The Property Franchise Group PLC

Annual Report and Accounts 2021

National footprint, local expertise

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

As legislation changes and technology evolves, our central team innovate to keep our franchise owners ahead of the game.

Find out more at thepropertyfranchisegroup.co.uk

FINANCIAL HIGHLIGHTS

REVENUE

£24.0m

+118%

MANAGEMENT SERVICE FEES

£14.7m

+57%

ADJUSTED EBITDA*

11.6p

+33% 2020: 8.7p

NET (DEBT) / CASH

£(2.7)m

OPERATIONAL HIGHLIGHTS

- Acquisition of Hunters Property plc, a network of 208 franchised offices
- Group has a portfolio of 74,000 tenanted managed properties (2020: 58,000), providing a reliable, regular income stream
- The Group became the second largest estate agency network in the UK
- Buoyant sales market due to stamp duty holiday and reprioritised homeowner needs
- EweMove sold 58 new territories
- Five-year strategic partnership on financial services with LSL Property Services plc
- Acquisition of The Mortgage Genie, a mortgage broker, to add consultant capacity

OUR STRATEGIC GROWTH INITIATIVES

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

OUR VISION

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

AT A GLANCE

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

OUR NETWORK

We have representation stretching from Falmouth to Aberdeen with a presence in most major towns and cities including 60 offices in London. We achieve this both through traditional high street offices and through virtual offices where the franchisee typically works from home or a serviced office.

OUR BRANDS

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

FRANCHISE NETWORK TURNOVER

£157m

(2020: £94m)

FRANCHISE NETWORK EMPLOYEES

3,750

(2020: 2,300)

NATIONAL PROPERTY FRANCHISE BRANDS

The national network of independently owned property agents

Martin & Co was established in 1986 and has 151 high street offices serving England, Wales and Scotland with offices from Falmouth to Aberdeen. It is one of the major residential letting agents in the UK with over 41,000 properties under management, deriving 83% of its Management Service Fees from lettings services. A multi-award winning agency, it specialises in residential lettings, property management, property investment and sales.

TERRITORIES

151

Here to get you there

Hunters opened its first office in York in 1992. It was established on the principles of excellent customer service, unrivalled pro-activity and achieving the best possible results for its customers. 2005 saw the start of expansion with the creation of a franchising model. It has also grown its franchising business organically and through the acquisition other businesses. It operates 10 of the offices itself.

TERRITORIES

190

The UK's trusted agent

Launched in late 2013, EweMove has grown to a network of 167 territories at the year end. The EweMove franchise model combines the recruitment of local property experts ("LPEs"), typically serving micro territories of 20,000 households through a centralised 24/7 technology platform, with the traditional features of a full estate agency service and a consumer fee predicated on completed sales, rather than listings. It continues to be ranked at the top of Trustpilot, a position its held since 2015.

TERRITORIES

167

REGIONAL PROPERTY FRANCHISE BRANDS

Unrivalled local knowledge, for all your property needs

Whitegates has been trading in the Midlands and North of England since 1978. It was one of the first estate agents to advertise on TV. Today its activities are evenly split across sales and lettings with 28 high street offices.

TERRITORIES

28

Property experts providing service and value for London communities since 1850

Ellis & Co has 16 high street offices, 15 within London. It shares complementary branding with Martin & Co offices in London and the two brands, with a combined strength of 29 offices, work together to serve London.

TERRITORIES

16

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

Parkers has 14 high street offices located along the M4 corridor west of Maidenhead with a strong presence around Reading.

TERRITORIES

14

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

CJ Hole was established in 1867. An award winning brand with strong local brand heritage operated through 15 high street offices in Avon, Somerset, Gloucestershire and Gwent.

TERRITORIES

15

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

Mullucks has been established in Hertfordshire and Essex for over 30 years and has a long-standing reputation for professionalism and local expertise. It joined the Hunters network in 2019.

TERRITORIES

5

Local Agent, a network of smiles

Country Properties operates 15 high street offices across Hertfordshire and Bedfordshire, it was acquired by Hunters in 2015.

TERRITORIES

15

FINANCIAL SERVICES BRANDS

Your online mortgage broker

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

OUR SUCCESS

Our brands have achieved many awards over the years demonstrating their capabilities.
Notably, our youngest property franchising brand, EweMove has continued to win awards and establish itself nationally. EweMove appeared in the HSBC top 100 UK franchised businesses of 2021 at number 34.

It exceeded 14,000 5-star reviews on Trustpilot during the year and won best National Lettings Agency at the EA Masters awards for the third year in a row.

CHAIRMAN'S STATEMENT

It has been an inspiring year for us, as we drove towards aspirational targets far quicker than envisaged and reset our future expectations upwards.

Teamwork, business partnering, and a strong vision have been at the core of our success. I am pleased to report that we have made strong progress as a Group and achieved a significant improvement in headline profit before tax, up 35% to £6.4m vs last year's £4.8m.

In this my final Chairman's Statement before stepping down I cannot think of any more appropriate time to reflect on how we have achieved our current position.

Martin & Co opened its doors for trading in May 1986 in South Somerset. My franchisor epiphany came when in 1993 I read a copy of 'Behind the Golden Arches', the story of how Ray Kroc succeeded in building McDonald's into the world's largest franchise network. It was clear to me that his focused adherence to proven uniform procedures and passion for ensuring his franchisees' success were key. Moreover, that many of the strategies and processes could be used to great effect in our residential lettings business. In the months that followed I set about designing the systems and procedures of our franchise model.

We launched Martin & Co as a franchise offering in May 1995. We were convinced that provided we focused our efforts on our franchisees' success, and the franchisees focused their efforts on the quality of the services they were delivering to customers, then our success should duly follow.

Having built a substantial national lettings portfolio and a 180-branch network, 2012 saw our return to the residential sales market in order to build a second major revenue stream for our franchisees.

In December 2013, through an IPO, we became an AIM listed company. A true milestone moment for me, my family and the business. Soon after, in October 2014 we acquired four franchise brands and their franchisees from Legal & General – Whitegates, Ellis & Co, CJ Hole & Parkers – our vision being to substantially improve their franchisees' lettings revenues and leverage our group resources more effectively and efficiently.

With margins, profits and cash improving, we looked for our next acquisition. After watching a period of sustained growth by EweMove in a growing "hybrid/online" segment of the residential sales market, we acquired it in September 2016. It's proven customer service credentials, coupled with a sizeable "flock" and the ability to fund growth from operating cash flows gave us confidence in its long-term potential.

Being a multi-brand franchisor, we felt the time was right in 2017 to re-brand to The Property Franchise Group.

We thought we had a resilient business model and, when put to the test, by Brexit and Covid-19, it behaved in that way. In March 2021 we acquired Hunters, Country Properties and Mullucks. Then to support an expansion into financial services across a network heading towards 600 outlets, we signed a five-year strategic partnership with LSL Property Services in April 2021 and acquired a mortgage broker, Mortgage Genie, in September 2021.

It has been a truly exciting journey, meeting people who were seeking a platform to build their own financial success, to achieve their ambitions, shed the 9-5 job, or just provide themselves with an early worry-free retirement. From the very start, the satisfaction of helping those people on their journey has been enormously rewarding.

In those 36 years since founding Martin & Co, we have built a leading national business, which has proven its ability time and again by outperforming the sector. The foundations I began have been built on by two inspirational leaders. Ian Wilson joined me to see what he could achieve in a few years and stayed for sixteen years until April 2020. He led Martin & Co to be the leading lettings brand in the UK before seeing us through IPO and into the development of our very successful multi-brand strategy. Gareth Samples joined us in February 2020 and became CEO in April 2020. He has re-invigorated our passion for helping our franchisees to be more successful with very clearly defined strategic growth initiatives which are at the core of everything we do and the recruitment of additional sector experienced specialists into an already strong leadership team.

Of course, none of this would have occurred without the hard work of our franchisees and head office staff. The skill and dedication of a team of experts in their various fields, coupled to the ambitions of people who want to build a business and future for themselves is a powerful force.

Board focus during 2021
It's been a busy year for our Board given the two acquisitions completed in the year, the strategic partnership with LSL, sale of Aux Group, and the evaluation of existing and potential new operating systems for our franchisees.

We also saw Board changes this year as Glynis Frew and Dean Fielding joined us from Hunters in March providing us with continuity of management for Hunters and further insight into our sector and the market. Since the year end Glynis has stepped down from our Board and taken up the post of Group Franchise Training and Development Director. This role addresses our objective to develop the next generation of leaders within the Group and our franchise network as well as to be at the forefront of the Regulation of Property Agents ("RoPA"). Glynis has both the experience and tremendous passion necessary to achieve this objective. We are very grateful for her continued service and desire to take on a challenging remit.

We have been adjusting to being the largest UK property franchise business and the second largest agency network in the sector. This has brought with it additional opportunities such as to partner with third parties, acquire complementary businesses and attract talented people. Of course, it has also brought with it new risks which we need to assess to ensure we continue to generate class leading service and returns.

We continued to prioritise stakeholder engagement in 2021, with our Executive Directors spending more time presenting to franchisees, investors, employees, suppliers, and lenders on progress, our strategic initiatives, and our vision.

Market developments
We entered 2021 with a significant sales agreed pipeline as homeowners decided to move for a myriad of reasons including the stamp duty holiday. However, it became clear from March onwards that stamp duty alone was not fuelling the market and our sales pipeline remained strong. Having bought one of the largest brands in residential sales we reaped the benefits from selling over 26,000 homes compared to 9,000 homes in 2020.

In the residential lettings market we saw less movement by tenants. However, following the tenant fee ban, the evictions ban coming to an end, the increase in house prices and other inflationary pressures, rents have risen. Typically, rent increases of 6% to 8% were seen during 2021, a trend that is continuing into the current financial year.

Looking forward, I continue to believe that the housing market represents a strong investment opportunity. The UK government has demonstrated that the housing market is integral to a strong economy and that it will implement initiatives to support its continued strength. We need further properties to rent to satisfy our labour shortages and ensure capacity exists where that labour is required. Demand for rental properties remains strong and returns should increase. In addition, early evidence in 2022 suggests a healthy appetite remains to buy homes to satisfy post Covid lifestyle changes.

Dividend
We committed to a progressive dividend policy at the time of IPO, confident that we could generate the earnings to both maintain a strong dividend cover and yield. I am very proud of our record and confident that the Group can continue to fulfill on this commitment. Since IPO we have paid out 47.4p in dividends to our supportive shareholders.

2021 has seen a step change in our profitability and net operating cash generation. The Board has felt it only right to reflect that in the dividends being paid. I am therefore pleased to announce that the Board has approved a final dividend for 2021 of 7.8p (second interim for 2020: 6.6p) bringing the total dividend for 2021 to 11.6p, an increase of 33% over the 8.7p paid for 2020.

Outlook
We are currently making strong progress with our strategic initiatives and I have every confidence that the executive will be able to further report positive and quantifiable results from this work in the near future.

We now have a Group which is capable of more rapid scaling up and we believe our network of local business professionals will soon challenge the largest of corporate networks.. Our year-on-year financial performance and returns are testament to the capital-light strength of our franchise model and, as it has in the US, we believe that franchising will become the dominant model in residential agency with TPFG augmenting its position as a leading player.

I am extremely proud of the Group that we have built. It's been a fascinating and inspiring journey made possible by our talented team, committed franchisees, the support of my fellow Board members in shaping today's business and by investors backing us. All have made a huge contribution to our success.

I extend my sincere thanks and gratitude to all of them.

I am delighted to be passing the baton to Paul Latham. With many years of relevant commercial and Board experience, I am confident that he will successfully lead the Board to deliver further value for our stakeholders.

As for myself, whilst standing down as Chair, I have every confidence in our potential for ongoing growth and can assure all stakeholders that our vision for the future is every bit as exciting and ambitious as it was back in May 1995.

Richard Martin
Non-Executive Chairman
4 April 2022

INVESTMENT CASE

Why invest in The Property Franchise Group?

We are a robust business in the face of adversity as well as a market leader able to reap the rewards in better times. Since listing on AIM in 2013 we have acquired a number of complementary property franchising businesses and become the largest lettings and estate agency franchise business in the UK.

We have rewarded our shareholders with a progressive dividend policy.

1 PROVEN FRANCHISE MODEL:

+25 years in franchising

2 HIGH DEGREE OF RECURRING REVENUE:

52% of total revenue in 2021

3 TRACK RECORD OF GROWTH:

+715% growth in adjusted diluted EPS since 2013

4 EXPERIENCED LEADERSHIP TEAM:

23 years average industry experience

5 SIX ACQUISITIONS SINCE 2013 TO DATE:

Nine franchise brands

6 PROGRESSIVE DIVIDEND POLICY:

+33% on 2020 at 11.6p for 2021

7 STRONG CASH GENERATION:

+65% on 2020 at £8.9m for 2021

8 CAPITAL LIGHT MODEL:

17% ROCE in 2021

24% ROCI in 2021

CEO'S STATEMENT

Focus on our strategic initiatives delivering returns.

A resurgent sales market has helped Hunters' performance exceed our expectations and EweMove further its network ambitions.

It has been a transformational year for TPFG. Seeing our network enthused by the buoyancy of the market, and having strengthened our franchisee-franchisor relationships, our team has worked hard to support franchisees to reach their goals.

We supported more franchisees this year than in the last decade, to grow multiple revenue streams and expand geographically. We have seen eight franchisees open new offices and 17 open spokes, the latter intended to exploit more of their existing territories whilst using the resources of the supporting office.

