RNS Number : 5092W
Property Franchise Group PLC (The)
18 April 2023

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THE PROPERTY FRANCHISE GROUP PLC

(the "Company" or the "Group")

Final Results

Profit ahead of market expectations

The Property Franchise Group PLC, the UK's largest property franchisor, is pleased to announce its final results for the year ended 31 December 2022 ("FY22").

The Group achieved a strong financial performance in FY22 through organic growth in lettings and the full impact of the acquisition of Hunters Property PLC ("Hunters") in March 2021. Revenue and Management Service Fees increased significantly against the economic backdrop, driving profits and earnings forward.

Financial Highlights

- Group revenue increased 13% to £27.2m (2021: £24.0m)[1]
    - 8% like for like increase on 2021 to £14.9m[2]
- Management Service Fees ("royalties") increased 8% to £15.9m (2021: £14.7m)
    - 5% like for like increase on 2021 to £11.8m[2]
- Adjusted EBITDA[3] increased 14% to £11.8m (2021: £10.4m)
    - 13% like for like increase on 2021 to £7.7m[2]
- Adjusted operating margin[4] of 41% (2021: 40%)
- Profit before tax increased 38% to £8.8m (2021: £6.4m)
- Adjusted diluted earnings per share increased 6% to 28.4p (2021: 26.9p)
- Group generated £8.2m of free cash flow in FY22 enabling the repayment of the £7.5m term loan
- Net cash of £1.7m on 31 December 2022 (2021: net debt £2.7m)
- Dividends paid and declared for FY22 of 13.0p (FY21: 11.6p)

[1] *Group revenue for 2021 excludes Aux Group Ltd and Auxilium Partnership Ltd which were sold in July 21.*

[2] *Like for like comparisons exclude the acquisitions of Hunters, Mortgage Genie and the disposals in note 1.*

[3] *Before share-based payments charge, losses/gains on listed investment and exceptional costs.*

[4] *Before amortisation arising on consolidation and the items in note 3.*

Operational Highlights

- Managed portfolio up 2% to 76,000 (2021: 74,000)
- EweMove sold 44 new territories (2021: 58); total number of territories under contract 189
- Sales agreed pipeline remained strong at £22.2m at 31 December 2022 (2021: £26.5m)
- The number of assisted acquisitions by franchisees increased 75% to 19 (2021: 11) adding £2.1m to annualised network revenue (2021: £1.4m) and 1,890 (2021: 1,270) tenanted managed properties
- The largest acquisition to date, Hunters, was fully integrated and the synergies achieved
- Installation of up-to-date CRM systems in Hunters and EweMove with Martin & Co next

Q1 Trading and Outlook

- Seasonally quiet Q1 has been slightly ahead of management's expectations with regards to both revenue and profitability

- Residential market is expected to align with that of 2019 as we move through the year and we expect residential sales to achieve approximately 1.06m transactions in line with forecasts by Zoopla
- 2023 is anticipated to be another year of strong organic growth in lettings revenues. A lack of stock, unprecedented demand, and rising mortgage costs have all driven rental inflation in 2022 and are continuing to do so in 2023
- The Board remains confident of delivering growth in 2023 and beyond

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

"We have delivered another strong set of record results in 2022. Particularly pleasing given the economic backdrop and contraction in residential sales transactions. In two years, we have grown group revenue almost 2.5 times, maintained recurring revenues at half of group revenue, doubled adjusted profit before tax and grown adjusted fully diluted earnings per share by two-thirds. We have also put ourselves back in a net cash position within eighteen months of our largest acquisition to date, Hunters, giving us a strong platform for future growth.

"As a result, the Board is recommending a final dividend for 2022 of 8.8p bringing the total dividend to 13.0p for the financial year. In two years, if approved at our AGM, the total dividend per year will have grown sustainably by 1.5 times.

"Our focus on building EweMove resulted in the second highest recruitment year ever and it's on course to achieve the doubling in territories begun two years ago. We also gained momentum with assisted acquisitions as completions increased by three quarters on 2021.

"As we grow, so does our data and the opportunity that presents. It is core to our digital marketing initiatives and so, in 2022, we began to replace our CRM systems within our national brands with the aim of completing this project within the next 12 months.

"We continued with our plans to invest in a senior management team to support our network encouraged by excellent feedback from franchisees and them making clear improvements in key metrics as a result. Our overriding aim being to make them more successful.

"Whilst remaining cognisant of the external environment, we remain confident in the resilience of our business model, the capabilities of our franchise owners, the investments in our people, our long established multi brand strategy and the execution of our strategic plan. We have an excellent team in place, continuing to support a very experienced group of franchisees and a proven strategy which we expect to continue delivering growth in 2023 and beyond."

