

12 September 2023

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

Interim Results for the six months ended 30 June 2023
Record H1, outperforming market in lettings and sales

The Property Franchise Group PLC, the UK's largest property franchisor, is pleased to announce its interim results for the period ended 30 June 2023.

Financial Highlights

- Group revenue increased to £13.2m (H1 2022: £13.1m)
- Management Service Fees ("MSF") increased 3% to £7.7m (H1 2022: £7.5m)
- Adjusted EBITDA* increased to £5.8m (H1 2022: £5.7m)
- Profit before tax increased 11% to £4.2m (H1 2022: £3.8m)
- Basic earnings per share increased 4% to 10.3p (H1 2022: 9.9p)
- Highly cash generative with net cash of £0.7m at 30 June 2023 (30 June 2022: net debt £2.6m)
- Increased interim dividend by 10% to 4.6p (H1 2022: 4.2p)

** before share-based payments charge*

Operational Highlights

- Recurring revenues contributed 65% of total revenue underpinned by growth in lettings revenue with lettings MSF up to 61% of total MSF (H1 2022: 55%)
- Sales agreed pipeline remained strong at £28.4m (H1 2022: £33.8m)
- Managing 77,000 rental properties (H1 2022: 74,000)
- 7 acquisitions at the franchisee level (H1 2022: 8), added 806 managed properties (H1 2022: 1,001) contributing £0.8m (H1 2022: £1.0m) of managed income per annum to franchisee turnover
- EweMove sold a further 17 new territories (H1 2022: 19), now totalling 194 territories (H1 2022: 178)
- Acquisition of Michael Searchers Property Management Ltd in January 2023 for £0.25m adding 147 managed properties to the owned offices portfolio and £0.2m of annual lettings revenue

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

"It's another period of record revenue for us, outperforming the market in both lettings and sales. Moreover, with continued focus on costs, slightly down despite the pay increases needed by our employees, we have also set another record for profit before tax.

This year more than any other under my tenure demonstrates the strength of our franchise business model and the power that results from a network of entrepreneurial franchisees seeking to maximise the opportunities in their local marketplaces.

Overall, our network's lettings revenues have grown 12% to represent 61% of total network revenue, offsetting the expected impact of the reduction in UK sales transactions. Pleasingly, this has driven up our recurring revenues to 65% of total revenue.

We remain extremely well-placed in the current environment and have a substantial growth opportunity to capitalise on. Part of that will come in the form of improved data usage which we are very excited about as we

capitalise on a part of that will come in the form of improved data usage which we are very excited about as we progress towards meaningful implementation in 2024.

The second half of each calendar year usually generates higher revenues and profits. The second half to date appears to be following that trend so far. As a result, the Board remains confident that trading remains in-line with expectations for the full year and this confidence is reflected in the interim dividend for 2023, which I am pleased to report is up 10% to 4.6p."

Investor presentation

The Company is hosting a live private investor presentation on Tuesday 12 September 2023 at 13.00 on the Investor Meet Company platform. All existing and potential private investors interested in attending are asked to register using the following link: [Register as an Investor - Investor Meet Company](#)

For further information, please contact:

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About The Property Franchise Group PLC:

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

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

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

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

Chief Executive Officer's Statement

I am delighted to report on a record first half, highlighting the strength of our model which continues to drive growth despite the current macroeconomic conditions and a challenging sales market. The robust performance in H1 demonstrates the considerable resilience of our offering, as well as our ability to consistently deliver, notably outperforming in lettings.

As a franchise network of local business owners, our continued strong performance is testament to their capabilities. I would like to take this opportunity to thank our franchisees for their continued hard work, entrepreneurial flare and teamwork and our staff for supporting them in their endeavours. Our franchisees have adapted to a different market incredibly well, driving the success of the Group.

We have further invested in our team in H1, including the hiring of our first Commercial Director to accelerate

progress with our digital marketing strategy, and in technology. These investments being essential to support our plans and to provide the platform we need for what I see as an exciting period of growth.

We continue to make strategic progress irrespective of the conditions in which we operate. We believe our adaptability amidst changes in our external environment sets us apart, leaving us well-placed to continue delivering further growth.