In line with our acquisitions' strategy, the Group completed the acquisitions of Hunters and Mortgage Genie as well as launching a five-year strategic partnership with LSL. The Hunters acquisition was our most significant to date and has delivered significant financial and strategic benefits. Mortgage Genie and the LSL partnership are additional milestones for the Group and both bring exciting potential growth opportunities.

The year ahead provides further ground for optimism. The backdrop of more normalised sales market conditions will allow us and our franchisees more time to focus on implementing our stated strategic initiatives, underpinning our long-term sustainable success.

Financial overview
We have increased our revenue every year since IPO and this was our eighth consecutive year with revenue up 118% to £24.0m (2020: £11.0m) largely driven by the acquisition of Hunters which contributed £9.8m. The Group achieved an adjusted operating margin of 40% (2020: 48%) compared to the 3-year average pre-2020 of 43% reflecting good progress with the post-acquisition synergies and a lower operating margin from Hunters owned offices. Profit before tax increased 35% to £6.4m (2020: £4.8m).

We are a strongly cash generative business and 2021 was no different with net cash generated from operations of £8.9m (2020: £5.4m). Hence, despite borrowing £12.5m to part fund the cash element of the consideration for Hunters of £14.5m, the £0.9m of costs for that acquisition and assuming Hunters bank debt of £3.0m, our net debt was only £2.7m at 31 December 2021 (2020: net cash £8.8m). Moreover, the continued strength of our balance sheet provides the stability needed to build further momentum behind our ongoing growth initiatives.

Our network's lettings performance
Whilst we have grown our sales capabilities this year, lettings remains at the core of our DNA and represented 53% of Group MSF with our expectations being 60% in a less buoyant sales market.

I am delighted to report that the network started the year with 58,000 tenanted managed properties and finished it with 74,000, an increase of 27%. Much of the increase came from the acquisition of Hunters, with the remainder being attributable to acquisitions by franchisees. Our franchisees acquired 1,270 (2020: 1,305) tenanted managed properties though our assisted acquisition initiative during the year. While external factors have suppressed acquisition opportunities in recent years we expect there to be more acquisitions in 2022 and are already seeing increased activity.

We let 40,000 properties in 2021 up from 28,000 in 2020. The increase was entirely from Hunters.

We have seen rents rising on new lets and renewed tenancies between approximately 6% to 8%. Zoopla reported the fastest growth in rents in Q4 2021 than at any time over the last 13 years. Across the UK rents increased 8.3% in 2021 to an average of £969 per calendar month. Yet affordability as a percentage of a single earner's income was broadly in line with the 10-year average of 36%.

Management service fees from lettings were up 18% to £7.9m (2020: £6.6m) of which Hunters contributed £0.9m of the increase, high-street led brands £0.2m and EweMove £0.2m.

Our network's sales performance
We experienced a surge in demand for residential property in 2021, reaching a level I have not experienced before during my 30 years in the sector. The latest figures from HMRC show sales completions of 1.47m (non-seasonally adjusted) for 2021 against our pre-Covid comparator of 1.18m in 2019.

We came into 2021 with our sales agreed pipeline double the prior year end and, following the acquisition of Hunters, the Group had a sales' agreed pipeline of £31.0m as at 31 March 2021.

The market continued to be strong across the remainder of the year and we ended 2021 with a sales agreed pipeline of £26.5m, 55% higher than at 31 December 2019 (a pre-Covid comparator). The high-street led brands delivered an increase of 65% and EweMove an increase of 76% against the pre-Covid comparator. Although we did not own Hunters in 2019, the pre-Covid comparator for Hunters was a 44% increase.

During 2021, the Group listed over 31,000 homes for sale, agreed sales on over 32,000 homes and helped buyers complete on almost 26,000 homes.

Management service fees from sales were up 145% to £6.9m (2020: £2.8m) of which Hunters contributed £2.6m of the increase, high-street led brands £0.9m and EweMove £0.6m.

Our view is that the re-prioritisation of housing needs will continue to be a factor in 2022 but the supply of stock will be the critical factor and therefore a similar market to 2019 is likely. That's just under 1.2m transactions or a 20% reduction over 2021. So far, however, 2022 has started better than we expected.

Strategic initiatives delivering growth
We have made significant progress this year with our strategic initiatives as first set out in September 2020.

- **Lettings growth**
  Our assisted acquisitions programme brought another 1,270 tenanted managed properties into the network. This should add a further £1.2m to network income on an annualised basis. We have also increased our expertise and the funds committed to this initiative with the aim of accelerating our progress.
- **Develop sales activity in the high**
  street-led brands In 2021 we encouraged franchisees to build their sales activities and benefit from the buoyant market. Our success is evident from average sales per franchisee being 42% higher in the high-street led brands for 2021 compared to 2019.
- **Financial services growth**
  It is our intention for all our network's end customers to have access to a full-service lettings and estate agency service, and financial services provision is part of that offering.

  Pleasingly, we signed a 5-year strategic partnership with LSL in April 21 and whilst market conditions initially limited our capacity to recruit financial advisers (against an initial target of 100 by the end of 2021), these have been improving in recent months.

  We also had our first block of franchisees start on the journey to run their own mortgage brokerages.

- **EweMove recruitment**
  We sold a record 58 new territories in 2021, finishing the year with 167 territories under contract. We have experienced continued strong lead flow in 2022.

  We are aiming to double the number of territories occupied by EweMove franchisees to 230 by the end of 2022.

- **Acquisitions**
  We acquired Hunters Property plc on 19 March 2021. It operates under three brands from 208 high street offices: Hunters, Country Properties and Mullucks. The acquisition has been materially integrated into the Group and has delivered significant financial and strategic benefits. We will help its franchisees grow their lettings revenues to a more balanced level to improve their financial stability and increase the resale value of their franchises.

  In September 2021 we bought Mortgage Genie, a mortgage broker supporting our commitment to developing a financial services income stream and providing capacity to service our franchisees requirements. We will continue to consider the acquisition of further financial services businesses which can enhance our offering.

- **Digital marketing**
  Best-in-class digital marketing is essential to running a successful estate and/or lettings agency business and we continue to invest in our capabilities.

  Towards the end of 2021 we saw the completion of our new websites with additional consumer functionality and, in co-operation with an experienced partner, a new CRM platform.

EweMove grows ever stronger
EweMove delivered a record performance in 2021 as it continues to demonstrate the benefits of its unique, hybrid, highly customer centric and flexible cost based model.

EweMove's revenue increased by 41% to £4.1m (2020: £2.9m) and its adjusted profit before tax which excludes exceptional items, share based payment charges, amortisation arising on consolidation increased by 67% to £1.5m (2020: £0.9m). Its operating margin increased from 31% in 2020 to 37% in 2021. Importantly, profit before tax has quadrupled since 2018.

Milestone year for Hunters
Whilst our financial statements and commentary above focuses on Hunters since we acquired it on 19 March, I'd like to touch on its entire year here.

Hunters opened 6 offices in 2021 (2020: 9). Revenue was £12.8m (2020: £12.5m) and adjusted profit before tax which excludes exceptional items, share based payment charges, and amortisation on consolidation increased by 29% to £3.6m (2020: £2.8m). The results from streamlining costs post acquisition accounted for circa £0.4m of the increase.

Following a strategic review, Hunters launched a hybrid offering post-period end - Hunters Personal - which is nascent but has so far been well received.

Looking forward in 2022, final integration continues with consolidation into Group functions which will generate further cost savings. Alongside this we'll be driving revenue growth opportunities with the development of more lettings income, a new hybrid offering to promote, and the continued roll-out of financial services to the network.

Supporting our franchisees
A key focus for the leadership team has been developing the support we provide to our franchisees. Our internal approach, culture and attitude, clearly recognises that our purpose as a business, and every individual role within that, is to support the franchisees and to help them to become more successful.

We have more franchisees than ever to support and as such we have been enhancing our leadership team. We welcomed Ellie Hall to us in September as Managing Director of Martin & Co (Midlands and North). Her specialism is the acquisition of lettings businesses which she has performed very successfully for our competitors over many years. Towards the end of 2021 we started to build additional training capabilities, and post-period end announced that these will be led by Glynis Frew once she has fully handed over Hunters' MD reins to Gareth Williams. We also recruited 3 further regional managers.

The feedback received from franchisees clearly indicates that we are heading in the right direction. There is a renewed sense of advocacy in our network and pride in what has been achieved. We are sought out more often for advice and the progress we have made is typified by the strong reputation that our team holds. That provides me with the energy and passion to ensure we keep delivering on our commitment.

Outlook
In 2022, we expect a similar residential sales market to 2019 and will therefore be focusing on encouraging franchisees to drive the activities which underpin our strategic initiatives. We have assembled the team to support them and we are confident in our ability to execute.

Whilst uncertainties continue, we appear to have weathered the worst of the pandemic but none of us currently understand the implications of conflict in Ukraine and the increasing cost of living. What we do know is that the Government has thus far been supportive of our sector, rental inflation is happening, and we are seeing greater sales activity then we were expecting so far this year.

With a significant lettings business, a hybrid model with a flexible cost base, the strength from our network of committed franchisees, and a platform capable of scaling faster, we remain confident in our ability to grow the Group and continue to deliver value for our shareholders.

Gareth Samples
Chief Executive
4 April 2022

OUR MARKET

Our understanding of the macro-economic drivers of the residential property market.

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

Market drivers

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

KEY MACRO-ECONOMIC FACTORS

Immigration to UK

Ordinarily we would provide net migration statistics, but this was based on International Passenger Surveys until the pandemic began. Instead, we look at visas granted by the UK. There has been an increase in work, study and mainly family visas connected to work and study of 66% over 2019. With the majority moving into rental accommodation, it's no surprise that Knight Frank reported tenant demand 44% higher in November 2021 over November 2019.

UK Visas Granted

Low interest rates

The official bank rate has been below 1.0% since February 2009 and forecasts suggest that it may rise to near 2.0% by the year end before plateauing.

Interest Rates

Inflation

Consumer price inflation was 5.5% in the 12 months to February 22. Whilst the current gap between inflation and interest rates is more pronounced than it has been for some time, forecasts by the Office for Budget Responsibility show inflation falling back to around 2% in 2024.

Inflation Rates

Time at Current Address

Homeowners have been on the move. The average length of time at their current address has dropped from 18.1 years in 2019 to 16 years in 2021. At the same time, the change for private renters has been from 4.4 years to 4.2 years underlining the stability of income for landlords.

Time at Current Address

Younger Adults Living With Parents

In 2010, 50% of people aged 20 lived with their parents. By 2020, 50% of people aged 23 still lived with their parents. The number and proportion of young people living at home with their parents for longer is likely due to affordability constraints and high housing costs inhibiting people from moving out of the family home.

Proportion of Young Adults living with their parents

Gross Mortgage Lending

Gross mortgage lending has been increasing for the last decade and is expected to have more than doubled between 2011 and 2021. Homeowner mortgage lending is expected to fall back in 2022 before rising back to 2021 levels in 2023 driven by remortgages. Buy-to-let lending has more than tripled between 2011 and 2021. Growth has been slower since 2017 reflecting the amount of cash purchases and deleveraging by landlords. That said, remortgaging is a key service to offer landlords.

Gross Mortgage Lending

House Building in England

House building in England has been falling short of Government targets and forecasts suggests that will remain the case. The target is currently 300,000 homes pa. Starts were down significantly in 2021 over 2020. Building the right properties in the right locations may prove difficult. Supply constraints will continue to be a factor in house prices and rents for many years to come.

House Building in England

The Residential Market

Demand significantly outstripped supply in 2021, driving house prices up. New sales instructions, sellers putting their homes on the market, began to improve as we headed into 2022. Fewer instructions have been seen in the market in part because agents already have lists of clients waiting for such properties.

Buyer and seller numbers, % change versus the five year average

UK Rental Inflation

Zoopla reports that average rents rose 3.7% in Q4 2021 taking the annual rate of rental growth across the UK to +8.3%. Whilst some rental recalibration may have taken place in Q4, a significant rise in demand coupled with no overall growth in the PRS, and landlords having absorbed costs in recent years implies rental inflation at similar levels may continue for some time. Indeed, the Homelet Index for February 2022 showed average rents + 8.6% on February 2021.

Rents Rising Across the UK

UK Residential Sales

Cash buyers account for circa 36% of sales and the majority of rental properties are bought wholly from cash resources. Landlords have deleveraged over the last decade. Savills UK reported that buy-to-let investors and cash buyers accounted for 31% of the increase in sales transactions in the year to June 21 compared to the average number purchased by them between June 2017 and May 2019, a trend we expect continued in 2021. This evidence suggests that a reduction in stamp duty would help increase the number of properties in the private rental sector.

UK Residential Property Transactions

Home Owners vs Private Renters

The private rented sector ("PRS") in England has been falling slightly as the number of homeowners increased. Over the last 10 years private renters aged 25 – 34 decreased from 42% to 37% whilst home ownership increased from 41% to 47%. A similar trend has been seen in the 35 – 44 age group. The Help to Buy scheme is being phased out and with increasing house prices and interest rates we expect some reversal in these trends.

Home Owners vs Private Renters

Increased regulation – RoPA (Regulation of Property Agents)

The government is expected to introduce legislation within the next 2-3 years which will require all property agents to be regulated by an independent regulator, with mandatory qualifications and a code of practice, in order to raise standards in the industry. This will benefit networks such as ours where we can roll out the training and provide support to ensure compliance with the legislation.

BUSINESS MODEL

We have established a proven franchise model with clearly differentiated property brands, creating a solid platform for value creation and further growth opportunities.

