

13 September 2022

THE PROPERTY FRANCHISE GROUP PLC
(the "Company" or the "Group")

Interim Results for the six months ended 30 June 2022

Full Year results anticipated to be in-line with market expectations

The Property Franchise Group PLC, the UK's largest property franchisor, is pleased to announce its interim results for the period ended 30 June 2022.

Financial Highlights

- Group revenue increased 18% to £13.1m (H1 2021: £11.1m)*
- Management Service Fees ("royalties") increased 5% to £7.5m (H1 2021: £7.1m)
- Adjusted operating margin** 41% (H1 2021: 47%)
- Adjusted EBITDA*** increased 8% to £5.7m (H1 2021: £5.3m)
- Profit before tax increased 9% to £3.8m (H1 2021: £3.5m)
- Adjusted basic earnings per share of 14.1p (H1 2021: 15.3p). The 8% decrease reflects the 10% increase to the shares in issue as a result of the Hunters acquisition.
- Highly cash generative with net debt of £2.6m at 30 June 2022 (30 June 2021: £5.4m).
- Increased interim dividend by 11% to 4.2p (H1 2021: 3.8p)

** Hunters acquired 19 March 2021 and Mortgage Genie acquired 6 September 2021. Full 6 months trading for both in H1 2022.*

***before share-based payments charge, exceptional items and amortisation arising on consolidation*

**** before share-based payments charge and exceptional items*

Operational Highlights

- Sales agreed pipeline increased 15% to £33.8m (H1 2021: £29.5m)
- Managing 74,000 rental properties (H1 2021: 73,000)
- 8 acquisitions at the franchisee level (H1 2021: 5), added 1,001 managed properties (H1 2021: 647) contributing £1.0m (H1 2021 £0.5m) of managed income per annum to franchisee turnover
- EweMove sold 19 new territories (H1 2021: 37), now totalling 178 territories
- Hunters sold 5 personal agent territories (H1 2021: nil)

Gareth Samples, Chief Executive Officer of The Property Franchise Group, said:

“Reflecting on the first half of the year and the challenges businesses and consumers have faced, I am particularly delighted to report robust results for the Group’s half year period. We have traded in line with the Board’s expectations, against a comparative period in which we benefitted from the buoyant sales market.

“While factors such as the cost-of-living crisis and inflation are driving a challenging macro-environment, we are secure in the quality of our business and our ability to successfully navigate a more difficult backdrop. We have an excellent team in place, a very experienced group of franchisees and a proven strategy, which we expect to continue delivering growth.

“We are extremely well-placed in the current environment and have a substantial growth opportunity to capitalise on. Post period end activity indicates the second half will perform at least as strongly as the first and ahead of H2 2021. As a result, the Board expects the full year results to be in-line with market expectations and this confidence is reflected in the interim dividend for 2022, which I am pleased to report is up 11% on 2021.”

Investor presentation

The Company is hosting a live private investor presentation on Tuesday 13 September 2022 at 13.00. All existing and potential private investors interested in attending are asked to register using the following link: https://bit.ly/TPFG_interim_results

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About The Property Franchise Group PLC:

The Property Franchise Group PLC (AIM: TPGF) is the largest property franchisor in the UK and manages the second largest estate agency network and portfolio of lettings properties in the UK.

The Company was founded in 1986 and has since grown to a diverse portfolio of nine brands operating throughout the UK, comprising longstanding high-street focused brands and a hybrid, no sale no fee agency.

The Property Franchise Group's brands are Martin & Co, EweMove, Hunters, CJ Hole, Ellis & Co, Parkers, Whitegates, Mullucks & Country Properties.

Headquartered in Bournemouth, UK, the Company was listed on AIM on the London Stock Exchange in 2013. More information is available at www.propertyfranchise.co.uk

Chief Executive Officer's Statement

I am delighted to be reporting on a period of solid progress for the Group, in which we have seen continued growth in many key metrics, including revenue, Management Service Fees and profit. The improved performance against H1 2021 is made all the more pleasing given that 2021 was an exceptionally strong year for the residential housing market, especially in the first half year, and demonstrates the many advantages of a focused franchise model with a multitude of income streams. To have performed in line with our expectations during such uncertain times is indicative of the resilience of our offering.

I would like to use this opportunity to thank the entire central team and our franchisees, who have once more shown what can be achieved with hard work, ingenuity and teamwork, driving the success of the Group and Network.

The six months ended 30 June 2022 represented a period of continued execution against our stated strategic initiatives, with the growth in revenue driven by the acquisitions of Hunters and Mortgage Genie in 2021. The increased lettings revenue and developing financial services revenue from our long-standing businesses offset the impact on them of the market-led reduction in sales transactions. Our hybrid offerings also continued to perform in-line with expectations.