Operational review

Group revenue increased to £13.2m (H1 2022: £13.1m) as we outperformed the market in lettings and sales. The key element of that, Management Service Fees ("MSF"), increased 3% to £7.7m (H1 2022: £7.5m). The 12% increase in lettings MSF more than offset the expected weakening in sales MSF.

Key market data reported by the ONS in June 2023 showed its UK annual private rental index had increased 5.1% (H1 2022: 3.0%) and HMRC data showed seasonally adjusted UK Property Transactions for June 2023 YTD were 522,650, 20% lower than the same period in 2022.

Alongside our franchisees, we continue to identify further acquisition opportunities for portfolios of managed lets. We are aiming to capitalise on our building pipeline of opportunities and bolster our number of managed lettings' properties by the end of the year, with seven managed lettings portfolios acquired in H1, contributing £0.8m to franchisees' managed lettings income per annum. Our long-term objective remains to continue to consolidate the lettings market locally through assisted portfolio acquisitions.

EweMove continued to perform well, selling 17 new territories in H1 respectively and generating a record 13% increase in revenue. We are very pleased with this performance, particularly in light of the current market. We believe there remains significant future growth opportunities and upside in the hybrid offering.

With the uncertain interest rate environment, the financial services sector remains challenging for all. Against this background, Mortgage Genie's performance was in line with expectations, and the division delivered £0.9m of revenue in H1 2023 (H1 2022: £0.9m). We continue to see progress in the partnering of our franchisees with representatives of the PRIMIS network and the number of franchisees running their own financial services businesses.

Our acquired businesses have successfully integrated into the Group and continue to perform well, delivering strong returns on capital invested. Equipped with a proven track record, strong balance sheet and capital, we continue to evaluate acquisition opportunities.

Our desire to operate best-in-class digital marketing, given the significant opportunities we see over the next five years, has seen us investing in the past year into understanding what our technology infrastructure needs to look like to fundamentally support this organic growth initiative. We have selectively invested into websites, CRMs, internal dashboards, management software and referral software. We see digital marketing as one of our biggest growth initiatives for the future and hold high hopes for the opportunities it will deliver in 2024 and beyond.

Current Trading and Outlook

We expect the current market conditions to continue through H2, with a strong lettings market and subdued sales market. That said our resilient business model is well adept to continue to deliver despite the current external trading environment.

The lettings market has shown no signs of cooling, with the lack of supply continuing to increase demand and drive up rents. We have seen double digit growth in H1, a trend we expect to see for the foreseeable future.

The UK sales market is proving to be more resilient than many commentators had been predicting. We have seen an improvement in sales' completion times post period end, with HMRC data for June and July showing an encouragingly positive trend, something we have seen continue through into August.

With substantial growth opportunities ahead, we are well positioned to capitalise upon them. We are particularly excited by our enhanced digital marketing capabilities and improved data usage to support our growth and we expect to start to see the results of this in the next calendar year.

The second half has traditionally generated higher revenue and profits, and the second half to date appears to be following the same trend. The Board is confident that trading remains in line with expectations for the full year and this confidence is reflected in the interim dividend for 2023, which I am pleased to report is up 10% to 4.6p.

Financial Review for 2023 Interim Results

Overall Performance

Growth was suppressed, as it was for H1 2022, by falling sales transactions with 2023 commencing against a more uncertain and challenging economic backdrop. Despite these factors, the Group achieved another record for revenue by outperforming the market in both lettings and sales.

Group revenue increased by 1% to £13.2m (H1 2022: £13.1m) largely because of the Group's strength in lettings and the experienced sales agents in the network driving increased market share.

With continued focus on costs, slightly down over H1 2022, despite pay increases at the start of the year and the ongoing inflationary pressures, both headline and underlying profit before tax increased to record levels.

Profit before tax increased 11% to £4.2m (H1 2022: £3.8m) and adjusted profit before tax which excludes the share-based payments charges and amortisation arising on consolidation increased 3.5% to £5.3m (H1 2022: £5.2m).