WHAT WE DO

LETTINGS AND PROPERTY MANAGEMENT

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

ESTATE AGENCY

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

FINANCIAL SERVICES

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

ACQUISITIONS

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

HOW WE ADD VALUE

ESTABLISHED FRANCHISE MODEL

At our core, all our brands operate exactly the same franchise model. It's a model that's been developed over the last 25 years, based around long-term commitment by franchisor and franchisee to the development of the franchisees' revenue streams. Franchisees sign a five-year agreement and agree to put all their efforts into developing the franchise brand in their territory.

EXPERTISE AND SCALE

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

CENTRAL SUPPORT

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

HARNESSING TECHNOLOGY

The use of technology is evolving in our sector. The acquisition of EweMove helped us understand how important it was to embrace new technologies. Having improved lead generation through providing useful information and improved websites, we built a customer relationship management ("CRM") platform to be able to engage at the right times with customers and have redeveloped both our websites and CRM in the last year. Live chat was implemented on a 24/7 basis along with virtual viewings and online appointments. Online meetings with clients are now common place. We will continue to enhance our offering through the use of new technologies.

HOW WE SUPPORT OUR FRANCHISEES

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

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

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

THE VALUE OUR MODEL CREATES

SHAREHOLDERS

- A stable earnings' stream due to the size of the managed portfolio of properties.
- A growing dividend through the succ of acquisitions and diversifying inco

FRANCHISEES

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

LANDLORDS

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

TENANTS

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

SELLERS

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

EMPLOYEES

- Over 3,750 people are employed with the network and are given access to high quality training and career development opportunities.

OUR STRATEGY

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

STRATEGIC GROWTH INITIATIVE

1 Lettings growth

ACTIONS

We intend to continue to grow the portfolio of tenanted properties managed by our franchise network through acquisition (our own and assisting franchisees), through more engaging and informing services for our landlords, and by addressing the causes of attrition.

PROGRESS TO DATE

- The majority of our franchisees have expressed a desire to buy a portfolio and we have a larger network of opportunities after the Hunters acquisition.
- Franchisees have continued to carry out acquisitions acquiring 1,270 tenanted managed properties in 2021.
- The brands' managing directors are actively working with franchisees to source opportunities.
- Digitally driven campaigns to win private landlords' business, retain existing landlords and win back lost landlords have been put in place.

PRINCIPAL RISKS

Acquisitions may not be available as has been seen over the last 3 years or we may lose out to other buyers following the same strategy.

2 Develop sales activity in the high-street led brands

ACTIONS

Our high-street led brands are heavily weighted towards lettings. For some offices this is their primary focus. So there is a significant opportunity to increase sales activity.

PROGRESS TO DATE

- We have started on our journey of upskilling franchisees who don't currently undertake any / many sales.
- Average sales per franchisee were 42% higher in the high-street led brands in 2021 compared to 2019.

PRINCIPAL RISKS

Acquisitions may not be available as has been seen over the last 3 years or we may lose out to other buyers following the same strategy.

STRATEGIC GROWTH INITIATIVE

3 Financial services growth

ACTIONS

We want to build a financial services business with 100+ financial services consultants servicing our brands. Growing our sales activity will help drive our financial services business.

PROGRESS TO DATE

- In April 2021 we agreed a 5-year strategic partnership with LSL Property Services Plc to develop financial services and have access to their team of financial consultants to provide the advice to clients.
- In September 2021 we bought a majority share in The Mortgage Genie, a mortgage broker.
- We are working with franchisees to refer leads to LSL and / or help them to recruit their own advisers and/or start their own mortgage broker.

PRINCIPAL RISKS

Franchisees do not except that this income stream can improve the value of their franchises and apathy continues.

Training and support fails to establish a culture of one-stop advice for clients and those clients don't receive financial services support from our franchisees.

STRATEGIC GROWTH INITIATIVE

4 EweMove Recruitment

ACTIONS

We want to accelerate the recruitment of franchisees into EweMove, aiming for the brand to have over 200 franchised territories by the end of 2022 with 500 people working in those franchises (2020: 115 franchised territories with 275 people).

We want to replicate the EweMove hybrid model in Hunters with the introduction of Hunters Personal.

PROGRESS TO DATE

- 58 territories sold in EweMove during 2021 bringing the year end total to 167 territories under contract. Having over 200 franchised territories by the end of 2022 is a realistic target.
- *Hunters Personal , a hybrid offering, was launched in early 2022 with the aim of providing a franchising solution* with lower set up costs for new franchisees.

PRINCIPAL RISKS

More competitors are entering the market.

STRATEGIC GROWTH INITIATIVE

5 Acquisitions

ACTIONS

We will continue to grow the Group through acquisitions of the same, similar and complementary businesses.

PROGRESS TO DATE

- Acquisition of Hunters Property plc in March 2021 and The Mortgage Genie in September 2021.
- Continued search for other suitable targets.
- Bank facility in place with Barclays Bank Plc to mirror our growth plans.

PRINCIPAL RISKS

Suitable acquisitions that enhance shareholder value may not exist or become available or we lose out to other buyers following the same strategy.

STRATEGIC GROWTH INITIATIVE

6 Digital marketing

ACTIONS

Our digital marketing strategy underpins all our other strategic growth initiatives. We will continually develop our digital marketing, delivering an intuitive and engaging customer journey with the right communications at the right time.

PROGRESS TO DATE

- In 2021 improvements have been made to websites to enhance the customer journey.
- Further assessments were carried out to assist the development roadmap.

PRINCIPAL RISKS

Our messages being lost in the swathe of daily digital communications that many of our customers will receive and/or our messages lacking relevance.

5 Acquisitions

A clear vision

EweMove – Acquired September 2016

EweMove was launched as a nationwide Sales & Lettings franchise in 2013, with a clear vision to...

1. Be the UK's most trusted sales and lettings agent
2. Provide customers with unrivalled support, 24 hours a day, 7 days a week
3. Have a EweMove sales and lettings branch in every major town and city in the UK

With almost 170 territories signed up, there are still plenty of areas available. We estimate that there is room for at least 800 territories in the UK. EweMove franchise recruitment is one of the Group's strategic growth initiatives (see page 16) with the aim of growing to over 200 territories by the end of 2022 before pushing on again.

EweMove is a hybrid model where technology is coupled with traditional techniques. Franchisees do not need to operate from high street branches, with most operating from a home or serviced office.

The EweMove brand uses the green sheep logo affectionately known as Ewenice. It was purposefully designed to stand out and make clear that EweMove was a different type of estate agent with something new to offer customers.

The result is over 14,000 5 star reviews on the ratings site Trustpilot, with EweMove having often been in No1 spot as the UKs Most Trusted Estate Agent since 2015.

The benchmark industry awards programme – EA Masters – has awarded EweMove the No1 National Lettings Agency Award for 3 years running – 2019, 2020, 2021. At the same time EweMove has appeared in the top 5% of all UK Sales Agencies and achieved No 1 spot in 2020 for the Best National Sales Agency award. Adding to its standing EweMove was awarded Best Hybrid Agency by the industry's Negotiator award programme in 2020.

Achievements in 2021

- 58 new territories signed up in 2021 bringing the total to 167
- Revenue increased by 41% to £4.1m (2020: £2.9m)
- PBT increased by 67% to £1.5m (2020 £0.9m); quadrupling over the last 3 years.
- New seller and landlord opportunities grew by 37% compared to 2020.
- Sales Completions grew by 61% over 2020
- Lettings completions increased by 18% over 2020 and the tenanted managed portfolio grew by 32% to over 3,100 units.

What's next?

- Further recruitment to over 200 territories enabling the brand to become a more recognised household name
- Increase the market share of our franchisees through continued training and support, increasing earnings for both franchisees and the Group
- Further expansion into lettings through organic growth and acquisition
- Continue to embrace new technologies to remain ahead of the competition and leverage the new operating system being rolled out in 2022

Enhancing earnings and expertise

Hunters – Acquired March 2021

Terms of the Acquisition

Effective on 19 March 2021, The Property Franchise Group plc ("TPFG") acquired the entire issued share capital of Hunters Property plc in exchange for £14.53m in cash and 5,551,916 ordinary shares of 1p each in TPFG, valuing the acquired group at £26.1m.

Launched in 1992, Hunters is a widely respected national sales brand and a developing lettings business with high levels of customer satisfaction. Hunters had a network of 208 offices at the year-end.

HUNTERS PROMISE IS THAT IT'S "HERE TO GET YOU THERE" AND CHAMPIONS 5 VALUES

DRIVE
Be passionate and deliver the customer's goal

PROGRESSIVE
Deliver a modern and relevant service to our customers

INVOLVED
Invest time and care so that the customers understand their business is important to us

EMPATHY
Stand in our customers shoes and truly understand their aims and challenges

INTEGRITY
Respect others, truly listen and provide relevant and appropriate advice

Financial Performance for 2021 (full year)
2021 saw a very strong performance against a backdrop of a buoyant sales market. The franchise network continued to embrace the improved conditions, resulting in the Hunters achieving another record year for profitability and improving its customer service rating to 98% (2020: 97%).

Hunters entered 2021 with a record sales pipeline of £17.3m, which together with a significant number of new sales being agreed, meant it finished 2021 with a sales agreed pipeline of £13.5m, 83% higher than our pre-Covid comparator of 2019. This resulted in exchange fees invoiced for the Hunters group of £42.7m, 54% higher than 2020 and 2019.

In 2021 Hunters grew its portfolio of tenanted managed properties from just over 14,000 to just over 15,000. It let 17,535 properties and its network generated lettings income of £17.4m. Lettings MSF accounted for 27% of the MSF generated by the Hunters network.

Hunters Performance

	Post acquisition 2021 £'m	Full Year 2021 £	Full Year 2020 £'m	Full Year 2019 £'m	Change % '21v'19
Turnover	9.78	12.76	12.46	13.99	(8)%
Adjusted PBT	3.00	3.64	2.81	2.06	77%

Hunters Non-Financial KPIs

	Full Year 2021	Full Year 2020	Full Year 2019	Change % '21v'19
Customer service rating	98%	97%	96%	1%
Number of locations	208	209	206	1%

Offices opened	6	9	20	(70)%
Exchange fees invoiced	£42.7m	£27.7m	£27.7m	54%
Lettings income	£17.4m	£15.5m	£14.6m	19%
Pipeline (sales agreed)	£13.5m	£17.3m	£9.4m	83%
Managed properties	15,172	14,588	13,842	10%

OPERATIONS

Training continues to be a focus for the group as we look to build on our training programs and offer these out across the wider Group. During 2021 we ran 76 classroom and web-based courses with 464 delegates. 5,694 e-learning modules were completed culminating in a further 199 completing the Hunters National Qualification, endorsed by Propertymark. We are delighted that we have been able to offer this training facility out to the wider TPFG network, which has proved popular. A further 2014 delegates from across the wider network have joined the training academy, completing 2,423 e-learning modules.

The integration into the TPFG wider business continues to go well with cost synergies being realised and alignment of policies and procedures being achieved. Glynis Frew stepped down as managing director of Hunters and from the TPFG Board on 31 March 2022. She will lead the Group in a new role as Franchise Training and Development Director. Gareth Williams, an established member of the Group's senior management team, has taken on the role of Hunters' managing director.

Transformational performance resulting from increased scale.

	2021	2020
Revenue	£24.0m	£11.0m
Management Service Fees	£14.7m	£9.4m
Administrative expenses	£12.7m	£5.3m
Adjusted operating profit*	£9.7m	£5.3m
Operating profit	£6.7m	£4.8m
Adjusted profit before tax*	£9.4m	£5.3m
Profit before tax	£6.4m	£4.8m
Adjusted EBITDA**	£10.4m	£5.7m
Dividend	11.6p	8.7p

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

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

In 2021 we forged ahead with our six strategic initiatives alongside a buoyant sales market mindful that it might not last. Our progress was undoubtedly helped by our investment in a new leadership team in late 2020 and further investment in 2021 giving us the bandwidth and expertise to implement and develop all our initiatives.

We added 17 companies in the year through the acquisitions of Hunters on 19 March and Mortgage Genie on 6 September. The former putting us at the forefront of sales agency networks in the UK and growing our tenanted managed portfolio by 25%. The latter complementing our 5-year strategic partnership with LSL Property Services to develop a meaningful third revenue stream, financial services.

Our scale allowed us to use Group functions more efficiently, start to eliminate operational resource duplication and agree several beneficial long-term partnership arrangements. That on top of saving duplicated PLC costs meant an initial £0.4m of annualised cost savings were achieved.

On a like for like basis including Hunters (artificial because we did not own Hunters until March 2021), the sales agreed pipeline was £32.6m at the start of the year and finished 2021 at £26.5m. Whilst the conversion of sales agreed into completion income started slowly in the year, the volume of transactions and longevity have taken us by surprise and the benefits of this will continue to be felt for at least Q1 2022.

By the year-end we had exceeded 74,000 tenanted managed properties and rents were rising by circa 8% per annum by the end of the year. These two factors drove our lettings result in 2021 and as the latter will take several years to be substantially reflected across the portfolio, it should drive growth in income in 2022 and beyond.

Revenue
Group revenue for the financial year to 31 December 2021 was £24.0m (2020: £11.0m), an increase of £13m (118%) over the prior year. Hunters contributed £9.8m to revenue. There was like for like growth (excluding Hunters) of 26% to £13.9m.