Whilst the macro-economic environment has unquestionably become more challenging, our Group has continued to benefit from a resilient lettings' income stream and growth from strategic acquisitions, as well as our highly capable and experienced senior management team. By leveraging our position, we believe further growth opportunities exist which we will be able to capitalise on over the next twelve months.

Operational review

Group revenue increased 18% to £13.1m (H1 2021: £11.1m) and the key element of that, Management Service Fees ("MSF"), increased 5% to £7.5m (H1 2021: £7.1m). The mix of MSF was 56% lettings and 44% sales. On a like for like basis, Group revenue reduced by 9%, lettings MSF increased by 7% and sales MSF reduced by 21%.

Seasonally adjusted UK Property Transactions at 621,000 for H1 2022 were 28% lower than the same period in 2021, reflecting the softening of the market when compared to the exceptional prior period. However, we continue to see a very healthy sales agreed pipeline for the Group, an increase of 15% against an exceptional 2021. We have during the period been faced with lengthening sales' completion times which have impacted both our franchisees' sales revenues and our owned offices' revenues. This has started to improve post period end.

We are seeing additional opportunities within the current market for lettings portfolio acquisitions. As such we are aiming to capitalise on this and bolster our number of managed properties by the end of the year, with 1,001 properties having already been acquired in H1 contributing £1.0m to franchisees' managed income per annum. Across our managed properties, we have seen rent increases of 10% to 15%, in line with the increases reported by Rightmove and Homelet for June 2022

Our two hybrid offerings, EweMove and Hunters Personal, both continue to perform well, selling 19 and 5 new territories in H1 respectively. This represents a very strong performance against the macro environment, and we look forward to building on the hybrid opportunity even further moving forwards.

Strategic progress

Over the period there has been clear progress made against our six core areas of strategic focus, as outlined below:

Lettings growth

Like-for-like lettings MSF was up 7% in H1. The increase in lettings MSF reflects the increase in rents across circa 40% of the 74,000 managed properties on the market, alongside continued demand for rental properties.

We are also seeing significant opportunities within the lettings market for portfolio acquisitions. Our franchisees completed on 8 transactions in H1, adding £1.0m of managed income on an annualised basis. There have been a further 4 transactions completed since the period end and, we expect to achieve more than 1,000 managed properties added in H2. We are aiming for at least 3,000 managed properties to be acquired in 2023.

Develop sales activity in the high street-led brands

Sales revenues via our high street-led brands have performed slightly better than our expectations of a 25% reduction but that reduction would have been lower still if sales completion times had not steadily increased in H1 2022. The sales are still there in the pipelines. Indeed, looking at the performance of our brands including Hunters for a full H1 2021*, sales agreed were only down 12% on the corresponding very buoyant period and listings were virtually unchanged at 17,071 (H1 2021: 17,081). Our increased support for our high-street led brands appears to be making their sales functions stronger.

Financial services growth

Mortgage Genie is performing strongly with turnover of £0.8m in H1 and profits of £0.1m. We are recruiting to expand its capabilities. We also continue to see progress in the partnering of our franchisees with representatives of the PRIMIS network and the number of franchisees running their own financial services businesses is also increasing.

EweMove recruitment

EweMove recruited 19 new territories in the period, increasing current operations to 178 territories. We had a target to double the network to 230 territories by the end of 2022 but the uncertainty in the economy is having an impact on recruitment and we expect to achieve close to 200 territories under contract by the end of 2022 with further expansion expected thereafter.

Acquisitions at franchisor level

Our acquired businesses are almost fully integrated into the Group and continue to perform well.

Digital marketing

We operate best-in-class digital marketing, providing local solutions for franchisees and a Group-wide customer journey management. New campaigns are driving pleasing levels of results for the network. The IT focus during the year gives us the ability to drive our brands through digital marketing.

Current Trading and Outlook

We have been encouraged by the levels of trading in July and August helped by an improvement in sales completion times and the number of potential acquisition opportunities for our franchisees.

We are delighted with the synergies we have achieved with the Hunters acquisition and by the year end we expect to have achieved all those set out in our original plan.

The Group has traded in line with expectations to the half-year, ahead of the comparative period which was propelled by the buoyant sales market and, whilst H2 2021 was less buoyant, the signs so far are

that this second half year will perform better. For these reasons, the Board remains confident of achieving market expectations for the full year results and further reflected that confidence in its interim dividend for 2022, up 11% on 2021.