Revenue from Property Franchising

There was record revenue from the property franchising division at £12.3m (H1 2022: £12.2m) with the growth in rents helping to more than offset the reduction in sales transactions. The Group's lettings revenues increased by 12% whilst the Group's sales revenues reduced by 17%.

Franchise sales continued to be strong in EweMove with 17 new territories sold in the half year (H1 2022: 19) and there was a significant increase in resales elsewhere in the Group, with 13 in the high street led franchises (H1 2022: 3). This resulted in revenue from franchise sales increasing by 58% to £0.2m.

There were record Management Service Fees from our franchised network which increased by 3% to £7.7m (H1 2022: £7.5m). The increase of £0.2m resulted from an increase in Lettings MSF of 12% to £4.8m and a reduction in Sales MSF of 11% to £2.9m. Lettings MSF contributed 61% of all MSF in the period (H1 2022: 55%). This increased contribution from lettings helped drive recurring revenues up to 65% of total Group revenue.

Our hybrid brand EweMove, which charges a monthly licence fee per territory occupied and a fee per completed transaction, generated a record 13% increase in revenue to £2.4m (H1 2022: £2.1m). There were 194 occupied territories at the end of the period (H1 2022: 178) of which 179 were trading (H1 2022: 166) with the remainder yet to complete pre-trading requirements.

Our nine owned offices in Hunters did not fair quite so well as the franchised network in the period with a poorer start to the year driven by a reduced sales agreed pipeline. Hunters contributed revenue of £2.2m, down 12% on H1 2022. There has been a revised approach to sales this year which has delivered revenue improvements in recent months and an increased sales agreed pipeline. These actions together with our continued desire to buy lettings businesses, with Michael Searchers Property Management Limited acquired in January 2023, are expected to deliver an improved full year result.

There were eight acquisitions of managed properties' portfolios, including the one for our owned offices, delivering 953 units (H1 2022: 1,001) and contributing annualised revenue of £1.0m (H1 2022: £1.0m) split £0.2m for owned offices and £0.8m for franchisees. The latter generating £0.1m of MSF for the Group.

Revenue from Financial Services

Revenue from our financial services division was £0.9m (H1 2022: £0.9m). This division remains at an early growth stage and is yet to build up sufficient business to capitalise on the product transfers and remortgage activity that the market has seen of recent. We continue to invest time and effort in growing our share of new purchase mortgages which will in turn generate reoccurring revenues from remortgage and product transfers in due course.

Costs

The Group's cost of sales decreased 2% to £2.7m (H1 2022: £2.8m). The lower introductory commissions and advisor costs in our financial services division being partially offset by increased costs in our property division to meet the increased number of trading territories in EweMove and the move to a new operating system with the capability to accommodate that growth.

Administrative expenses decreased by 1% to £5.6m (H1 2022: £5.7m) with the inflationary pressures being met with savings in resource usage. These expenses have been contained at or below £5.7m for the first half of the last three years due to synergies achieved post-acquisition of Hunters in March 2021 and savings this year.

The assumptions used in determining the share-based payment charge at 31 December 2022 were carried forward into this half year resulting in £0.4m being charged to the profit and loss account (H1 2022: £0.6m).

EBITDA

The Group's EBITDA increased 5% to £5.3m (H1 2022: £5.1m). Adjusting for the share-based payment charges, adjusted EBITDA increased 1% to £5.8m (H1 2022: £5.7m).

Operating profit

Operating profit increased 10% to £4.4m (H1 2022: £4.0m) and operating margin was 33% (H1 2022: 31%). Adding back the share-based payments charges and the amortisation arising on consolidation, adjusted operating profit increased 3% to £5.5m (H1 2022: £5.3m). Adjusted operating margin was 42% (H1 2022: 41%) indicating the margin being derived from the underlying activities.

Profit before income tax

Profit before taxation increased 11% to £4.2m (H1 2022: £3.8m). Adding back the share-based payments charges, and the amortisation arising on consolidation, adjusted profit before tax increased 3% to £5.3m (H1

2022: £5.2m).

