| Paul Latham | **11** | 9 |
| Phil Crooks | **2** | 1 |
| Dean Fielding | **5** | 5 |
| David Raggett | **55** | 46 |
| Gareth Samples | **7** | — |
| Glynis Frew | — | 37 |
| | **1,023** | 943 |

#### Directors' emoluments

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Wages and salaries | **1,151** | 1,098 |
| Social security costs | **150** | 145 |
| Pension contribution | **48** | 45 |
| | **1,349** | 1,288 |

Details of Directors' interests in share options are disclosed in the Directors' Remuneration Report on pages 44 to 47.

## 32. Events after the reporting date

Effective 7 March 2024, the Group acquired the entire issued share capital of Belvoir Group PLC, a competitor property franchisor with a network of over 300 franchised offices across the UK operating under 6 brands which also has a significant financial services division comprising a network of over 300 mortgage advisers. The consideration was £107.2m, being £103.5m in relation to a share for share exchange whereby each Belvoir shareholder was issued 0.806377 new shares in The Property Franchise Group PLC and £3.7m cash consideration which was used to settle share option obligations. It is likely that the majority of consideration will be attributed to intangible fixed assets including master franchise agreements, brands, customer relationships and goodwill.

Due to the proximity of the acquisition to the date the financial statements were authorised for issue by the Board, it has not been possible to provide all of the information required for disclosure in accordance with IFRS 3 'Business Combinations'. The main areas of non-disclosure include a qualitative description of the factors which make up goodwill and a fair value of the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed. Further disclosure of the items required under IFRS 3 will be included in the June 2024 half year report.

# Shareholder information

## Financial calendar

Announcement of results – 23 April 2024

Annual General Meeting – 7 June 2024

Final dividend – 12 June 2024

Half year results – provisionally 10 September 2024

Interim dividend – October 2024

## Registered office address

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Produced by
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