While factors such as the cost-of-living crisis and inflation are driving a challenging macro-environment, we are secure in the quality of our business and our ability to successfully navigate a more difficult backdrop. We have an excellent team in place, a strong and, for the main, very experienced group of franchisees and a proven strategy, which we expect to continue delivering growth over many years to come. In addition, we remain highly cash generative which should see us move into a net cash position before the year end and remain committed to our progressive and resilient dividend policy. All in all, we are extremely well-placed in the current environment and have a substantial growth opportunity to capitalise on.

Gareth Samples, Chief Executive Officer

Financial Review for 2022 Interim Results

Revenue

Revenue for the six months ended 30 June 2022 increased 18% to £13.1m (H1 2021: £11.1m). The increase is due to owning Hunters and Mortgage Genie throughout the period; contributing an additional £1.4m and £0.8m respectively whilst franchise sales reduced by £0.2m. Like for like revenue reduced by 9%, impacted by the 28% reduction in completions in the sales market.

Excluding Hunters and Mortgage Genie, revenue was almost unchanged on H1 2021 at £7.2m which is significant given that we had two outstanding sales months in March 2021 and June 2021 driven by the stamp duty holiday and by a reduction in the rate of sales completions in H1 2022.

Management Service Fees (“MSF”)

MSF from our franchised network increased by 5% to £7.5m (H1 2021: £7.1m). The increase of £0.4m resulted from an increase in Hunters of £0.5m (+38%) resulting from a full 6 months of contribution in H1 2022, an increase of £0.1m (+3%) from EweMove and a reduction in the other high-street brands of £0.2m (-6%).

H1 2022	Total Growth	Like for Like Growth	Total Result	Like for Like Result	Total Mix	Like for Like Mix	Prior Period
Lettings MSF	14%	7%	£4.2m	£3.9m	56%	59%	£3.6m
Sales MSF	-5%	-21%	£3.3m	£2.8m	44%	41%	£3.5m

Total Lettings MSF growth of 14% was underpinned by like for like growth of 7% with higher rents being agreed on new lets (despite a lower number of lets). The mix of lettings MSF improved due to longer sales completion rates and the slowing sales market.

With two significant Sales MSF months in H1 2021 due to the stamp duty holiday, our forecast of a 25% reduction in sales transactions in 2022 and the increase in the time taken to complete sales so far in 2022, a reduction in Sales MSF was inevitable in H1 2022. As a result, there was a like for like reduction of 21%, albeit with the full six months contribution from Hunters in 2022, the total reduction in Sales MSF was only 5%.

We finished the period with a sales' agreed pipeline of £33.8m, as high as at any time during 2021. There were also the first glimpses of a reduction in the time taken to complete sales transactions which should bode well for Sales MSF in H2 2022 if this trend continues.

Our hybrid brand EweMove, which charges a monthly licence fee per territory occupied and a fee per completed transaction, generated a 3% increase in MSF to £1.6m (H1 2021: £1.5m).

Owned Offices

Hunters operates 10 owned offices. All 10 offering letting agency services and 8 offering sales agency services. These offices contributed £2.5m to revenue in H1 2022 whereas in the 15 weeks post acquisition to June 21 they contributed £2.0m. On a like for like basis comparing the revenue generated from 19 March 2022 to 30 June 2022 with the corresponding period, Hunters owned offices generated £1.4m of revenue compared to the £2.0m in the corresponding period, a reduction of 30%. This reduction is slightly more than our own forecasts reflecting lower sales than expected in our Midlands offices.

Franchise Sales

Franchise sales income was £0.1m (H1 2021: £0.3m) mainly generated through the sale of 19 territories (H1 2021: 37) in EweMove.

There were 3 (H1 2021: 8) resales of high-street led franchises in the period and 3 (H1 2021: 5) new franchise sales in the high-street led brands. The latter keeping up a trend that started last year of new found interest by existing franchisees to invest in further territories.

Other

Other income increased by 67% to £2.9m (H1 2021: £1.7m). This category consists of services provided to franchisees generating £2.0m (H1 2021: £1.7m) where the growth results from a full six months contribution by Hunters in H1 2022 and income from financial services generating £0.9m (H1 2021: nil) primarily derived from the acquisition of Mortgage Genie in September 2021.

Cost of Sales

Cost of sales increased by 86% to £2.8m (H1 2021: £1.5m). The significant changes since H1 2020 when cost of sales was £0.4m result from the acquisitions of Hunters and Mortgage Genie where the direct costs relating to the provision of services to their customers are cost of sales.

Of the £1.3m increase, a full six months of operating the owned offices in Hunters cost an additional £0.8m which was at a similar run rate per month to the prior period and Mortgage Genie, not acquired until September 2021, incurred cost of sales of £0.5m.

Administrative expenses

Administrative expenses are unchanged at £5.7m (H1 2021: £5.7m).