Taxation

The effective rate of corporation tax for the period was 21.1% (H1 2022: 16.0%). This primarily reflects the increase in the corporation tax rate from 19% to 25% which generates a corporation tax rate for the first half year of 22%.

Profit after taxation

Profit after taxation for the period increased by 4% to £3.3m (H1 2022: £3.2m).

Earnings per share

Basic earnings per share increased 4% to 10.3p (H1 2022: 9.9p) based on a weighted average number of shares in issue in the period of 32,041,966 (H1 2022: 32,041,966). This increase was also achieved by the diluted basic earnings per share.

Adjusted basic earnings per share decreased 1% to 13.9p (H1 2022: 14.1p) based on a weighted average number of shares in issue in the period of 32,041,966 (H1 2022: 32,041,966). This increase was also achieved by the adjusted diluted basic earnings per share.

Dividends

The Group has again reported record headline profits and has generated material free cash to return to a net cash position.

As a result, the Board is pleased to announce an 10% increase in the interim dividend to 4.6p (H1 2022: 4.2p). It will be paid on 6 October 2023 to all shareholders on the register on 22 September 2023. Our shares will be marked ex-dividend on 21 September 2023. The total amount payable is £1.5m.

Summary of Key Financials

	H1 2023	H1 2022	Growth
Revenue	£13.2m	£13.1m	1%
MSF	£7.7m	£7.5m	3%
Cost of sales	£2.7m	£2.8m	-2%
Admin expenses	£5.6m	£5.7m	-1%
EBITDA	£5.3m	£5.1m	5%
Adjusted EBITDA	£5.8m	£5.7m	1%
Operating profit	£4.4m	£4.0m	11%
Adjusted operating profit	£5.5m	£5.4m	3%
Profit before tax	£4.2m	£3.8m	9%
Adjusted profit before tax	£5.3m	£5.2m	3%
Earnings per share (basic)	10.3p	9.9p	4%
Adjusted earnings per share (basic)	13.9p	14.1p	-1%
Adjusted earnings per share (diluted)	13.9p	14.1p	-1%
Dividend	4.6p	4.2p	10%
Net cash generated from operations	£2.5m	£3.3m	-26%

EweMove

Revenues continue to grow and are up 13% on H1 2022. We have made the decision to invest in additional support for its new entrants and have replaced its operating software to support future growth.

	H1 2023	H1 2022	Growth
Revenue	£2.4m	£2.1m	13%
Costs	£1.7m	£1.4m	18%
Profit before tax	£0.7m	£0.7m	-
Profit margin	29%	32%	

Cash flow

At an operational level, the Group remains highly cash generative although, as for the same period last year, there are increased debtors of which £0.7m relates to sums due from partners in H2. The Group also had lower trade creditors and accruals of £1.0m which reflects the timing of payments, savings and performance in 2023.

As a result, cash generated from operations decreased by 17% to £3.6m (H1 2022: £4.4m). That represents 68% (H1 2022: 86%) conversion of EBITDA into cash generated from operations. For the reasons stated above, we expect this conversion rate to improve in the second half of this year.

On 31 January 2023 the Group acquired the entire issued share capital of Michael Searchers Property Management Ltd for a net cash consideration of £0.2m (H1 2022: nil).

On 9 June 2023, the Group paid a final dividend of 8.8p for 2022 (H1 2022: 7.8p for 2021) which amounted to £2.8m (H1 2022: £2.5m).

During the period the Group reduced its usage of its RCF with Barclays Bank Plc from £5.0m to £2.5m. In the prior first half year the Group still had a term loan as well as the RCF resulting from the acquisition of Hunters and made repayments of £0.9m. This loan was repaid in the second half of 2022. A total of £13.0m of bank loans (£10.0m borrowed by TPGF and £3.0m of existing borrowings by Hunters) have now been repaid since the Hunters acquisition in March 2021.

During the period bank loan interest of £0.2m (H1 2022: £0.2m) was paid.

Overall, the cash balances of the Group decreased by £3.5m to £3.2m (H1 2022: £7.6m).

Liquidity

The Group had a net cash balance of £0.7m at the end of the period (H1 2022: net debt £2.6m).