Management Service Fees ("MSF"), our key underlying revenue stream, increased 57% from £9.4m to £14.7m and represented 61% (2020: 85%) of the Group's revenue. Hunters contributed £3.5m of MSF. There was like for like growth (excluding Hunters) of 19% to £11.2m.

Lettings contributed 53% of MSF (2020: 70%), sales contributed 46% of MSF (2020: 29%) and financial services contributed 1% of MSF (2020: 1%). Lettings MSF increased by 19% in the year, excluding the amortisation of prepaid assisted acquisitions support, and sales MSF increased by 145%.

Our franchise sales activity was predominantly focused on reselling existing franchises to experienced franchise owners in the high street-led brands, and to encouraging new entrants into EweMove. Resale activity recovered in , 2021. Territory sales in EweMove set a new record of 58 (2020: 11).

Operating profit
Headline operating profit increased 40% to £6.7m (2020: £4.8m) with an operating margin of 27% (2020: 43%). Adjusted operating profit before exceptional items, amortisation of acquired intangibles and share-based payments charges increased 82% from £5.3m to £9.7m and the resulting operating margin was 40% (2020: 48%).

The average adjusted operating margin for the 3 years prior to 2020 was 43%. The operating margin for 2021 is lower than prior years due to Hunters operating some of its offices itself, which is a lower margin activity. There has been good progress with the initial post-acquisition synergies realising £0.4m of cost savings and we continue to seek further synergies in 2022.

As a result of the acquisitions in 2021, cost of sales increased by 297% to £3.7m (2020: £0.9m) and administrative expenses increased by 147% to £13.0m (2020: £5.3m), which included exceptional costs and the cost of repaying the furlough money back to HMRC in full of £0.09m.

Exceptional costs were £0.9m due to the acquisition of Hunters Property plc.

Share options were granted to the Executive Directors in 2021 over a maximum of 1,200,000 shares, with 100,000 arising through a deferred bonus plan, adding to those granted in 2020 over a maximum of 200,000 shares. There were also share options granted to senior employees in 2021 amounting to a maximum of 425,500 shares on the same conditions as those applying to the Executive Directors. All other grants for previous years vested during 2021.

An assessment of the share-based payment charges resulting from the options granted was made on 31 December 2021 resulting in £1.0m being charged to the profit and loss account (2020: £0.1m). Further details can be found in notes 4, 5 and 33 to the consolidated financial statements.

Adjusted EBITDA
Adjusted EBITDA for 2021 was £10.4m (2020: £5.7m), an increase of £4.7m (81%) over the prior year. The high street-led brands contributed £5.2m (includes PLC costs), Hunters contributed £3.6m, and EweMove contributed £1.6m.

Profit before tax
Profit before tax was £6.4m for 2021 (2020: £4.8m). Excluding exceptional costs of £0.9m (2020: nil), amortisation arising on acquired intangibles of £1.2m (2020: £0.5m), the share-based payment charges of £1.0m (2020: £0.1m) and the gain on the listed investment of £0.1m (2020: nil), the adjusted profit before tax increased by 76% from £5.3m to £9.4m. The high-street led brands contributed £4.9m (included PLC costs), Hunters contributed £3.0m and EweMove contributed £1.5m.

Taxation
The effective rate of corporation tax for the year was 42.7% (2020: 21.2%) due to the Government increasing corporation tax from 19% to 25% from April 2023 which has caused a deferred tax adjustment of £1.5m. The total tax charge for 2021 was £2.74m (2020: £1.0m).

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 has been recognised under discontinued operations 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 11.3p (2020: 14.6p), a decrease of 23% based on an 19% increase in the average number of shares in issue for the period to 30,622,102 (2020: 25,822,750). EPS is significantly impacted in the year by the deferred tax rate change from 19% to 25% that was substantially enacted on 24 May 2021, reducing earnings by £1.5m.

Diluted EPS for the year was 11.3p (2020: 14.4p) a decrease of 22% based on the average number of shares in issue for the period plus an estimate for the dilutive effect of option grants vesting, being 30,721,692 (2020: 26,342,567). Again, this is also impacted by the deferred tax rate change reducing earnings by £1.5m in 2021.

The impact of the deferred tax rate change of £1.5m is to reduce basic EPS from 16.3p to 11.3p in the year and diluted EPS from 16.3p to 11.3p in the year.

Adjusted basic EPS for the year was 27.0p (2020: 16.8p), an increase of 61% based on the average number of shares in issue for the period of 30,622,102 (2020: 25,822,750).

Adjusted diluted EPS for the year was 26.9p (2020: 16.5p), an increase of 63% based on an estimate of diluted shares in issue of 30,721,692 (2020: 26,342,567).

The adjustments to earnings to derive the adjusted EPS figures total £4.8m (2020: £0.6m) and result from the share-based payment charge of £1.0m, amortisation of acquired intangibles of £1.2m, exceptional costs of £0.9m, a deferred tax rate change generating a charge of £1.5m, and a loss on disposal of subsidiary of £0.2m.

The profit attributable to owners was £3.5m (2020: £3.8m).

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

The Group has made significant progress with its strategic initiatives and is generating significantly more cash than ever before. As a result, the Board is pleased to announce a final dividend of 7.8p (second interim dividend for 2020: 6.6p), an increase of 18%, bringing the total dividend for 2021 to 11.6p (2020: 8.7p). It will be paid on 27 May 2022 to all shareholders on the register on 29 April 2022. Our shares will be marked ex-dividend on 28 April 2022. The total amount payable is £2.5m.

Cash flow
The Group is strongly operationally cash generative. The net cash inflow from operating activities in 2021 was £8.9m (2020: £5.4m).

The net cash outflow from investing activities was £13.7m (2020: outflow £0.1m). This consisted of £13.0m for the purchase of Hunters Property PLC, £0.1m for the purchase of Mortgage Genie Limited and its sister company, £0.3m on the disposal of Auxilium and £0.3m for the purchase of assets. In 2020, £0.2m was paid to franchisees following their purchase of tenanted managed properties and the acquisition of Auxilium Partnership Ltd netted to a cash inflow of £0.1m following a loan repayment of £0.2m.

The Group borrowed £12.5m from Barclays to fund all bar £2.0m of the cash element of the consideration for Hunters Property Plc. This was made up of a revolving credit facility of £5.0m and a term loan of £7.5m repayable over 4 years. The Group had no bank borrowings in the prior year. It made repayments against the term loan of £1.4m during 2021. In addition, the Group repaid loans that Hunters had with HSBC of 3.0m.

Dividend payments totalling £2.9m were paid in the year (2020: £0.5m).

Shares were purchased by the TPFG EBT for £0.3m (2020: £nil).

Liquidity
The Group had cash balances of £8.4m on 31 December 2021 (2020: £8.8m) and due to the bank loans mentioned above its net debt was £2.7m (2020: net cash £8.8m).

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

The key financial measures are as follows:
- Management Service Fees per franchisee
- Adjusted EBITDA
- Profit before tax
- Adjusted profit before tax
- Adjusted earnings per share
- Net cash generated from operations

These have been discussed below in further detail.

The key non-financial measure focus on some long-standing drivers of financial performance. There are also non-financial measures being reported on with regards to the strategic initiatives which can be found in the strategy section on page 16:
- Number of properties listed for sale
- Number of properties let
- Number of properties sold
- Number of managed properties
- Number of managed properties acquired through assisted acquisitions
- EweMove territories sold

Financial position
The consolidated statement of financial position remains strong with total assets of £60.4m (2020: £25.2m), the significant increase being mainly due to the acquisition of Hunters Property plc.

There was an increase of £22.4m in liabilities during the year due to the new bank loan which contributed £11.1m of the increase as well as from an increase in the deferred tax liability of £4.5m resulting from the Hunters acquisition and the increase in the deferred tax rate, and an increase in other liabilities mainly resulting from the Hunters acquisition of £6.8m.

The Group finished the year with the total equity attributable to owners of £33.6m, an increase of £13.1m or 64% over the prior year.

The Group generated stronger cash inflows than ever before in 2021 due to its operating margins, acquisitions and the strength of the residential sales market. This has quickly brought the net debt down from a high of £7.3m following the acquisition of Hunters to a net debt of £2.7m at the year end.

David Raggett
Chief Financial Officer
4 April 2022

OUR KEY PERFORMANCE INDICATORS (KPIS)

Measuring our performance

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

STRATEGIC GROWTH INITIATIVE

1 Lettings growth
2 Sales activity in the traditional brands
3 Financial services growth
4 EweMove recruitment
5 Acquisitions
6 Digital marketing

MSF PER FRANCHISE – ALL BRANDS (£K)

£28k

+3% (2020: £27k)

Definition

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

Comments

The average MSF per franchised trading territory was unchanged due to the significant number of new recruits into EweMove in 2021 and the Hunters network being more recently established compared to our other high-street led brands.

Links to strategy

1, 2, 3, 4, 5, 6

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

ADJUSTED EARNINGS PER SHARE – FULLY DILUTED (PENCE)

26.9p

+63% (2020: 16.5p)

Definition

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

Comments

Adjusted earnings per share has significantly increased due to underlying profitability generated through the acquisition of Hunters.

Links to strategy

1, 2, 3, 4, 5

FINANCIAL KPIS

NET CASH GENERATED FROM OPERATIONS (£M)

£8.9m

+65% (2020: £5.4m)

Definition
Cash generated from the day-to-day trading activities of the business.

Comments
The franchise model continues to be highly cash generative and the acquisition of Hunters has significantly contributed to the increase in 2021.

Links to strategy
1, 2, 3, 4, 5, 6

PROFIT BEFORE TAX (£M)

£6.4m

+35% (2020: £4.8m)

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

Comments
Profit before tax increased by £1.6m in 2021 due in the main to the acquisition of Hunters.

Links to strategy
1, 2, 3, 4, 5, 6

ADJUSTED EBITDA (£M)

£10.4m

+81% (2020: £5.7m)

Definition
Adjusted earnings before interest, tax, depreciation, amortisation, exceptional items, gains and losses from investments and share based payments charges.

Comments
Adjusted earnings have significantly increased due to underlying profitability generated through the acquisition of Hunters.

Links to strategy
1, 2, 3, 4, 5

ADJUSTED PBT (£M)

£9.4m

+76% (2020: £5.3m)

Definition

Adjusted profit before tax, amortisation arising on consolidation, exceptional items, gains/losses from investments and share based payments charges.

Comments

Adjusted PBT has significantly increased due to underlying profitability generated through the acquisition of Hunters.

Links to strategy

1, 2, 3, 4, 5

NON-FINANCIAL KPIS

TENANTED MANAGED PROPERTIES

74,000

+27% (2020: 58,000)

Definition

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

Comments

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

Links to strategy

1, 5, 6

PROPERTIES SOLD IN THE YEAR

26,200

+176% (2020: 9,500)

Definition

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

Comments

Residential sales were driven by homeowners reprioritising their needs and the stamp duty holiday which came to an end in September 2021.

Links to strategy

2, 3, 6

MANAGED PROPERTIES ACQUIRED BY FRANCHISEES

1,270

-3% (2020: 1,305)

Definition

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

Comments

The supply of suitable businesses for franchisees to acquire has been lower in the last few years for a number of economic and market factors. In 2021 we put the lack of supply down to potential sellers making the most of the buoyant sales market.

Links to strategy

1, 5, 6

PROPERTIES LET IN THE YEAR

40,300

+43% (2020: 28,100)

Definition

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

Comments

The increase resulted from the acquisition of Hunters. The rental market did not appear to be driven in the same way as the sales market by the reprioritisation of housing needs in 2021.

Links to strategy

1, 5, 6

EWEMOVE TERRITORIES SOLD

58

+427% (2020: 11)

Definition

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

Comments

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

Links to strategy

1, 3, 4, 6

PROPERTIES LISTED FOR SALE

31,100

+67% (2020: 18,600)

Definition

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

Comments

Residential listings were driven in the main by upsizers.

Links to strategy

2, 3, 6

OUR STRATEGY IN ACTION

1 Lettings growth
2 Develop sales activity in the high-street led brands
3 Financial services growth

For Erica Townend, life (in property at least) really did begin at 40!

After reaching a plateau in her career in IT, age 40, Erica joined her father's property business.

She progressed quickly, putting her degree in building surveying to good use by project managing a 42-unit development, setting up a buy-to-let operation, property consultancy and managing a 200-room student development.

With the property bug taking hold, a stroll past Martin & Co's flagship Chelsea branch, Erica decided to approach The Property Franchise Group.

"I was always left unimpressed by the sales and lettings agents I'd dealt with in the past," she says. "I felt I could do better. I wanted to transfer my skills from IT and property to my own business – with the support of a franchise tagged on."

That was in 2015. This last year, Erica and husband Mike have grown their lettings business by 35% and the sales side of their branch by 44% – as well as launching a very popular financial services offering.

"We brought in an experienced sales manager with more than 25 years' industry," says Erica. "That move allowed the whole estate agency to deliver exceptional customer service.

"My previous business experience had taught me to maximise every sales opportunity, and to treat every customer as an individual, as I would like to be treated. Teamwork and great communication are keys to our progress, as well as the excellent support, marketing and training we receive from head office.

"Our branch is a one-stop-shop for all our clients' needs across sales, lettings, financial services and conveyancing. It's also the combination of experience, knowledge and customer service that creates a more loyal customer base within the local community."

STAKEHOLDER ENGAGEMENT

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

OUR EMPLOYEES

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

MATERIAL TOPICS

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

HOW WE ENGAGE

Face to face meetings were replaced with digital communication during the pandemic. As restrictions have been removed we have carried out more face to face meetings to promote a sense of 'one team' despite people being based in different locations across the UK.