The prior year includes significant exceptional costs of £0.9m, not detailed on the face of the P&L as is the current practice, relating to the acquisition of Hunters. So there has been an increase in the administrative expenses over H1 2021. Moreover, these exceptional costs reduce the comparative numbers in H1 2021 for EBITDA, operating profit, operating margin, profit before tax and earnings. To aide with the comparisons, these key indicators of financial performance have been adjusted for the exceptional costs, as well as the amortisation arising on consolidation and share-based payment charges and are provided below.

The increase in administrative expenses after excluding the exceptional costs from H1 2021 is explained by a full six months of amortisation for Hunters (£0.3m) and operation of Hunters (£0.2m), Mortgage Genie (£0.3m) and the costs of a larger franchise network in EweMove (£0.1m). Notably an additional 11 weeks of operational costs in Hunters in this half year has only resulted in an increase in costs of £0.2m (10%) over the comparative period.

The comparative has been restated to take account of a charge of £0.3m relating to the purchase of shares from employees by the TPGF Employee Benefit Trust which has been moved to Own share reserve. It reflects the treatment in the audited financial statements for the year ended 31 December 2021.

EBITDA

The Group's EBITDA increased 22% to £5.1m (H1 2021: £4.2m). Adjusting for the share-based payment charges and exceptional costs in the prior period, adjusted EBITDA increased 8% to £5.7m (H1 2021: £5.3m).

Operating profit

Operating profit increased 11% to £4.0m (H1 2021: £3.6m) and operating margin was 31% (H1 2021: 32%). Adding back the share-based payments charges, amortisation arising on consolidation and the exceptional costs in the prior period, adjusted operating profit increased 3% to £5.4m (H1 2021: £5.2m). Adjusted operating margin was 41% (H1 2021: 47%) indicating the margin being derived from the underlying activities.

Profit before income tax

Profit before taxation increased 9% to £3.8m (H1 2021: £3.5m). Adding back the share-based payments charges, amortisation arising on consolidation and the exceptional costs in the prior period, adjusted profit before tax was £5.2m (H1 2021: £5.1m).

Taxation

The effective rate of corporation tax for the period was 20.9% (H1 2021: 23.3%). The Budget announced in March 2021 signalled an increase in the corporation tax rate to 25% from April 2023 onwards. This rate was substantially enacted in May 2021. However, as it was announced two weeks prior to the acquisition of Hunters, a restatement of £1.5m to our prior year tax charge has been required, taking it from £0.8m to £2.3m. It reflects the treatment in the audited financial statements for the year ended 31 December 2021.

Profit after taxation

Profit after taxation for the period increased by 172% to £3.2m (H1 2021: £1.2m). This is after restating for the £1.5m of deferred tax charge highlighted in the taxation section above.

Earnings per share

Basic earnings per share increased 200% to 9.9p (H1 2021: 3.3p) based on a weighted average number of shares in issue in the period of 32,041,966 (H1 2021: 29,178,704). This is after restating for the £1.5m of deferred tax charge highlighted in the taxation section above.

Adjusted basic earnings per share decreased 8% to 14.1p (H1 2021: 15.3p) based on a weighted average number of shares in issue in the period of 32,041,966 (H1 2021: 29,178,704).

Both measures in H1 2022 reflect the full dilution brought about by the acquisition of Hunters in March 2021 with the average weighted number of shares in issue increasing by 10% over H1 2021.

See note 8 to the interim statements for the detailed EPS calculations.

Dividends

The Board has pursued a progressive dividend policy since the IPO. The Group has again made progress this year with its strategic objectives. Its profit performance has kept pace with the prior buoyant period as demonstrated by the adjusted profit before tax.

The Board expects the full year profit to be in-line with market expectations despite the significant uncertainty that exists in the economy. As a result, the Board is pleased to announce an 11% increase in the interim dividend to 4.2p (H1 2021: 3.8p). It will be paid on 7 October 2022 to all shareholders on the register on 23 September 2022. Our shares will be marked ex-dividend on 22 September 2022. The total amount payable is £1,346k.

Summary of Key Financials

	H1 2022	H1 2021	Growth
Revenue	£13.1m	£11.1m	18%
MSF	£7.5m	£7.1m	5%
Cost of sales	£2.8m	£1.5m	86%
Admin expenses	£5.7m	£5.7m	-
EBITDA	£5.1m	£4.2m	22%
Adjusted EBITDA	£5.7m	£5.3m	8%
Operating profit	£4.0m	£3.6m	11%
Adjusted operating profit	£5.4m	£5.2m	3%
Profit before tax	£3.8m	£3.5m	9%
Adjusted profit before tax	£5.2m	£5.1m	1%
Earnings per share (basic)	9.9p	3.3p	200%
Adjusted earnings per share (basic)	14.1p	15.3p	-8%
Adjusted earnings per share (diluted)	14.1p	15.1p	-7%
Dividend	4.2p	3.8p	11%
Net cash generated from operations	£3.3m	£4.4m	-25%

EweMove

We often get asked about the financial performance of EweMove, our hybrid brand, which has steadily improved its financial performance over the last few years. It is expected to achieve a similar full year result to last year due to investing in additional support for its new entrants and replacing its operating software alongside the challenging economic environment.