Financial position

The Group has a consistent history of strong cash generating capabilities, has returned to a net cash position and continues to operate comfortably within its bank covenants. It generates sufficient net cash from operations to fund its acquisition strategy and to reward shareholders with increased dividends.

The Group has also improved its balance sheet strength since 30 June 2022 with equity attributable to the owners increasing 10% to £38.2m (H1 2022: £34.7m).

The Board has pursued a progressive dividend policy to generate an attractive return for shareholders and, given the Group's strong financial standing, it will continue to do so. At the same time, the Board will continue to pursue corporate acquisitions as and when they arise and to fulfil the other elements of its strategic plan.

David Raggett
Chief Financial Officer
11 September 2023

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited 6 Months Ended 30.06.23 £'000	Unaudited 6 Months Ended 30.06.22 £'000	Audited 12 Months Ended 31.12.22 £'000
Revenue	13,182	13,089	27,158
Cost of sales	(2,726)	(2,770)	(5,575)
GROSS PROFIT	10,456	10,319	21,583
Administrative expenses	(5,646)	(5,679)	(11,876)
Share-based payments charge	(416)	(644)	(411)
OPERATING PROFIT	4,394	3,996	9,296
Finance income	3	15	39
Finance costs	(200)	(220)	(470)
Other gains and losses	-	-	(32)
PROFIT BEFORE INCOME TAX EXPENSE	4,197	3,791	8,833
Income tax expense	(886)	(608)	(1,588)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,311	3,183	7,245
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent	3,314	3,169	7,229
Non-controlling minority interest	(3)	14	16
	3,311	3,183	7,245
Earnings per share attributable to owners of the parent	10.3p	9.9p	22.6p
Diluted earnings per share attributable to owners of the parent	10.3p	9.9p	22.5p

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Unaudited As at 30.06.23 £'000	Unaudited As at 30.06.22 £'000	Audited As at 31.12.22 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	44,462	46,100	44,958
Property, plant and equipment	229	224	162
Investments	137	169	137
Right of use assets	1,456	1,591	1,613
Prepaid assisted acquisitions support	266	391	297
Other Receivables	220	-	240
	<u>46,770</u>	<u>48,475</u>	<u>47,407</u>
CURRENT ASSETS			
Trade and other receivables	4,521	3,892	3,718
Cash and cash equivalents	3,224	7,578	6,684
	<u>7,745</u>	<u>11,470</u>	<u>10,402</u>
TOTAL ASSETS	<u><u>54,515</u></u>	<u><u>59,945</u></u>	<u><u>57,809</u></u>
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF PARENT			
Share capital	320	320	320
Share premium	4,129	4,129	4,129
Merger reserve	14,345	14,345	14,345
Own share reserve	(348)	(348)	(348)
Retained earnings	17,906	14,679	17,399
Other reserves	1,851	1,594	1,316
	<u>38,203</u>	<u>34,719</u>	<u>37,161</u>
NON-CONTROLLING INTEREST	<u>19</u>	<u>20</u>	<u>22</u>
TOTAL EQUITY	<u><u>38,222</u></u>	<u><u>34,739</u></u>	<u><u>37,183</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	-	8,281	5,000
Lease liabilities	1,626	2,002	1,856
Provisions	181	212	212
Deferred tax	4,744	5,153	5,168
	<u>6,551</u>	<u>15,648</u>	<u>12,236</u>
CURRENT LIABILITIES			
Borrowings	2,500	1,875	-
Trade and other payables	5,432	5,979	6,724
Lease liabilities	495	502	506
Tax payable	1,315	1,202	1,160
	<u>9,742</u>	<u>9,558</u>	<u>8,390</u>
TOTAL LIABILITIES	<u><u>16,293</u></u>	<u><u>25,206</u></u>	<u><u>20,626</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>54,515</u></u>	<u><u>59,945</u></u>	<u><u>57,809</u></u>