Investor presentation

The Company is hosting a private investor presentation on Tuesday 18 April 2023 at 13:00. All existing and potential private investors interested in attending are asked to register using the following link: https://bit.ly/TPFG_FY_results_webinar

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information, please contact:

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About The Property Franchise Group PLC:
The Property Franchise Group PLC (AIM: TPFG) 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

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

Paul Latham
Chairman
17 April 2023

CEO STATEMENT

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

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

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

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

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

Financial performance

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

We continue to be strongly cash generative, generating net cash from operations of £8.6m (2021: £8.9m). As a result, we fully repaid the outstanding balance of the £7.5m term loan in November 2022 that formed part of the £12.5m debt facility used to fund the Hunters acquisition in March 2021, paid an increased interim dividend and ended the year with a net cash position of £1.7m (2021: net debt £2.7m). We are delighted to have put ourselves back into a net cash position within 18 months of our largest acquisition to date which gives us a strong platform for further growth.

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

Our network's lettings performance

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

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

Whilst pursuing a mix of revenues, the lettings side of our business, with 76,000 rental properties under management, remains at the core of our activities. We remain committed to this being the most significant element of our revenue and MSF. Lettings represented 47% of total revenue (2021: 48%) and 55% of total MSF (2021: 53%) in the period.

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

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

Our network's sales performance

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

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

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

** UK monthly property transactions commentary - GOV.UK (www.gov.uk)*

Strategic initiatives delivering growth

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

Lettings growth - Our assisted acquisitions programme brought 1,890 tenanted properties into the network, in turn adding £2.1m of network income on an annualised basis. We aim to grow this further in FY23.

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

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

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

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

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

Outlook

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

Gareth Samples
CEO
17 April 2023

FINANCIAL REVIEW

Whilst we rightly took a more cautious approach in 2022, our commitment to long-term sustained growth meant that by year end, we had delivered all the strategic ambitions we set out to achieve. Namely changes required to fully achieve our acquisition synergies, added to our team supporting franchisees, commenced the integration of Mortgage achieve our acquisition synergies, added to our team supporting franchisees, commenced the integration of Mortgage Genie into our financial services offering and begun the installation of new operating systems for all three national brands.

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

Revenue

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

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

Lettings contributed 55% of MSF (2021: 53%), sales contributed 44% of MSF (2021: 46%) and financial services contributed 1% of MSF (2021: 1%). Lettings MSF increased by 12% in the year, excluding the amortisation of prepaid assisted acquisitions support, and sales MSF increased by 2%.

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

Operating profit

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

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

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

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

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

Adjusted EBITDA

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

Profit before tax

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

	2022	2021	% Change
Revenue	£27.2m	£24.0m	+13%
Management Service Fees	£15.9m	£14.7m	+8%
Cost of sales	£5.6m	£3.7m	+51%
Administrative expenses	£11.9m	£12.7m	-7%
Adjusted operating profit*	£11.1m	£9.7m	+15%
[illegible]	[illegible]	[illegible]	+40%

Operating profit	£9.3m	£6.7m	+40%
Adjusted profit before tax**	£10.7m	£9.4m	+14%
Profit before tax	£8.8m	£6.4m	+38%
Adjusted EBITDA**	£11.8m	£10.4m	+14%
Dividend	13.0p	11.6p	+12%
Diluted EPS	22.5p	11.3p	+99%
Adjusted diluted EPS**	28.4p	26.9p	+6%

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

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

Taxation

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

Discontinued operations

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

Earnings per share

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

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

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

Adjusted basic EPS for the year was 28,4p (2021: 27.0p), an increase of 5% based on the average number of shares in issue for the period of 32,041,966 (2021: 30,622,102).

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

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

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

Dividends

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

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

Cash flow

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

The net cash inflow from investing activities was £0.1m (2021: outflow £13.7m). This results from acquisitions and disposals of intangible assets. In 2021 the net outflow consisted of £13.0m for the purchase of Hunters Property plc, £0.1m for the purchase of The Mortgage Genie Limited and its sister company, £0.3m on the disposal of Auxilium and £0.3m for the purchase of assets.

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

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

Liquidity

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

Financial position

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

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

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

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

David Raggett
CFO
17 April 2023

Consolidated statement of comprehensive income for the year ended 31 December 2022

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

Diluted Earnings per share attributable to owners of parent	15	22.5p	11.3p

Consolidated statement of financial position
31 December 2022

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

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

David Raggett

Chief Financial Officer

Company statement of financial position
31 December 2022 (Company No: 08721920)

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Investments	21	60,773	60,743
Deferred tax asset	30	412	377