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

OUR BANKS

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

MATERIAL TOPICS

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

HOW WE ENGAGE

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

OUR FRANCHISEES

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

MATERIAL TOPICS

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

HOW WE ENGAGE

Our regular face-to-face Regional Business meetings with franchisees were replaced with virtual meetings when restrictions applied but face-to-face meetings have now resumed. We also hold brand marketing meetings and one-to-one meetings.

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

OUR REGULATORS

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

MATERIAL TOPICS

- Compliance with the legislation
- Maintain high standards
- Franchisees encouraged to hold a property-related qualification even though it is not yet mandatory in the industry

HOW WE ENGAGE

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

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

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

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

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

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

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

S172 STATEMENT

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

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

PRINCIPAL DECISIONS IN 2021

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

SIGNIFICANT DECISION
In early 2021 we took the decision to change our Financial Services strategy which involved selling our shareholding in Aux Group Limited which owned Auxilium Partnership Limited and entering into a 5-year strategic partnership with LSL Property Services plc "LSL". We subsequently took the decision to buy The Mortgage Genie Limited and its sister company, The Genie Group UK Ltd, in September 2021.

STAKEHOLDERS AFFECTED AND ENGAGEMENT
- Shareholders – from previous discussions we were already aware that shareholders had an appetite for us to grow our financial services revenue stream
- Banks – although we did not need bank funding for these activities we kept the bank informed due to us having an existing loan facility

- Regulators – advisors assisted with the regulatory requirements of buying Mortgage Genie and its sister company
- Employees – we timed our announcement to employees to occur at the same time as the news of our intentions became public
- Franchisees – a newsletter was sent to franchisees on the morning of the news becoming public. Since then we have explained the opportunities of our partnership with LSL at regional events and through newsletters and face-to face meetings with members of each brand's regional team

REASON FOR DECISION
Acceleration of our financial services strategic initiative to grow the number of financial services' advisers serving our network.

LSL is one of the largest providers of services to mortgage intermediaries and mortgage and protection advice to estate agency customers. Financial services products are potentially relevant to all viewers, sellers and purchasers that interact with our franchises so there is huge scope to generate additional business and secure additional revenue streams.

The strategic partnership with LSL gives our franchisees
- access to the PRIMIS Mortgage Network, a well-established mortgage and protection advice services network whereby they can have the benefits of advisers working in their offices serving their clients. Clients can benefit from expert advice, delivered in an informal way, through a natural flow of questions and answers where rapport and trust is built. As well as benefiting from a wide range of competitive deals on mortgages and life insurance.
- the ability to set up their own mortgage brokerage through PRIMIS. They become a PRIMIS Mortgage Network member choosing either to recruit an employed adviser or to train up a member of their own staff with PRIMIS's assistance. The client benefiting in the same way as listed in point 1.
- access to EMBRACE, the call centre mortgage broking arm of LSL to whom they can pass leads if they feel that their sales activity levels are not sufficient to partake in the other two options already outlined above. Technology being substituted in part for face-to-face advice and with clients still benefiting from a wide range of competitive products delivered by experts.

The purchase of an 80% shareholding in The Mortgage Genie Limited in September 21 brought with it a team of advisers which we plan to grow. Its primarily a call centre based brokerage. This team was already serving the EweMove franchise network and will be expanded to serve its growing needs as well as to win a greater share of mortgage business conducted in the market.

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

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

Shareholders will benefit from increased earnings.

PROGRESS
- Signed Strategic Partnership agreement with LSL Property Services plc in April 2021
- Sold Aux Group Limited in July 2021
- Acquired an 80% shareholding in The Mortgage Genie Limited in September 2021

Understanding our social, environmental and economic impacts

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

ENVIRONMENTAL MATTERS

We operate a franchise model which means that the Group does not have a significant environmental impact.

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

STEERING GROUP

We have formed a team initially composed of the Executives and members of the leadership team supported by third parties to examine where we impact the environment, to look at good environmental practices in these areas, to consider how we might help promote better environmental practices in areas where we don't ourselves impact the environment, and ultimately to develop a sustainability strategy supported by an Environmental Policy.

The 2030 agenda for sustainable development adopted by the UN provides a globally recognised guide. We will consider the UN sustainable development goals as part of this teams work with a focus on those that are most relevant to our business and where we can make the largest impact.

Our Environmental Policy will set out our environmental objectives, our responsibilities and those of our franchisees. Once established with targets we will consider how best to review progress and to identify opportunities for improvement.

ESTABLISHED PROCESSES

RECYCLING

We have been recycling paper, cardboard and reusable plastic waste for years. Our kitchens are stocked with glasses and mugs negating the need for plastic cups. We encourage employees to use reusable drinking containers.

We have promoted the use of electronic documents, sharing documents and greater electronic storage of documents throughout our Group to reduce print and paper wastage.

ENERGY EFFICIENCY

As we have refurbished our leased properties, we have installed energy efficient lighting and appliances. We have also improved our thermal efficiency.

GETTING TO WORK

We have always had a few employees who cycle to work and we signed up to the cycle to work scheme to encourage this activity.

We have a growing regionally based team supporting the franchisees and more owned businesses that our teams travel between. An increasing number of journeys are being made by train.

We have also fully embraced virtual meeting technology to reduce the need to travel where practicable.

GOOD HEALTH AND WELL-BEING

We have refurbished our buildings mindful of the colours that can create a positive environment. The same thoughts have gone into our choices of furniture, our kitchens and our meeting areas.

CURRENT CONSIDERATIONS

GOOD HEALTH AND WELL-BEING

We are aware of growing issues with mental health and general well-being and are exploring arrangements with third party suppliers to provide these support services.

LANDLORDS

We are looking at how we and our franchisees can become more informed about thermal insulation issues. With the ever-increasing standards and the challenges of retrospectively upgrading homes to meet these standards we recognise that our landlords need supporting.

ELECTRIC VEHICLES

Whilst still in its infancy, there appear to be opportunities to use electric vehicles for journeys and we are looking at where we can practically do so. This would require electric charging point installations at employees' homes and at our offices.

OFFICE REFITS

We are looking at sustainable materials that can be used in the refurbishment of our offices and set out in the refurbishment policies for our franchisees.

ENERGY EFFICIENCY

We are exploring a transition of our modest energy supplies to green energy contracts.

SOCIAL MATTERS

Being a franchised business, we have many local businesspeople and their teams up and down the country engaged in charitable causes, social groups and business organisations.
They are raising funds and making financial donations to both support the local communities that they live and work in as well as national charities. These vary from supporting local schools, clubs, hospices, foodbanks to specific charities for mental health.

It's the same culture that exists within our own Group and we endeavour to support good causes locally and nationally. One of our national charities, The Nikki Waterhouse Trust established in 2015 donated £20,000 in 2021 to several childrens hospices throughout the UK; £5000 each have been sent to Martin House Wetherby, The Acorn Childrens Hospice Birmingham, The Rainbow Trust Loughborough and The Forget Me Not Childrens Hospice in Huddersfield as well as supporting individual children nationally suffering with life limiting conditions. We have various sponsorship events throughout the year but our main fundraising activity is the National Golf Day usually held in September.

We are looking at ways to provide more and improved support of these activities so that our franchisees and our own employees can enjoy the benefits and positive re-enforcement that such activities can bring. Its also the case that we could share these success stories more widely and thereby encourage others in our network to step forward. With that in mind, we will be looking at ways of using social media.

Community engagement

Whitegates Dewsbury

Led by business owner Camran Ishaq, Whitegates Dewsbury have worked tirelessly to support their local community and local up and coming sports talent. They run a weekly outreach programme to provide hot food to the vulnerable and those in need as well as emergency food parcels to local families. Through sponsorship, they have helped support grassroot sports activities and holiday camps for young people in the local area as well as rising local sporting talent.

Martin & Co Poole

Steve Ballam of Martin & Co Poole has worked with Carbon Neutral Britain to calculate his business' carbon footprint. Supported by Carbon Neutral Britain, the Martin & Co Poole team have reduced their carbon emissions and supported certified projects in Britain and around the world that reduce the amount of CO_2e in the earths atmosphere to gain accreditation as a Carbon Neutral business.

Martin & Co Wakefield

In October 2021, the Martin & Co Wakefield team did a Step- Up Challenge to raise money for 'Cuddle Cots' at their local hospital which provides families the opportunity to spend more precious time with their baby when they have sadly passed. Over the course of 7 days, each member took on the challenge of achieving 70,000 steps resulting in a total of 357,728 steps raising over £1,000.

Parkers Reading, Caversham, Earley, Woodley, Twyford

Craig Pearson and his team across five branches have been actively supporting their local community in a wide variety of ways. To help reduce single use of plastic bottles, they donated reusable water bottles to local schools and youth groups. They have been working with local art and creative studios to encourage both children and adults to visit and engage as they reopened post pandemic closures. The team have partnered with mortrees.eco programme, planting a tree for every property sold resulting in 11.7 tonnes of CO_2 emissions offset in January alone, with all other Parkers branches now joining the programme.

Parkers Burghfield Common, Theale, Tilehurst, Tadley & Spencers Wood

Throughout the Covid pandemic, Simon Gregory and his team launched a number of community initiatives to help local schools and parents. Across his six branches, they offered a free printing service that parents could use to assist with children's school work whilst working from home. In addition to this, to help ease the financial stress for families when home learning, they donated top of the range educational PC's to seven different schools in the area. At the end of the Summer, they launched a 'Schools out for summer' campaign which gave members of the local community the chance to win a complete back to school kit, consisting of £280 worth of vouchers for school supplies. This was handed out to five different families across their local area.

In January, each branch pledged to raise a minimum of £1,000 for a charity chosen by the local community through a number of fundraising efforts. They have already raised money by hosting a charity photoshoot fundraiser and taking part in fundraising events such as the Thames Path Challenge, The Reading Marathon. They have plans for a number of local fundraiser events throughout the course of the year.

OUR PEOPLE

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

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

Employee turnover is extremely low with many employees specialising in specific aspects of our businesses and leading those particular areas. We recognise the strength in this and are also aware of the need to develop the next leaders in a growing business. With this in mind, Glynis Frew has taken on the role of Director of Training and Development.

We firmly believe in developing future talent within our Group who share our values and the same goes for our franchisees. We want people to grow their careers like those who have gone before them in both our own Group and the franchised network.

Motivated and highly engaged teams with the appropriate skills for the Group as it is today and for the future growth are fundamental to our success. We have been continually investing in the growth of a leadership team and regional team capable of not only supporting our own employees to develop but our franchisees and their teams since September 2020.

*Upskilling our people and our franchised network is important in the ever-changing business environment and ever-*growing use of new technologies. We also have the impacts of increased regulation and the prospects of further regulation including RoPA. Hunters has had an established training academy and National Qualification endorsed by Propertymark for many years. Hunters already have over 1,300 staff members who have individually attained the Hunters National Qualification and over 120 branches with full branch accreditation. Since acquisition, 2,014 employees in the other franchised brands have joined the academy and completed 2,423 e-learning modules. Shortly, a new and improved training portal will be launched to encourage even more engagement.

RISK MANAGEMENT

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

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

RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK AREA

NO GUARANTEE OF GROWTH

The Group's main source of revenue is Management Service Fees ("MSF") derived from franchise network turnover. MSF is dependent on market conditions and the experience, expertise and commitment of the franchisees.

POTENTIAL IMPACT

Reduced growth in MSF, especially from sales, which are more prone to economic uncertainty.

Reduced market share and representation.

Poor or no profit growth from the franchise model.

Less attractive to new franchisees for which a growth track record is an essential element.

MITIGATION

The acquisition of Hunters helped to increase market share.

The leadership team and Board continually monitor revenue from MSF, the underlying KPIs and variances to expectations. This informs key focuses for the leadership team and roll out of actions to the network of franchisees.

EweMove's proposition is a lower cost model and has proved successful in attracting new franchisees. A similar model 'Hunters Personal' is now being rolled out under the Hunters brand.

There is the opportunity to use the data we hold and the customer relationships we have established to offer other products and services that increase franchisees' revenue and our MSF.

INDICATOR

Decrease

STRATEGY

1, 2, 3

RISK AREA

LEGISLATIVE CHANGES AND GOVERNMENT POLICY

The residential property market is continually influenced by changes in UK legislation and government policy. This can cause short-term changes in the behaviour of our clients and lead to inefficiencies in the way we operate as we get to grips with complying with new requirements. There is also a move towards bringing in greater regulation of the industry in the next few years.

Financial Services legislation provides a barrier to new entrants both in regulatory requirements and the cost of compliance.

POTENTIAL IMPACT

Landlords could resort to selling their properties after having to suffer an ever-growing list of regulations and a greater tax burden.

Entry into Financial Services could be more difficult and costly than envisaged with increasing FCA levies and insurance charges already seen recently.

MITIGATION

The property management service offered by the network aims to free landlords from the burden of legislation where it can.

We have in-house resource and tools to ensure our network is compliant.

We have entered into a strategic partnership with LSL, a respected partner, which means they take care of the FCA requirements.

We have several compliance experts in the Group some of whom assist the regulatory bodies.

INDICATOR

No change

STRATEGY

1, 2, 3

RISK AREA

ABILITY TO GROW PORTFOLIO OF MANAGED PROPERTIES

It has become increasingly difficult to win new business to replace properties lost.

The Group needs to continue to find suitable portfolios of managed properties for its franchisees to buy to meet its targets. We are not the only franchisor in our sector pursuing this strategy and we also face competition from well-known estate agents.