THE PROPERTY FRANCHISE GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Called up share capital	Retained earnings	Share premium	Own share reserve	Merger reserve	Other reserves	Total	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022 (audited)	320	13,999	4,129	(348)	14,345	905	33,350	6	33,356
Profit and total comprehensive income	-	3,169	-	-	-	-	3,169	14	3,183
Share-based payments charge	-	-	-	-	-	644	644	-	644
Deferred tax on share options	-	-	-	-	-	45	45	-	45
Dividends	-	(2,489)	-	-	-	-	(2,489)	-	(2,489)
Total transactions with owners	-	(2,489)	-	-	-	689	(1,800)	-	(1,800)
Balance at 30 June 2022 (unaudited)	320	14,679	4,129	(348)	14,345	1,594	34,719	20	34,739
Profit and total comprehensive income	-	4,060	-	-	-	-	4,060	2	4,062
Share-based payments charge	-	-	-	-	-	(233)	(233)	-	(233)
Deferred tax on share options	-	-	-	-	-	(45)	(45)	-	(45)
Dividends	-	(1,340)	-	-	-	-	(1,340)	-	(1,340)

Dividends	-	(1,340)	-	-	-	(278)	(1,618)	-	(1,618)
Total transactions with owners	-	(1,340)	-	-	-	(278)	(1,618)	-	(1,618)
Balance at 31 December 2022 (audited)	320	17,399	4,129	(348)	14,345	1,316	37,161	22	37,183
Profit and total comprehensive income	-	3,314	-	-	-	-	3,314	(3)	3,311
Share-based payments charge	-	-	-	-	-	416	416	-	416
Deferred tax on share options	-	-	-	-	-	119	119	-	119
Dividends	-	(2,807)	-	-	-	-	(2,807)	-	(2,807)
Total transactions with owners	-	(2,807)	-	-	-	535	(2,272)	-	(2,272)
Balance at 30 June 2023 (unaudited)	320	17,906	4,129	(348)	14,345	1,851	38,203	19	38,222

THE PROPERTY FRANCHISE GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited 6 Months Ended 30.06.23 £'000	Unaudited 6 Months Ended 30.06.22 £'000	Audited 12 Months Ended 31.12.22 £'000
Cash flows from operating activities			
Profit before income tax	4,197	3,791	8,833
Depreciation and amortisation charges	1,036	1,095	2,102
Revaluation of investments in shares	-	-	32
Share-based payments charge	416	644	411
Profit on disposal of FDGs and rebrands	(95)	-	(195)
Finance costs	200	220	471
Finance income	(3)	(15)	(39)
Operating cash flow before changes in working capital	5,751	5,735	11,615
Increase in trade and other receivables	(783)	(1,071)	(837)
Increase / (Decrease) in trade and other payables	(1,348)	(281)	517
Cash generated from operations	3,620	4,383	11,295
Interest paid	(158)	(162)	(359)
Tax paid	(1,012)	(908)	(1,962)
Net cash generated from operations	2,450	3,313	8,974
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired	(202)	-	-
Purchase of intangible assets	-	(356)	(387)
Disposal of intangible assets - FDGs and rebrands	54	-	143
Disposal of intangible assets - Customer lists	-	-	150
Purchase of tangible assets	(106)	(58)	(38)
Payment of assisted acquisitions support	(67)	(87)	(102)
Interest received	3	15	39
Net cash used in investing activities	(318)	(486)	(195)
Cash flows from financing activities			
Equity dividends paid (note 7)	(2,807)	(2,489)	(3,829)
Bank loan repaid	(2,500)	(938)	(6,094)
Principal paid on lease liabilities	(236)	(177)	(473)
Interest paid on lease liabilities	(49)	(58)	(112)
Net cash used in financing activities	(5,592)	(3,662)	(10,508)
Decrease in cash and cash equivalents	(3,460)	(835)	(1,729)
Cash and cash equivalents at the beginning of the period	6,684	8,413	8,413
Cash and cash equivalents at end of the period	3,224	7,578	6,684

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The consolidated interim financial information for the six months ended 30 June 2023 was approved by the Board and authorised for issue on 11 September 2023. The results for 30 June 2023 and 30 June 2022 are unaudited. The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 on which the auditors gave an audit report which was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This interim report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2023, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2022.