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

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

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

David Raggett

Chief Financial Officer

Consolidated statement of changes in equity for the year ended 31 December 2022

	Attributable to owners								
	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 2021	258	12,690	4,040	-	2,797	778	20,563	9	20,572
Profit and total comprehensive income	-	3,469	-	-	-	-	3,469	40	3,509
Disposal of subsidiary	-	-	-	-	-	-	-	(43)	(43)
Dividends	-	(2,922)	-	-	-	-	(2,922)	-	(2,922)
Shares issued - acquisition consideration	55	-	-	-	11,548	-	11,603	-	11,603
Shares issued - share									

Shares issued - share option exercises	7	762	89	-	-	(762)	96	-	96
Purchase of shares by Employee Benefit Trust	-	-	-	(348)	-	-	(348)	-	(348)
Release of deferred tax on share based payments	-	-	-	-	-	(81)	(81)	-	(81)
Share-based payments charge	-	-	-	-	-	970	970	-	970
Total transactions with owners	62	(2,160)	89	(348)	11,548	127	9,318	-	9,318
Balance at 31 December 2021	320	13,999	4,129	(348)	14,345	905	33,350	6	33,356
Profit and total comprehensive income	-	7,229	-	-	-	-	7,229	16	7,245
Dividends	-	(3,829)	-	-	-	-	(3,829)	-	(3,829)
Share-based payments charge	-	-	-	-	-	411	411	-	411
Total transactions with owners	-	(3,829)	-	-	-	411	(3,418)	-	(3,418)
Balance at 31 December 2022	320	17,399	4,129	(348)	14,345	1,316	37,161	22	37,183

Company statement of changes in equity for the year ended 31 December 2022

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

Consolidated statement of cash flows for the year ended 31 December 2022

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

Notes to the consolidated statement of cash flows for the year ended 31 December 2022

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

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

Cash generated from operations	11,295	10,856

B. Acquisition of Subsidiary undertakings net of cash acquired

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

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

C. Acquisition of Subsidiary undertakings net of cash acquired

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

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

D. Disposal of Subsidiary undertakings net of cash disposed of

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

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

Company statement of cash flows
for the year ended 31 December 2022

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

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

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

Notes to the consolidated and company financial statements for the year ended 31 December 2022

1. General information

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

2. Basis of preparation

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

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

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

Going concern

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

Changes in accounting policies

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

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

b) New standards, amendments and interpretations not yet effective

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

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

3. Basis of consolidation

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

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

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

4. Significant accounting policies

Revenue recognition

Performance obligations and the timing of revenue recognition

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

Franchises excluding EweMove:

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

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

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

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 performance obligation relates to the letting of a property the revenue is recognised at the point the property has been let. Where the performance obligation relates to the management of a lettings property revenue is recognised over the period the property is managed.

Financial services commissions:

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

Rental income:

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

Operating profit

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

Business combinations

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

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

Intangible assets

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

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

Amortisation charges are included in administrative expenses in the Statement of Comprehensive Income. Amortisation begins when the intangible asset is first available for use and is provided at rates calculated to write-off the cost of each intangible asset over its expected useful life, on a straight-line basis, as follows:

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

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

Acquired customer lists are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship. The life of the relationship is assessed annually.

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

Acquired master franchise agreements are identified as a separate intangible asset as they are separable and can be

Acquired master franchise agreements are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. The life of the relationship is assessed annually. Master franchise agreements are being written off over a remaining life of 15-25 years as historical analyses shows that, on average, 4% - 10% of franchises will change ownership per annum.

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

Impairment of non-financial assets

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

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

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

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

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

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

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

Investment in subsidiaries

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

Equity investments

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

Property, plant and equipment

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

Prepaid assisted acquisitions support

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

Investment properties

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

Income taxes

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

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

Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences, at the tax rate that is substantively enacted at the balance sheet date. On 24 May 2021 the Finance Bill 2021 was substantively enacted which amends the corporation tax rate from 19% to 25% with effect from 1 April 2023. Deferred tax is generally provided on the difference between the carrying amount of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the income statement. For share-based payments the deferred tax credit is recognised in the income statement to the extent that it offsets the share-based charge, with any remaining element after offset being shown in the statement of changes in equity.

Cash and cash equivalents

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

Financial assets

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

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

Impairment of financial assets

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

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

Financial liabilities

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

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

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

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

Share-based payments

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

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

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

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

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

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

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of separable intangible assets on acquisition

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

Impairment of intangible assets

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

Share-based payment charge ("SBPC")

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

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

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

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

6. Segmental reporting

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

For the year ended 31 December 2022:

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

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

For the year ended 31 December 2021:

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

Discontinued	**Property Franchising £'000**	**Financial Services £'000**	**Total £'000**

Revenue	-	267	267
Segment profit before tax	-	153	153

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

7. Revenue

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

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

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

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

8. Administrative expenses

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

Administrative expenses for the year were as follows:

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

9. Employees and Directors

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

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

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

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

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

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

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

10. Exceptional costs

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

11. Breakdown of expenses by nature

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

12. Finance income and costs

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

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

13. Taxation

	2022 £'000	2021 £'000

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

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

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

Factors that may affect future tax charges

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

14. Discontinued operations

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

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

15. Earnings per share

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

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

Basic earnings per share	22.6p	11.3p
Diluted earnings per share	22.5p	11.3p
Adjusted basic earnings per share	28.4p	27.0p
Adjusted diluted earnings per share	28.4p	26.9p

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

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

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

16. Dividends

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

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

17. Intangible assets

	Master Franchise Agreement £'000	Brands £'000	Technology £'000	Customer lists £'000	Goodwill £'000	Total £'000
Cost						
Brought forward at 1 January 2021	7,803	1,972	338	225	7,411	17,749
Acquisitions (note 35)	10,789	3,060	14	3,556	16,017	33,436
Additions	-	-	51	65	-	116
Disposals	-	-	-	-	(185)	(185)
Carried forward 31 December 2021	18,592	5,032	403	3,846	23,243	51,116
Additions	-	-	387	-	-	387
Disposals	-	-	-	(527)	-	(527)
Carried forward 31 December 2022	18,592	5,032	790	3,319	23,243	50,976
Amortisation & Impairment						
Brought forward at 1 January 2021	2,565	289	314	201	-	3,369
Charge for year	798	181	30	240	-	1,249
Carried forward 31 December 2021	3,363	470	344	441	-	4,618
Charge for the year	927	220	31	299	-	1,477
Amortisation on disposals	-	-	-	(77)	-	(77)

Carried forward 31 December 2022	4,290	690	375	663	-	6,018
Net book value						
At 31 December 2022	14,302	4,342	415	2,656	23,243	44,958
At 31 December 2021	15,229	4,562	59	3,405	23,243	46,498

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

Business combinations completed in October 2014 - Xperience & Whitegates

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

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

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

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

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

The Directors believe that no reasonably possible change in assumptions at the year end will cause the value in use of the brands names 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.

Business combination completed in September 2016 - EweMove

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

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

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

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

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

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

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

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

Business combination completed in January 2020 - Auxilium

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

Business combination completed in March 2021 - Hunters

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

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

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

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

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

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

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

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

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

Business combination completed in September 2021 - The Mortgage Genie

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

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

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

The carrying values are as follows:

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

Website costs included in technology

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

Company

No goodwill or customer lists exist in the Parent Company.

18. Property, plant and equipment

Group

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

19. Leases

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

Right-of-use assets

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

Lease liabilities

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

20. Prepaid assisted acquisitions support

Group

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

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

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

Company

No prepaid assisted acquisitions support exists in the Parent Company.

21. Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* indirectly owned

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

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

22. Investment properties

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

Net book value	
At 31 December 2022	-
At 31 December 2021	256

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

23. Trade and other receivables

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

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

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

Ageing of trade receivables

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

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

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

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

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

24. Called up share capital

24. Called up share capital

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

25. Share premium

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

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

26. Merger reserve

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

Merger reserve

Acquisition of Martin & Co (UK) Limited

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

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

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

Acquisition of EweMove Sales & Lettings Ltd

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

Acquisition of Hunters Property plc

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

27. Own share reserve and Other reserves

Own share reserve

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

Other reserves

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

Share-based payment reserve

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

28. Borrowings

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

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

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

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

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

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

29. Trade and other payables

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

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

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

30. Deferred tax

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

Deferred taxation has been provided as follows:

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

31. Provisions

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

32. Financial instruments

Financial instruments - risk management

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

- Credit risk

- Liquidity risk
- Interest rate risk

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

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

Principal financial instruments

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

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

Financial assets

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

Financial liabilities

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

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

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 £319k.

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development, the Group monitors forecast cash inflows and outflows on a monthly basis.

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

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

Interest rate risk

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

Fair values of financial instruments

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

33. Share-based payments

Share Option Scheme 2022

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

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

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

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

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

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

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

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

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

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

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

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

Share Option Scheme 2021

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

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

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

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

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

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

Share Option Scheme - CEO bonus deferral

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The outstanding options at 31 December 2022 comprised 2,213,000 options with an exercise price of £0.01.100,000 are exercisable on 23/03/2023, 200,000 are exercisable on 30/4/2023, 1,470,000 are exercisable on 30/04/2024 and 443,000 are exercisable on 30/04/2025.

The outstanding options at 31 December 2021 comprised 1,825,500 options with an exercise price of £0.01.100,000 are exercisable on 23/03/2023, 200,000 are exercisable on 30/4/2023 and 1,525,500 are exercisable on 30/04/2024.

During the year ended 31 December 2022:

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

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

34. Related party disclosures

Transactions with Directors

Dividends

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

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

Directors' emoluments

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

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

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

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