Tight lending criteria of major lenders may limit the external funding available to our franchisees. Franchisees may not have the appetite to buy portfolios.

POTENTIAL IMPACT

With fewer opportunities to win letting instructions due to the increased length of tenancies franchisees' revenue may decline which in turn impacts on the income for the group.

Franchisees may be unable to complete on deals for lack of external funding.

MITIGATION

In-house experienced team assists throughout the whole process. It was enhanced still further in 2021 by the recruitment of a well-known and very experienced acquisitions specialist.

The Group has expanded its relationships with alternative lenders to give franchisees more options. In addition many contracts are now being signed with some consideration deferred over a longer period.

The Group has earmarked funds to help franchisees buy portfolios in 2022.

Acquisitions is one of the strategic growth initiatives and a key focus for the leadership team.

INDICATOR

Decrease

STRATEGY

1

RISK AREA

ABILITY TO FIND, RECRUIT, RETAIN AND SCALE UP SKILLED FRANCHISEES

An inability of the Group to attract new franchisees with the necessary skills, expertise and resources to cold start or purchase resales of existing territories and/ or an unwillingness for existing franchisees to take on further opportunities would impact on our growth.

POTENTIAL IMPACT

There may be slower growth through an inability to increase market representation or achieve a timely exit for a franchisee.

Lower resale values may result and discourage new entrants.

MITIGATION

In-house experienced franchise sales team.

The recent launch of the "hub and spoke" model has encouraged new entrants to work with existing franchisees to deliver our services in previously unexploited areas of the UK.

EweMove has continued to be a very successful recruiter of franchisees. The hybrid model has become more understood and popular as a result of the pandemic and it is now being rolled out to the Hunters brand as 'Hunters Personal'.

INDICATOR

Decrease

STRATEGY

4

RISK AREA

REPUTATIONAL RISK TO OUR BRAND

A strong brand is key to being successful in any sector and central to that is the reputation of the Group and its franchisees. Our combined ability to provide our service commitments and the way in which we do that is central to our reputation.

POTENTIAL IMPACT

Failure by the franchisees to meet the expectations of landlords, tenants, buyers and sellers or to fall short of the standards set by the Group may have a material impact on reputation. As a result, franchisees may lose clients and revenue. We may lose MSF and find it difficult to recruit franchisees.

Failure to manage social media could lead to brand damage.

MITIGATION

Minimum standards are set out to franchisees and their compliance is monitored.

Increased leadership team supported by Regional Operations Managers.

Increased focus on social media by the central team.

PR agencies are retained to monitor, assist and advise on strategies to minimise these risks.

INDICATOR

No change

STRATEGY

6

RISK AREA

ONLINE & IT THREATS

Cyber threats could affect our business systems.

POTENTIAL IMPACT

The success of the business relies on robust IT systems. Interference by third parties could impact the ability of those systems to operate.

MITIGATION

Two-factor authentication has been adopted by the business.

Additional development engineers have been recruited.

Ewemove operating system security is being improved by the migration to a new provider.

INDICATOR

No change

STRATEGY

6

The Strategic Report is contained on pages 1 to 37. It was approved by the Board on 4 April 2022 and signed on its behalf by:

David Raggett
Chief Financial Officer

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

High standards of corporate governance contribute to our success.

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

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

We continually review the framework within which we operate, reflecting upon the updated guidelines and research published by the QCA so as to ensure we have a framework reflecting the complexities of our business which is capable of adding value as we grow.

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

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

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

Richard Martin
Chairman

QCA CODE COMPLIANCE

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

GOVERNANCE PRINCIPLE		EXPLANATION	COMPLIANT	FURTHER READING
1	Establish a strategy and business model which promotes long-term value for shareholders.	Our strategy can be summarised as to buy and build, diversify our income streams, maintain operational efficiency and support our franchisees' growth. Our growth will principally be achieved through our franchise model.	✓	See more on pgs 16-17
2	Seek to understand and meet shareholder needs and expectations.	The Board is committed to ensuring that its shareholders and potential shareholders have opportunities to express their expectations through roadshows, investor platforms, the AGM, its advisors' organised feedback sessions and ensuring that their contact details are easily available.	✓	See more on pgs 28-29

3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Wider stakeholders start with our people, our franchise owners and their staff. Then those who support and partner our franchise model to deliver products and services to end-customers. We are intent on binding them together in a fair and respectful partnership to deliver our long-term success.	✓	See more on pgs 28-29
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Board meetings have been even more focused on threats and opportunities, and deciding on how to mitigate threats and exploit opportunities, following the global pandemic, Brexit and now conflict in Ukraine.	✓	See more on pgs 35-37
5	Maintain the Board as a well-functioning, balanced team led by the Chair.	With the acquisition of Hunters in March 2021 the Board was expanded by one Non Executive Director and one Executive Director (resigned 31 March 2022) which assisted with the integration of the new business. The Board now consists of four Non Executive Directors and two Executive Directors.	✓	See more on pgs 42-43
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Board consists of members with extensive property franchising and listed company experience. They are encouraged to keep their skills up to date.	✓	See more on pgs 42-43
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Our strategy, franchise model and size allow us to have greater freedom to discuss our performance and effectiveness than many organisations enjoy. We are continually improving what we do, how we do it and, at times, how we correct underperformance.	✓	See more on pgs 16-17
8	Promote a corporate culture that is based on ethical values and behaviours.	We are a people business led by hard working executives mindful of the need to work ethically. Our teams home-worked through the pandemic and some hybrid working has continued since the return to office based working.	✓	See more on pg 30-34
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	We have the appropriate size specific structures recommended by the QCA. We have recruited a full-time in-house lawyer and Company Secretary to help support the Board.	✓	See more on pg 40
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	We engage in investor roadshows, an active financial PR process, and dialogue with analysts following our sector. We have continued to focus more resource on engaging with retail investors and making research more easily accessible to them. At the same time, we keep our people, our franchisees and their staff, our suppliers and our lenders regularly informed about our performance.	✓	See more on pgs 28-29

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

The Board has an appropriate balance of skills, capabilities and experience, including in areas of residential property sales and lettings, franchising, finance and marketing. Each Directors' biography is set out on pages 42-43 which demonstrates the experience mix.

The Board are supported by a strong senior management team which contains the managing directors for franchisors, a group marketing director, head of legal, head of franchising and several qualified accountants alongside the Chief Executive Officer and Chief Financial Officer.

During the years ended 2020 and 2021, the Remuneration Committee has sought advice from Deloitte LLP in relation to share option schemes and other employee reward mechanisms.

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

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

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

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

Non-Executive Directors/Board independence
The Company has 3 independent Non-Executive Directors, Paul Latham, Phil Crooks and Dean Fielding (appointed 22 March 2021), who provide an important contribution to its strategic development. These three Non-Executive Directors meet the independence criteria which are set out in the UK Corporate Governance Code.

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

Remuneration Committee

The Remuneration Committee is chaired by Paul Latham and its other members are Phil Crooks and Dean Fielding. It met 3 times in 2021 and will continue to meet at least twice a year.

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

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

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 46 to 48.

Audit and Risk Committee
Phil Crooks is the Chair of the Audit and Risk Committee. Paul Latham and Dean Fielding are its other members. It met 3 times in 2021 and will continue to meet at least twice a year.

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

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

For more information on the work of the Audit and Risk Committee during the year please refer to its report on pages 44 and 45.

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

During the course of the year the Board reviews progress against the risks set out in the risk review. The key risks are set out in the section of principal risks and uncertainties on pages 36 and 37.

Directors attendance at meetings held during the financial year ended 31 December 2021:

	Board	Audit Committee	Remuneration Committee
Number of meetings	13	3	3
Richard Martin	13	–	–
Gareth Samples	13	–	–
David Raggett	13	–	–
Glynis Frew (appointed 22 March 2021 and resigned 31 March 2022)	7/7	–	–
Paul Latham	13	3	3

Phil Crooks	13	3	3
Dean Fielding (appointed 22 March 2021)	7/7	1/1	1/1

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

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

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

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

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

OUR BOARD OF DIRECTORS

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

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

— Richard Martin
Non-Independent Non-Executive Chairman

After leaving Bristol Technical School, Richard became an apprentice stereotyper for the Bristol Evening Post in 1967. In 1975 he moved to The Western Gazette, another newspaper in the same group based in Yeovil. Ahead of the introduction of computerisation into the industry, Richard moved into the commercial side and in 1981, became trained in advertising design and sales. After a few years he gained promotion to Advertising Manager for the group's free press titles distributed throughout Somerset, Dorset, Devon and Wiltshire.

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

— Gareth Samples
Chief Executive Officer

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

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

Following his successful career at LSL, Gareth became Managing Director of Briefyourmarket.com where he gained significant digital marketing experience and knowledge and since 2014 he has served as Chairman of Legalforlandlords. Gareth formally joined the Group as CEO on 30 April 2020.

— David Raggett
Chief Financial Officer

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

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

— Paul Latham
Independent Non-Executive Director

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

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

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

Chair of the Remuneration Committee

— Phil Crooks
Independent Non-Executive Director

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

Phil was appointed as an independent Non-Executive Director of The Property Franchise Group PLC's Board and Chair of its Audit and Risk Committee in May 2015.

Chair of the Audit and Risk Committee

— Dean Fielding
Independent Non-Executive Director

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

Dean joined TPFG when it acquired Hunters in March 2021.

AUDIT AND RISK COMMITTEE REPORT

Ensuring effective controls are maintained across the business.

Members

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

Objectives

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

Achievements in 2021

- Review of potential impact and risks and opportunities arising from the acquisition of Hunters and the subsequent judgements made in accounting for the acquisition.

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

We were delighted to welcome Dean Fielding to the ARC to join Paul Latham and myself who have worked together on the ARC for the last 6 ½ years. The three of us are independent Non-Executive Directors with extensive general business and management experience. Dean also brings a wealth of experience in the industry and of Hunters in particular, complementing my experience in accounting, audit and forensic investigations and Paul's sector knowledge.

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

We undertake to meet at least twice a year and in the last year we met formally 3 times to continue our rolling process of reviewing matters during the year. We aim to ensure that actions are both being undertaken in a timely manner and, as importantly, supported with necessary expertise. Details of attendance at meetings can be found on page 41.

Purpose

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

The main responsibilities are summarised below:

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

Activity in 2021

Financial information

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

During the year we reviewed the Interim Results and Trading Updates to ensure the integrity of the financial information being presented. The ARC also reviewed the budget assumptions ahead of it being presented to the Board for approval.

A specific focus during 2021 was the Hunters acquisition. The acquisition was made at a time when there was continuing uncertainty regarding the potential impact of Covid – 19 and the ARC considered the risks and opportunities arising from the acquisition. Subsequent to the acquisition and specifically at the half year and year end consideration was given to the accounting judgements made in accounting for the acquisition. This was in addition to monitoring the recurring judgements made in respect of the LTIP and the potential impairment of intangibles.

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

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

Covid-19 continued to generate uncertainty and, with that, risk and as such we have continued to monitor this situation closely.

External audit
The effectiveness of the external audit process is dependent on the appropriate audit risk identification at the start of the audit cycle. A detailed audit plan was received from BDO which set out the key risks identified. The ARC approved this plan and the auditor's remuneration.

The independence and objectivity of the external audit function is a fundamental safeguard to the Company's shareholders. In order to ensure audit independence, the ARC restricts the engagements of BDO in relation to non-audit work. No non-audit work was undertaken by BDO in the year.

The effectiveness of the external audit process is currently assessed by the ARC based on discussions with those involved in the process. The ARC has made a recommendation to the Board to reappoint BDO as the Company's auditors for the 2022 financial year. In making that recommendation the ARC has also considered the independence and objectivity of the auditors as well as the cost effectiveness of the external audit. Accordingly, a resolution proposing the reappointment of BDO will be tabled at the AGM in 2022.

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

The year ahead
In the year ahead the ARC will continue to focus on key risks and accounting matters. This specifically includes information security, the results of our internal audits of franchisees, the roll-out of EweMove's new operating platform and our year-end audit.

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

Phil Crooks
Chairman of the Audit and Risk Committee
4 April 2022

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

Members

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

Objectives

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

As Remuneration Committee Chair, I am pleased to present its report for the year. This report sets out the Group's remuneration policy for Directors and explains how this policy was applied during the financial year to 31 December 2021

The Remuneration Committee comprises Phil Crooks, Dean Fielding and me. Dean joined the committee in March following the acquisition of Hunters. We are all independent and combine extensive industry knowledge with a deep understanding of corporate reporting governance. The Committee seeks external advice from various sources including Deloitte LLP.

The Remuneration Committee has two scheduled meetings a year however as a result of the Hunters acquisition the Committee met formally on four occasions and also held a number of informal meetings. Apart from Phil, Dean and myself, our Chief Financial Officer is a regular attendee of our meetings, supporting us with papers and analysis.

Purpose

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

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

Activity in 2021

The Committee believes that the entire senior team, and in particular the Executive Directors, have continued to provide extraordinary, inspiring and resourceful leadership during these challenging times as the restrictions imposed by the pandemic were eased.

The Committee considered the remuneration arrangements for the Executive Directors and other key employees and satisfied itself that they are aligned to the Group's strategic goals and properly incorporate the key performance indicators. Further, the Committee is satisfied that the remuneration outcomes for 2021 were aligned to performance and the Committee believes that the arrangements continue to promote the long-term success of the Group and incentivise the delivery of strong, sustainable, financial results.