	H1 2022	H1 2021	Growth
Revenue	£2.0m	£2.0m	-
Costs	£1.3m	£1.2m	8%
Profit before tax	£0.7m	£0.8m	-13%
Profit margin	34%	40%	

Cash flow

At an operational level, the Group remains as highly cash generative as in past years although not immediately obvious in the numbers for H1 2022 due to the increase in trade debtors. These are debts with partners which are due for payment in H2. As a result, net cash generated from operations decreased by 25% to £3.3m (H1 2021: £4.4m). That represents 83% conversion of operating profit into net cash generated from operations (H1 2021: 123%).

EweMove is just about to go live with a new operating system for its franchisees. The costs of acquiring rights to use and modify existing third-party software are the majority of the £356k shown against purchase of intangible assets.

On 27 May 2022, the Group paid a final dividend of 7.8p for 2021 which amounted to £2.5m.

The Group agreed a bank facility with Barclays Bank Plc on 27 January 2021 consisting of a revolving credit line of £5.0m and a term loan of £7.5m. It then drew the £12.5m to fund the acquisition of

Hunters in March 2021. The repayments were £0.9m (H1 2021: nil) and the total value of the loans outstanding at the end of the period were £10.1m (H1 2021: £12.5m)

During the period bank loan interest of £0.2m (H1 2021: £0.1m) was paid. The interest rates are similar for each loan at 2.2% and 2.4% respectively plus, in each case, the Bank of England's Bank Rate.

Overall, the cash balances of the Group increased by £0.5m (7%) to £7.6m (H1 2021: £7.1m).

Liquidity

The Group had a net debt balance of £2.6m at the end of the period (H1 2021: £5.4m).

Financial position

The Group has a consistent history of strong and improving cash generating capabilities. Reduction in net debt so far this year has been slower due to the increase in working capital mainly because of the debts already mentioned above and the decision to purchase new operating software for EweMove. The Group continues to operate within its covenants.

The Group has enhanced its cash generating capabilities over the last 18 months. It has also improved its balance sheet strength with equity attributable to the owners increasing 11% to £34.7m in the period.

The Board intends to pursue its progressive dividend policy to generate an attractive return for shareholders. At the same time, with the Group's continually improving balance sheet strength, the Board will continue to pursue corporate acquisitions as and when they arise and to fulfil the other elements of its strategic plan.

David Raggett, Chief Financial Officer

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Unaudited 6 Months Ended 30.06.22 £'000	Restated* Unaudited 6 Months Ended 30.06.21 £'000	Audited 12 Months Ended 31.12.21 £'000
CONTINUING OPERATIONS				
Revenue	5	13,089	11,122	24,042
Cost of sales		(2,770)	(1,487)	(3,697)
GROSS PROFIT		10,319	9,635	20,345
Administrative expenses		(5,679)	(5,739)	(12,719)
Share-based payments charge		(644)	(301)	(970)
OPERATING PROFIT		3,996	3,595	6,656
Finance income		15	2	4
Finance costs		(220)	(118)	(320)
Other gains and losses		-	-	83
PROFIT BEFORE INCOME TAX EXPENSE		3,791	3,479	6,423
Income tax expense	6	(608)	(2,309)	(2,745)
PROFIT FROM CONTINUING OPERATIONS		3,183	1,170	3,678
(Loss) / profit on discontinued operation, net of tax	7	-	(185)	(169)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,183	985	3,509
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the parent		3,169	954	3,469
Non-controlling minority interest		14	31	40
		3,183	985	3,509
Earnings per share attributable to owners of the parent	8	9.9p	3.3p	11.3p
Diluted earnings per share attributable to owners of the parent	8	9.9p	3.3p	11.3p
Adjusted results (note 8)				
Adjusted profit for the period		4,534	4,424	8,256
Earnings per share attributable to owners of parent		14.1p	15.3p	27.0p
Diluted Earnings per share attributable to owners of parent		14.1p	15.1p	26.9p

* See note 3 for details regarding the restatement as a result of reflecting the accounting treatment used in the audited financial statements for the year ended 31 December 2021.