Going concern

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

Significant accounting policies

The Group's interim financial information includes those of the parent company and its subsidiaries, drawn up to 30 June 2023. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

3. SEGMENTAL REPORTING

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

For the six months ended 30 June 2023:

	Property Franchising £'000	Financial Services £'000	Total £'000
Continuing			
Revenue	12,286	896	13,182
Segment profit before tax	3,820	377	4,197

For the six months ended 30 June 2022:

	Property Franchising £'000	Financial Services £'000	Total £'000
Continuing			
Revenue	12,211	878	13,089
Segment profit before tax	3,575	216	3,791

For the year ended 31 December 2022:

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

There was no inter-segment revenue in any period.

4. REVENUE

	Unaudited 6 Months Ended 30.06.23 £	Unaudited 6 Months Ended 30.06.22 £	Audited 12 Months Ended 31.12.22 £
Management service fee	7,696	7,496	15,882
Owned offices revenue	2,239	2,548	5,157
Franchise sales	232	147	318
Franchisee support and similar services	2,119	2,020	4,072
	<u>12,286</u>	<u>12,211</u>	<u>25,429</u>
Financial Services segment:			
Financial Services commissions	896	878	1,729
	<u>13,182</u>	<u>13,089</u>	<u>27,158</u>

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

5. TAXATION

The underlying tax charge is based on the expected effective tax rate for the full year to December 2023. The majority of the tax arises from applying this effective tax rate to the profit on ordinary activities.

6. EARNINGS PER SHARE

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

	Unaudited 6 Months Ended 30.06.23 £'000	Unaudited 6 Months Ended 30.06.22 £'000	Audited 12 Months Ended 31.12.22 £'000
Profit for the period attributable to owners of parent	3,314	3,169	7,229
Amortisation on acquired intangibles	721	721	1,443
Share-based payments charge	416	644	411
Loss on revaluation of listed investments	-	-	32
Adjusted profit for the period	<u>4,451</u>	<u>4,534</u>	<u>9,115</u>

6. EARNINGS PER SHARE (CONTINUED)

	Unaudited 6 Months Ended 30.06.23	Unaudited 6 Months Ended 30.06.22	Audited 12 Months Ended 31.12.22
Weighted average number of shares	32,041,966	32,041,966	32,041,966
Dilutive effect of share options on ordinary shares	<u>99,608</u>	<u>99,667</u>	<u>99,626</u>
	<u>32,141,574</u>	<u>32,141,633</u>	<u>32,141,592</u>

	Unaudited 6 Months Ended 30.06.23	Unaudited 6 Months Ended 30.06.22	Audited 12 Months Ended 31.12.22
Basic earnings per share	10.3p	9.9p	22.6p
Diluted earnings per share	10.3p	9.9p	22.5p
Adjusted basic earnings per share	13.9p	14.1p	28.4p
Adjusted diluted earnings per share	13.9p	14.1p	28.4p

7. DIVIDENDS

	Unaudited As at 30.06.23 £'000	Unaudited As at 30.06.22 £'000	Audited As at 31.12.22 £'000
Final dividend paid	2,807	2,489	2,489
Dividend per share paid	8.8p	7.8p	7.8p
Interim dividend paid	-	-	1,340
Dividend per share paid	-	-	4.2p
Total Dividends paid	2,807	2,489	3,829

An interim dividend for 2023 of 4.6p per share has been declared and will be paid on 6 October 2023 to all shareholders on the register on 22 September 2023. Our shares will be marked ex-dividend on 21 September 2023. The total amount payable is £1.48m.

8. ACQUISITIONS

Acquisition of Michael Searchers Property Management Limited

On 31 January 2023 Hunters (Midlands) Limited acquired the entire issued share capital of Michael Searchers Property Management Limited for consideration of £257k. This consisted of £225k paid on completion, £7k paid for excess working capital and £25k deferred consideration to be paid in August 2023. The business was immediately hived up into Hunters (Midlands) Limited, a subsidiary of The Property Franchise Group plc. Net assets of £33k were acquired and £224k recognised in intangible assets as a customer list.

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