Policy on remuneration of Directors

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

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

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

- pay competitive salaries to aid recruitment, retention and motivation being reflective of the person's experience and importance to the Group.

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

Components of Directors' remuneration

Basic salary or fees

Basic salary or fees for each Director are determined by considering the performance of the individual and information from independent sources on the rates of salary and fees for similar posts. The salaries and fees paid to Directors by the Group were £716,000 (2020: £721,000).

Annual bonus

The Company has a formal bonus scheme for its Executive Directors. Bonuses were paid to the Executive Directors by the Group of £464,000 (2020: £297,000).

Pension

Contributions made to Executive Directors' pensions in the year were £70,000 (2020: £40,000).

Share options

On 22 July 2020, the Board granted new options to the Chief Executive Officer and the Chief Financial Officer over a maximum of 100,000 ordinary shares each in the Company with an exercise price of £0.01. The options are subject to two performance conditions; basic earnings per share adjusted for exceptional income/ costs and share-based payment charges ("adjusted EPS") and total shareholder return. Each performance condition applies to 50% of the award being made. The measurement period is for the 3 years ended 31 December 2022. In respect of both performance conditions, growth of 15% over the performance period is required for threshold vesting of the awards, with growth of 35% or higher required for all the awards to vest. The shares are awarded on a sliding scale for growth between 15% and 35%.

Our Chief Executive Officer was entitled to a maximum bonus of £150,000 in 2020 of which £100,000 was delivered on 24 March 2021 via the granting of a nil cost option, with a 100% uplift based on a 30-day VWAP applied. This resulted in an option over 100,000 ordinary shares. The option is exercisable two years' after being granted subject to continued employment, vesting criteria, malus and clawback 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).

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 these options have an exercise price of £0.01. The options have 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.

Company policy on contracts of service

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

Termination date

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

Company policy on external appointments

The Company recognises that its Executive Directors are likely to be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive and Non-Executive Directors are, therefore, subject to approval of the Company's Board, allowed to accept non-executive appointments, as long as these are not with competing companies and are not likely to lead to conflicts of interest. Executive and Non-Executive Directors are allowed to retain the fees paid.

Taxable benefits

The Executive Directors were not entitled to taxable benefits such as a company car or private medical insurance during the year.

Directors' emoluments

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

	Salary & fees £'000	Bonus £'000	Total 2021 £'000	Total 2020 £'000
Executive Directors:				
Gareth Samples	220	220	440	347
David Raggett	200	125	325	300
Glynis Frew (appointed 22 March 2021, *resigned* 31 March 2022)	106	119	225	—
Ian Wilson (retired 30 April 2020)				251
	526	464	990	898
Non-Executive Directors:		–		
Richard Martin	55	–	55	40
Paul Latham	50	–	50	40
Phil Crooks	50	–	50	40
Dean Fielding (appointed 22 March 2021)	35	–	35	—
	190	—	190	120
Total remuneration	716	464	1,180	1,018

Vesting of options

On 17 May our Chief Financial Officer exercised options which resulted in him receiving 225,000 shares of which 71,299 were sold to the TPFG Employee Benefit Trust and he retained 153,701. On the day of exercise, the share price was 264p giving a notional gain of £594,000.

Changes to Board members

Glynis Frew and Dean Fielding both were appointed to the Board on 22 March 2021.

Directors' interests

The interests of the Executive Directors, Non-Executive Directors and their spouses in the shares of the Company were as follows as at 31 December 2021:

The Property Franchise Group PLC ordinary 1 pence shares.

	2021		2020	
	Shares	Options	Shares	Options
Directors:				
Richard Martin	7,039,950	–	8,039,950	–
Gareth Samples	–	900,000	–	100,000

David Raggett	383,101	500,000	227,400	325,000
Paul Latham	75,000	–	50,000	–
Phil Crooks	9,351	–	–	–
Dean Fielding	37,874	–	–	–
Glynis Frew	317,400	50,000	–	–

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

By order of the Board

Paul Latham
Chairman of the Remuneration Committee
4 April 2022

DIRECTORS' REPORT

Delivering value to our stakeholders.

The Directors present their Annual Report and audited financial statements for the financial year ended 31 December 2021. Information that would normally be presented in the Directors' Report has been presented in the Group's Strategic Report in accordance with s414C(11) of the Companies Act 2006.

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

Results for the financial year and business review
The Group achieved a profit before tax of £6.4m in the financial year as compared to £4.8m for the prior year and a profit after tax of £3.5m (2020: £3.8m). The change in the deferred tax rate from 19% to 25%, due to an increase in the corporation tax rate in April 2023 to 25%, has had a significant impact on the profit after tax in 2021, reducing it by £1.5m. The results are shown in the Consolidated Statement of Comprehensive Income on page 56. A full review of the Group's business is included in the Strategic Report on pages 1 to 37.

The Group's profit before tax was £1.6m higher than the previous year. Excluding exceptional costs of £0.9m (2020: nil), amortisation arising on acquired intangibles of £1.2m (2020: £0.5m), the share-based payment charges of £1.0m (2020: £0.1m) and the gain on the listed investment of £0.1m (2020: nil), the adjusted profit before tax increased by 76% from £5.3m to £9.4m.

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

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

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

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

Dividends
The Group paid a second interim dividend of 6.6p per share on 23 February 2021 in lieu of a final dividend for the financial year ended 31 December 2020 and an interim dividend for the financial year ended 31 December 2021 of 3.8p per share on 8 October 2021.

The Board recommends a final dividend for the financial year ended 31 December 2021 of 7.8p per share (2020: 6.6p per share) to be paid on 27 May 2022 to all shareholders on the register at the close of business on 28 April 2022 subject to shareholders approval on 19 May 2022.

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

R W Martin
G M Samples
D A Raggett
G J Frew (appointed 22 March 2021, resigned 31 March 2022)
P M Latham
P J Crooks
D A Fielding (appointed 22 March 2021)

The Directors' remuneration and the Directors' interests in the Group are disclosed in the Directors' Remuneration Report on pages 46 to 48.

The Group maintains Directors and Officers liability insurance, which gives appropriate cover against any legal action that may be brought.

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

The Group maintains a strong cash position at the year-end of £8.4m (2020: £8.8m) with bank debt of £11.1m (2020: nil) after borrowing £12.5m to fund the acquisition of Hunters Property plc in March 2021. The borrowing consists of a revolving credit facility of £5m for 3 years and a term loan of £7.5m repayable in quarterly instalments over 4 years of which three instalments had been paid by the year end.

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

The Directors confirm that:
- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

David Raggett
Chief Financial Officer
4 April 2022

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of The Property Franchise Group plc

Opinion on the financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Property Franchise Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Gaining an understanding of the Directors' method for assessing going concern, including evaluating the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant consistent with each other. This included the Directors' assessment that the Ukraine conflict is not expected to have a material impact on the cash flows of the Group during the going concern period of assessment due to the nature and location of the Group's operations, its ownership and supply chains
- Considering the accuracy of historic forecasting and carrying out sensitivity analysis
- The Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios, which included modelling significant downturns in both the sales and lettings markets and associated costs. We have assessed these assumptions against recent sector performance and the Group's results for the financial year to date
- The compliance with covenants relating to the financing obtained to fund the acquisition of Hunters Property plc ("Hunters"), including checking the calculations with reference to the loan agreement and determining whether the calculations have been appropriately applied in the sensitised scenario
- The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage (subject to full scope audit by the Group engagement team)	98% (2020: 100%) of Group revenue 97% (2020: 99%) of Group profit before tax 100% (2020: 99%) of Group total assets		
Key audit matters		2021	2020
	Acquisition accounting – Hunters	3	
	Goodwill and intangible asset impairment risk – Ewemove CGU	3	3
	Revenue recognition	3	3
Materiality	*Group financial statements as a whole* £480,000 (2020: £230,000) based on 5% (2020: 5%) of adjusted profit before tax		

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group's operations are based in Bournemouth, York and Cleckheaton United Kingdom.

We identified eight components, seven of which were considered significant and subject to full-scope audits by BDO LLP. The other non-significant component was subject to a desktop review and specified scope procedures in areas such as revenue, which was carried out by the Group audit team.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Acquisition accounting – Hunters The accounting policy in respect of the accounting for business combinations is included within the accounting policy on page 67; the accounting judgement and estimate in respect of the valuation of intangible assets as part of the acquisition is included within the accounting estimates and judgements note on page 69.	As detailed in the accounting policies and also note 35 to the financial statements, the Group undertook an acquisition during the financial year. Consequently, management had to exercise judgement in determining the fair value of the consideration and the assets and liabilities acquired. Management has recognised on acquisition, separately identifiable intangible assets in respect of master franchise agreements, brands and technology, exercising judgement in estimating the fair value for each one. There is also complexity in complying with the disclosure requirements of IFRS 3: Business Combinations. Due to the level of judgement and estimation involved and allocation of	In respect of the fair value of the consideration, we reviewed management's calculation with reference to the sale and purchase agreement and agreed the initial cash and share consideration to the sale and purchase documentation We checked that the acquisition accounting exercise had been carried out in accordance with applicable accounting standards and carried out audit procedures on the acquired assets and liabilities in the completion accounts. This included assessing the completeness of liabilities through testing transactions in the month post completion; checking the key inputs into the right-of-use asset and lease liability calculations through use of information such as the lease agreements and considering the sensitivity of the incremental borrowing rate; and assessing the recoverability of debtors based on post-acquisition recovery.

Key audit matter		How the scope of our audit addressed the key audit matter
	resources of senior team members, this was considered to be a key audit matter.	In relation to management's estimates in respect of the fair value of the assets and liabilities acquired, we assessed the valuation of the intangible assets that were considered separately identifiable on acquisition, testing the key inputs in the valuation model with reference to data such as management's forecasts and, with the assistance of our internal valuations experts, reviewed the key assumptions, such as estimated royalty rates and discount rates, and the methodology applied in the model. We also considered management's assessment of the completeness of the separately identifiable intangible assets with reference to our understanding of the business and key motivations of the transaction. In respect of the disclosures, we assessed the relevant notes in accordance with the requirements of IFRS 3. Key observations: Based on the procedures performed, we consider that the acquisition has been appropriately recognised and disclosed in accordance with the requirements of applicable accounting standards.
Goodwill and intangible asset impairment risk – Ewemove CGU The accounting policy in respect of the accounting for intangible assets is included within the accounting policy on page 66; the accounting estimate in respect of the impairment of intangible assets is included within the accounting estimates and judgements note on page 69.	The risk that goodwill and intangible assets may be impaired is considered to lie in the Ewemove CGU – as the conclusion is dependent on achieving forecast growth – and is significant due to the level of judgement involved in the impairment review and the opportunity for management bias within the impairment model assumptions. We considered this to be a key audit matter due to the inherent level of judgement. Management's review found no evidence of impairment in the Ewemove or other cash-generating units, nor indicators of impairment in relation to other intangible assets.	We assessed the impairment review of the Group's goodwill and intangible assets prepared by management, specifically checking the integrity of management's value-in-use model and, with the assistance of our valuation specialists, we challenged the key inputs – being forecast growth rates, operating cash flows and the discount rate. We also checked if the Cash-Generating Unit ("CGU") was appropriately determined and the correct assets included in its carrying value. Our audit procedures relating to the operating cash flows and forecast growth rates included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board, including checking for consistency with forecasts prepared for the purposes of the going concern assessment. We used market data to independently calculate a discount rate for comparison and also performed our own sensitivity analysis upon the key valuation inputs. We also considered whether significant events during the year – such as the ongoing impact of the COVID-19 pandemic on the housing market – have been appropriately considered by management within the impairment assessment. Key observations: We found management's judgements in this area to be reasonable and found no

Key audit matter		How the scope of our audit addressed the key audit matter
		evidence of management bias in the assumptions used.
Revenue recognition The accounting policy in respect of the accounting for revenue recognition is included within the accounting policy on page 65.	As detailed in the accounting policies and also note 7 to the financial statements, the Group earns revenue principally in the form of Managed Service Fees ("MSF"), which are derived as a percentage of the franchisees' income or directly in the case of owned and operated sites. The Managed Service Fees are recorded in separate sales systems and imported into the accounting system on a monthly basis. Due to the need to transfer data across the systems, we consider there to be a significant risk that revenue may not be accurately recognised or recorded in the wrong period due to error or manipulation. Through the need to reconcile data between the two systems and ensure that revenues had been fully recorded in the nominal ledger, the procedures on revenue recognition also represented a significant part of our audit strategy in terms of the level of direction and supervision and allocation of resources and so, consequently, revenue recognition is considered a key audit matter.	We obtained and tested management's reconciliation between the underlying sales systems to which the lettings/sales data was uploaded and the MSF recorded in the nominal ledger. We witnessed the data extraction from the underlying systems and engaged our technology and systems experts to reperform a full reconciliation of the two data sets. We investigated and corroborated any reconciling items such as manual journals to revenue including year-end cut-off adjustments to accrue revenues for the final month of the year. We tested the integrity of the data in the underlying sales systems by tracing a sample from submission, ensuring that the correct MSF rate had been applied in accordance with the relevant contractual arrangement, through to invoice issued and ultimately cash collection. In considering the completeness of the data in the underlying sales systems, we selected a sample of contractual agreements and ensured that the MSF had been appropriately included in the sales system and at the appropriate rate. Key observations: Based on the procedures performed, we have not identified any instances that may suggest that revenue has been inappropriately recognised.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £000	2020 £000	2021 £000	2020 £000
Materiality	480	230	460	215

Basis for determining materiality	5% of the adjusted profit before tax		95% of Group materiality	
Rationale for the benchmark applied	Adjusted profit before tax is considered to be one of the principal *considerations for the users of the* financial statements in assessing the financial performance of the Group.		Capped 95% (2020: 95%) of Group materiality given the assessment of *the components aggregation risk.*	
Performance materiality	360	173	345	161
Basis for determining performance materiality	75% of materiality based on a low expected total value of known and likely misstatements.			