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Unaudited As at 30.06.22 £'000	Restated* Unaudited As at 30.06.21 £'000	Audited As at 31.12.21 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	46,100	46,320	46,498
Property, plant and equipment	224	254	217
Investment property	233	281	256
Investments	169	86	169
Right of use assets	1,358	1,555	1,568
Prepaid assisted acquisitions support	391	517	424
	<u>48,475</u>	<u>49,013</u>	<u>49,132</u>
CURRENT ASSETS			
Trade and other receivables	3,892	3,513	2,820
Cash and cash equivalents	7,578	7,107	8,413
	<u>11,470</u>	<u>10,620</u>	<u>11,233</u>
Assets in a disposal group classified as held for sale	-	212	-
	<u>11,470</u>	<u>10,832</u>	<u>11,233</u>
TOTAL ASSETS	<u><u>59,945</u></u>	<u><u>59,845</u></u>	<u><u>60,365</u></u>
ISSUED CAPITAL AND RESERVES			
ATTRIBUTABLE TO OWNERS OF PARENT			
Share capital	320	320	320
Share premium	4,129	4,129	4,129
Merger reserve	14,345	14,345	14,345
Own share reserve	(348)	(348)	(348)
Retained earnings	14,679	12,671	13,999
Other reserves	1,594	196	905
	<u>34,719</u>	<u>31,313</u>	<u>33,350</u>
NON-CONTROLLING INTEREST	20	40	6
TOTAL EQUITY	<u><u>34,739</u></u>	<u><u>31,353</u></u>	<u><u>33,356</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	8,281	10,156	9,219
Lease liabilities	2,002	2,335	2,275
Provisions	212	197	212
Deferred tax	5,153	5,986	5,570
	<u>15,648</u>	<u>18,674</u>	<u>17,276</u>
CURRENT LIABILITIES			
Borrowings	1,875	2,344	1,875
Trade and other payables	5,979	5,934	6,280
Lease liabilities	502	473	465
Tax payable	1,202	875	1,113
	<u>9,558</u>	<u>9,626</u>	<u>9,733</u>
Liabilities directly associated with assets in a disposal group classified as held for sale	-	192	-
	<u>9,558</u>	<u>9,818</u>	<u>9,733</u>
TOTAL LIABILITIES	<u><u>25,206</u></u>	<u><u>28,492</u></u>	<u><u>27,009</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>59,945</u></u>	<u><u>59,845</u></u>	<u><u>60,365</u></u>

* See note 3 for details regarding the restatement as a result of reflecting the accounting treatment used in the audited financial statements for the year ended 31 December 2021.

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Own share reserve £'000	Merger reserve £'000	Other reserves £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2021 (audited)	258	12,690	4,040	-	2,796	779	20,563	9	20,572
Profit and total comprehensive income	-	954	-	-	-	-	954	31	985
Share-based payments charge	-	-	-	-	-	301	301	-	301
Shares issued – acquisition consideration	55	-	-	-	11,549	-	11,604	-	11,604
Share issued – share option exercises	7	731	89	-	-	(731)	96	-	96
Net settlement of PAYE on options by EBT	-	-	-	-	-	(72)	(72)	-	(72)
Purchase of shares by Employee Benefit Trust	-	-	-	(348)	-	-	(348)	-	(348)
Release of deferred tax on share options	-	-	-	-	-	(81)	(81)	-	(81)
Dividends	-	(1,704)	-	-	-	-	(1,704)	-	(1,704)
Total transactions with owners	62	(973)	89	(348)	11,549	(583)	9,796	-	9,796
Balance at 30 June 2021 (unaudited)	320	12,671	4,129	(348)	14,345	196	31,313	40	31,353
Profit and total comprehensive income	-	2,515	-	-	-	-	2,515	9	2,524
Disposal of subsidiary	-	-	-	-	-	-	-	(43)	(43)
Dividends	-	(1,218)	-	-	-	-	(1,218)	-	(1,218)
Share issued – share option exercises	-	31	-	-	-	(31)	-	-	-
Net settlement of PAYE on options by EBT	-	-	-	-	-	72	72	-	72
Share-based payments charge	-	-	-	-	-	668	668	-	668
Total transactions with owners	-	(1,187)	-	-	-	709	(478)	-	(521)
Balance at 31 December 2021 (audited)	320	13,999	4,129	(348)	14,345	905	33,350	6	33,356
Profit and total comprehensive income	-	3,169	-	-	-	-	3,169	14	3,183
Share-based payments charge	-	-	-	-	-	644	644	-	644
Deferred tax on share options	-	-	-	-	-	45	45	-	45
Dividends	-	(2,489)	-	-	-	-	(2,489)	-	(2,489)
Total transactions with owners	-	(2,489)	-	-	-	689	(1,800)	-	(1,800)
Balance at 30 June 2022 (unaudited)	320	14,679	4,129	(348)	14,345	1,594	34,719	20	34,739

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited 6 Months Ended 30.06.22 £'000	Restated Unaudited 6 Months Ended 30.06.21 £'000	Audited 12 Months Ended 31.12.21 £'000
Cash flows from operating activities			
Profit before income tax	3,791	3,479	6,423
Depreciation and amortisation charges	1,095	555	1,878
Revaluation of investments in shares	-	32	(83)
Share-based payments charge	644	301	970
Loss on discontinued operations, net of tax	-	140	152
Finance costs	220	119	320
Finance income	(15)	(2)	(4)
	<hr/>	<hr/>	<hr/>
Operating cash flow before changes in working capital	5,735	4,624	9,656
(Increase) / Decrease in trade and other receivables	(1,071)	(445)	247
Increase / (Decrease) in trade and other payables	(281)	921	953
	<hr/>	<hr/>	<hr/>
Cash generated from operations	4,383	5,100	10,856
Interest paid	(162)	(42)	(232)
Tax paid	(908)	(625)	(1,679)
	<hr/>	<hr/>	<hr/>
Net cash generated from operations	3,313	4,433	8,945
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired – Hunters	-	(13,041)	(13,041)
Purchase of subsidiaries net of cash acquired – Mortgage Genie	-	-	(103)
Cash in disposal group held for sale	-	(327)	-
Disposal of subsidiary undertakings net of cash disposed of	-	-	(323)
Purchase of intangible assets	(356)	(13)	(116)
Purchase of tangible assets	(58)	-	(87)
Payment of assisted acquisitions support	(87)	(31)	(57)
Interest received	15	2	4
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(486)	(13,410)	(13,723)
	<hr/>	<hr/>	<hr/>
Cash flows from financing activities			
Issue of ordinary shares	-	96	96
Equity dividends paid (note 9)	(2,489)	(1,704)	(2,922)
Purchase of shares by Employee Benefit Trust	-	(348)	(348)
Bank loan drawn	-	12,500	12,500
Bank loan repaid	(938)	(3,013)	(4,419)
Principal paid on lease liabilities	(177)	(187)	(399)
Interest paid on lease liabilities	(58)	(31)	(88)
	<hr/>	<hr/>	<hr/>
Net cash (used in)/ from financing activities	(3,662)	7,313	4,420
	<hr/>	<hr/>	<hr/>
Decrease in cash and cash equivalents	(835)	(1,664)	(358)
Cash and cash equivalents at the beginning of the period	8,413	8,771	8,771
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the period	7,578	7,107	8,413
	<hr/>	<hr/>	<hr/>

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

The principal activity of The Property Franchise Group plc and its subsidiaries continues to be that of a UK residential property franchise business. The company is a public limited company incorporated and domiciled in the UK. The address of its head office and registered office is 2 St Stephen's Court, St Stephen's Road, Bournemouth, Dorset, UK.

2. BASIS OF PREPARATION

The consolidated interim financial information for the six months ended 30 June 2022 was approved by the Board and authorised for issue on 13 September 2022. The results for 30 June 2022 and 30 June 2021 are unaudited. The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 on which the auditors gave an audit report which was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are 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.

This interim report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2022, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2021.

Going concern

When assessing the foreseeable future the directors have looked at a period of 12 months from the date of approval of the interim financial information. The directors have a reasonable expectation that the Group has adequate resources to continue to trade for the foreseeable future and, therefore, consider it appropriate to prepare the Group's interim financial information on a going concern basis.

Significant accounting policies

The Group's interim financial information includes those of the parent company and its subsidiaries, drawn up to 30 June 2022. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

3. RESTATEMENT OF PRIOR PERIOD

The unaudited figures for the 6 months ended 30 June 2021 presented in these financial statements have been amended to reflect the accounting treatment in the audited financial statements for the year ended 31 December 2021, so therefore there are some differences to what was presented last year. The balances affected relate to the Hunters acquisition accounting, share option exercise and deferred tax rate change. The overall impact on the Statement of Comprehensive income is a reduction in profit of £1.2m for the 6 months ended 30 June 2021 compared to the unaudited financial statements presented last year. The main elements were £1.5m deferred tax charge (note 6) less £0.3m purchase of shares by TPFPG employee benefit trust moved out of costs to Own share reserve.

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. SEGMENTAL REPORTING

The directors consider there to be two operating segments being Property Franchising and Other.

For the six months ended 30 June 2022:

	Property Franchising £'000	Other £'000	Total £'000
Continuing			
Revenue	12,211	878	13,809
Segment profit before tax	3,575	216	3,791

	Property Franchising £'000	Other £'000	Total £'000
Discontinued			
Revenue	-	-	-
Segment profit before tax	-	-	-

For the six months ended 30 June 2021:

	Property Franchising £'000	Other £'000	Total £'000
Continuing			
Revenue	11,122	-	11,122
Segment profit before tax	3,479	-	3,479

	Property Franchising £'000	Other £'000	Total £'000
Discontinued			
Revenue	-	242	242
Segment profit before tax	-	155	155

For the year ended 31 December 2021:

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

	Property Franchising £'000	Other £'000	Total £'000
Discontinued			
Revenue	-	267	267
Segment profit before tax	-	153	153

The Other segment related to Financial Services in all periods. There was no inter-segment revenue in any period. See note 7 for details of discontinued operations

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. REVENUE

	Unaudited 6 Months Ended 30.06.22 £	Unaudited 6 Months Ended 30.06.21 £	Audited 12 Months Ended 31.12.21 £
Management service fee	7,496	7,145	14,706
Owned offices revenue	2,548	1,950	4,708
Franchise sales	147	291	589
Other	2,898	1,736	4,039
	<u>13,089</u>	<u>11,122</u>	<u>24,042</u>

All revenue is earned in the UK and no customer represents greater than 10 per cent of total revenue in the periods reported.

6. TAXATION

The underlying tax charge is based on the expected effective tax rate for the full year to December 2022. The majority of the tax arises from applying this effective tax rate to the profit on ordinary activities. The periods ended 30 June 2021 and 31 December 2021 include a one-off deferred tax charge of £1.5m in relation to the rate change from 19% to 25% which was substantially enacted in May 2021.

7. HELD FOR SALE

On 22 July 2021 the sale of Aux Group Limited and Auxilium Partnership Limited to Mark Graves completed. The terms of the sale were agreed prior to the period end and at 30 June 2021 there was a strong expectation that the completion was imminent. As such the assets and liabilities were disclosed as 'held for sale' at 30 June 2021 in the financial statements and an impairment loss had been recognised through the profit and loss account being the difference between the proceeds received on sale and the assets to be disposed of which were estimated at £0.3m. The profit for the year of Auxilium was shown as discontinued operations in the profit and loss account, £0.08m was attributable to the owners of the parent, therefore the net loss in the profit and loss account in relation to the period for Auxilium is £0.2m.

8. EARNINGS PER SHARE

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

	Unaudited 6 Months Ended 30.06.22 £'000	Restated Unaudited 6 Months Ended 30.06.21 £'000	Audited 12 Months Ended 31.12.21 £'000
Profit for the period attributable to owners of parent	3,169	954	3,469
Amortisation on acquired intangibles	721	478	1,214
Share-based payments charge	644	301	970
Exceptional acquisition costs	-	853	853
Deferred tax rate change from 19% to 25%	-	1,540	1,540
Discontinued operations - loss on disposal	-	298	293
Gain on revaluation of listed investments	-	-	(83)
Adjusted profit for the period	<u>4,534</u>	<u>4,424</u>	<u>8,256</u>

THE PROPERTY FRANCHISE GROUP PLC
NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. EARNINGS PER SHARE (CONTINUED)

	Unaudited <i>6 Months Ended</i> 30.06.22	Unaudited <i>6 Months Ended</i> 30.06.21	Audited 12 Months Ended 31.12.21
Weighted average number of shares	32,041,966	29,178,704	30,622,102
Dilutive effect of share options on ordinary shares	<u>99,667</u>	<u>99,590</u>	<u>99,590</u>
	<u>32,141,633</u>	<u>29,278,294</u>	<u>30,721,692</u>

	Unaudited <i>6 Months Ended</i> 30.06.22	Restated Unaudited <i>6 Months Ended</i> 30.06.21	Audited 12 Months Ended 31.12.21
Basic earnings per share	9.9p	3.3p	11.3p
Diluted earnings per share	9.9p	3.3p	11.3p
Adjusted basic earnings per share	14.1p	15.3p	27.0p
Adjusted diluted earnings per share	14.1p	15.1p	26.9p

9. DIVIDENDS

	Unaudited <i>As at</i> 30.06.22 £'000	Unaudited <i>As at</i> 30.06.21 £'000	Audited <i>As at</i> 31.12.21 £'000
Final dividend paid	2,489	1,704	1,704
Dividend per share paid	7.8p	6.6p	6.6p
Interim dividend paid	-	-	1,218
Dividend per share paid	-	-	3.8p
Total Dividends paid	2,489	1,704	2,922

An interim dividend for 2022 of 4.2p per share has been declared and will be paid on 7 October 2022 to all shareholders on the register on 23 September 2022. Our shares will be marked ex-dividend on 22 September 2022. The total amount payable is £1.346m.