Component materiality
We set materiality for each significant component of the Group based on a percentage of between 6% and 95% (2020: 7% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £27,000 to £460,000 (2020: £15,000 to £215,000). In the audit of each significant component, we further applied performance materiality levels of 75% (75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £15,000 (2020: £9,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

We have nothing to report in this regard.

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

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

	• the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements and the susceptibility of the entity's financial statements to material misstatement including fraud. Our procedures included, but were not limited to:

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

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest

extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Thixton
Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

4 April 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	7	24,042	11,017
Cost of sales		(3,697)	(933)
Gross profit		20,345	10,084
Administrative expenses	8	(12,719)	(5,257)
Share-based payments charge	9, 33	(970)	(68)
Operating profit	11	6,656	4,759
Finance income	12	4	11
Finance costs	12	(320)	(3)
Other gains and losses	21	83	–
Profit before income tax expense		6,423	4,767
Income tax expense	13	(2,745)	(1,008)
Profit for the year from continuing operations		3,678	3,759
Discontinued operations	14	(169)	33
Profit and total comprehensive income for the year		3,509	3,792
Profit and total comprehensive income for the year attributable to:			
Owners of the parent		3,469	3,783
Non-controlling interest		40	9
		3,509	3,792
Earnings per share attributable to owners of parent	15	11.3p	14.6p
Diluted Earnings per share attributable to owners of parent	15	11.3p	14.4p
Adjusted results			
Adjusted profit for the financial year [1]	15	8,256	4,349
Earnings per share attributable to owners of parent	15	27.0p	16.8p
Diluted Earnings per share attributable to owners of parent	15	26.9p	16.5p

1. Adjusted profit for the financial year is reconciled to the statutory profit for the year in note 15. Adjusted profit for 2021 is the profit before charging £1.5m deferred tax rate adjustment, £1.2m amortisation on acquired intangibles, £1.0m share based payments charge, £0.85m exceptional costs, and £0.2m other items.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	17	46,498	14,380
Property, plant and equipment	18	217	68
Right-of-use assets	19	1,568	86
Prepaid assisted acquisitions support	20	424	600
Investments	21	169	–
Investment properties	22	256	–
		49,132	15,134
Current assets			
Trade and other receivables	23	2,820	1,291
Cash and cash equivalents		8,413	8,771
		11,233	10,062
Total assets		60,365	25,196
Equity			
Shareholders' equity			
Called up share capital	24	320	258
Share premium	25	4,129	4,040
Own share reserve	27	(348)	–
Merger reserve	26	14,345	2,797
Other reserves	27	905	778
Retained earnings		13,999	12,690
		33,350	20,563
Non-controlling interest		6	9
Total equity attributable to owners		33,356	20,572
Liabilities			
Non-current liabilities			
Borrowings	28	9,219	–
Lease liabilities	19	2,275	45
Deferred tax	30	5,570	1,115

Provisions	31	212	-
		17,276	1,160
Current liabilities			
Borrowings	28	1,875	-
Trade and other payables	29	6,280	2,750
Lease liabilities	19	465	41
Tax payable		1,113	673
		9,733	3,464
Total liabilities		27,009	4,624
Total equity and liabilities		60,365	25,196

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2022 and were signed on its behalf by:

David Raggett
Chief Financial Officer

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2021 (Company No: 08721920)

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investments	21	60,743	34,083
Deferred tax asset	30	377	228
		61,120	34,311
Current assets			
Trade and other receivables	23	811	221
Cash and cash equivalents		4,635	4,601
		5,446	4,822
Total assets		66,566	39,133
Equity			
Shareholders' equity			
Called up share capital	24	320	258
Share premium	25	4,129	4,040
Own share reserve	27	(348)	-
Merger reserve	26	32,335	20,787
Other reserves	27	905	778
Retained earnings		16,668	13,123
Total equity		54,009	38,986
Liabilities			
Non-current liabilities			
Borrowings	28	9,219	-
		9,219	-
Current liabilities			
Borrowings	28	1,875	-
Trade and other payables	29	1,463	147
		3,338	147
Total liabilities		12,557	147
Total equity and liabilities		66,566	39,133

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 £5.705m (2020: £4.025m).

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2022 and were signed on its behalf by:

David Raggett
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	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 as at 1 January 2020	258	9,449	4,040	–	2,797	710	17,254	–	17,254
Profit and total comprehensive income	–	3,783	–	–	–	–	3,783	9	3,792
Dividends	–	(542)	–	–	–	–	(542)	–	(542)
Share-based payments charge	–	–	–			68	68	–	68
Total transactions with owners	–	(542)	–	–	–	68	(474)	–	(474)
Balance as at 31 December 2020	258	12,690	4,040	–	2,797	778	20,563	9	20,572
Profit and total comprehensive income	–	3,469	–	–	–	–	3,469	40	3,509
Disposal of subsidiary	–	–	–	–	–	–	–	(43)	(43)
Dividends	–	(2,922)	–	–	–	–	(2,922)	–	(2,922)
Shares issued – acquisition consideration	55	–	–	–	11,548	–	11,603	–	11,603
Shares issued – share option exercises	7	762	89	–	–	(762)	96	–	96
Purchase of shares by Employee Benefit Trust	–	–	–	(348)	–	–	(348)	–	(348)
Release of deferred tax on share-based payments	–	–	–	–	–	(81)	(81)	–	(81)
Share-based payments charge	–	–	–	–	–	970	970	–	970
Total transactions with owners	62	(2,160)	89	(348)	11,548	127	9.318	–	9,318
Balance as at 31 December 2021	320	13,999	4,129	(348)	14,345	905	33,350	6	33,356

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	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 2020	258	9,640	4,040	–	20,787	710	35,435
Profit and total comprehensive income	–	4,025	–	–	–	–	4,025
Dividends	–	(542)	–	–	–	–	(542)
Share-based payments charge	–	–	–	–	–	68	68
Total transactions with owners	–	(542)	–	–	–	68	(474)
Balance as at 31 December 2020	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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	A	10,856	6,378
Interest paid		(232)	–
Tax paid		(1,679)	(972)
Net cash from operating activities		8,945	5,406
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)	–
Acquisition of subsidiary net of cash acquired – Auxilium		–	(81)
Disposal of subsidiary net of cash disposed of – Auxilium	D	(323)	–
Purchase of intangible assets		(116)	–
Purchase of tangible assets		(87)	(18)
Assisted acquisitions support		(57)	(155)
Loan repaid		–	200
Interest received		4	11
Net cash used in investing activities		(13,723)	(43)
Cash flows from financing activities			
Issue of ordinary shares		96	–
Equity dividends paid		(2,922)	(542)
Purchase of shares by Employee Benefit Trust		(348)	–
Bank loan drawn		12,500	–
Bank loan repaid		(4,419)	–
Principal paid on lease liabilities		(399)	(59)
Interest paid on lease liabilities		(88)	(3)
Net cash used in financing activities		4,420	(604)
(Decrease) / Increase in cash and cash equivalents		(358)	4,759
Cash and cash equivalents at beginning of year		8,771	4,012
Cash and cash equivalents at end of year		8,413	8,771

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

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

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit before income tax	6,423	4,767
Profit before income tax – discontinued	152	38
Depreciation of property, plant and equipment	79	28
Amortisation of intangibles	1,249	591
Amortisation of prepaid assisted acquisitions support	233	213
Amortisation of right-of-use assets	317	56
Share-based payments charge	970	68
Gain on revaluation of listed investment	(83)	–
Finance costs	320	3
Finance income	(4)	(11)
Operating cash flow before changes in working capital	9,656	5,753
Decrease/(increase) in trade and other receivables	247	(18)
Increase in trade and other payables	953	643
Cash generated from operations	10,856	6,378

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.

	2021 £'000	2020 £'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.

	2021 £'000	2020 £'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

	2021 £'000	2020 £'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 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	E	(1,005)	(660)
Interest paid		(220)	-
Net cash used in operating activities		(1,225)	(660)
Cash flows from investing activities			
Acquisition of subsidiary – Hunters		(14,531)	(81)
Acquisition of subsidiary – The Mortgage Genie		(400)	-
Disposal of subsidiary – Auxilium		20	-
Loan repaid		-	200
Equity dividends received		8,250	4,610
Net cash generated from investing activities		(6,661)	4,729
Cash flows from financing activities			
Issue of ordinary shares		96	-
Equity dividends paid		(2,922)	(542)
Purchase of shares by Employee Benefit Trust		(348)	-
Bank loan drawn		12,500	-
Bank loan repaid		(1,406)	-
Net cash used in financing activities		7,920	(542)
Increase in cash and cash equivalents		34	3,527
Cash and cash equivalents at beginning of year		4,601	1,074
Cash and cash equivalents at end of year		4,635	4,601

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

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

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit before income tax	4,846	3,898
Share-based payments charge	773	85
Gain on revaluation of listed investment	(68)	-
Loss on disposal of subsidiary	180	-
Finance costs	220	-
Finance income	-	-
Equity dividend received	(8,250)	(4,610)
Operating cash flow before changes in working capital	(2,299)	(627)
Increase in trade and other receivables	(8)	(163)
Increase in trade and other payables	1,302	130
Cash used in operations	(1,005)	(660)

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2021

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 2021
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 2021, 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 2021, 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 2021. 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 acquire 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 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 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 £17.4m (2020: £nil) as detailed further in note 17 and note 35.

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 condition. The estimate of earnings per share ("EPS") for FY22 was based on budget and FY23 relies on a projection of earnings taking into account available market data and performance trends. At this juncture 100% of the options are expected to vest and the share based payment charge has been calculated on this basis.

The vesting of the options granted in 2020 is dependent on adjusted EPS and total shareholder return for FY22, 100% of these options are expected to vest and a share based payment of £0.13m has been calculated on this basis and recognised in the statement of comprehensive income in the year.

The vesting of the options granted in 2021 is dependent on adjusted EPS and total shareholder return for FY23. The base adjusted EPS for the 2021 scheme is 16.84p. If adjusted EPS reaches 26.95p in 2023 then 75% vesting is achieved. If adjusted EPS reaches 27.79p then 100% vesting is achieved. A share based payment charge of £0.33m has been calculated on the basis of 100% vesting and has been recognised in the statement of comprehensive income in the year. At this juncture 100% of the options are expected to vest. If the assumption was changed to 75% vesting the charge would have been £0.28m. If it were lower than 75% then the charge would be £nil.

The base share price for the 2021 scheme is 192p. If a combination of share price growth and dividends paid reaches 154p then 75% vesting is achieved. If a combination of share price growth and dividends paid reaches 173p then 100% vesting is achieved. A share based payment charge of £0.33m has been calculated on the basis of 100% vesting and has been recognised in the statement of comprehensive income in the year. At this juncture 100% of the options are expected to vest. If the assumption was changed to 75% vesting the charge would have been £0.28m. If it were lower than 75% then the charge would be £nil.

6. Segmental reporting

The directors consider there to be two operating segments in 2021 and 2020 being Property Franchising and Other.

For the year ended 31 December 2021:

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

Revenue	–	267	267
Segment profit before tax	–	153	153

For the year ended 31 December 2020:

Continuing	Property Franchising £'000	Other £'000	Total £'000
Revenue	11,017	–	11,017
Segment profit before tax	4,767	–	4,767
Discontinued	Property Franchising £'000	Other £'000	Total £'000
Revenue	–	448	448
Segment profit before tax	–	38	38

The Other segment related to Financial Services in both years. There was no inter-segment revenue in any period. See note 14 for details of discontinued operations.

7. Revenue

	2021 £'000	2020 £'000
Property Franchising segment:		
Management Service Fees	14,706	9,365
Owned offices – lettings and sales fees	4,708	–
Franchise sales	589	145
Other	3,592	1,507
	23,595	11,017
Other segment:		
Financial Services commissions	447	–
	24,042	11,017

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

Other revenue relates to ad hoc services and ongoing support to franchisees.

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:

	2021 £'000	2020 £'000
Employee costs	6,301	3,370

Marketing and digital costs	995	334
Property costs	547	130
Amortisation	1,567	646
Exceptional costs (note 10)	853	–
Other administrative costs	2,456	777
	12,719	5,257

9. Employees and Directors
Average numbers of employees (including Directors), employed during the year:

	Group		Company	
	2021	2020	2021	2020
Administration	171	41	1	–
Management	12	10	2	2
	183	51	3	2

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	6,785	2,945	731	580
Social security costs	1,117	358	263	67
Pension costs	194	67	19	15
Private medical insurance	19	–	–	–
	8,115	3,370	1,013	662
Share-based payments charge	970	68	773	85

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

	2021 £'000	2020 £'000
Wages and salaries	2,218	1,953
Social security costs	456	251
Pension costs	97	43
	2,771	2,247
Share-based payments charge	902	72

Details of the Directors' emoluments are disclosed in the Directors' remuneration report on pages 46 to 48. The share-based payments charge for the current year has been charged to the Statement of Comprehensive Income, of this £0.77m (2020: £0.09m) 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.

11.Operating profit

	2021 £'000	2020 £'000
The operating profit is stated after charging:		
Depreciation	79	28
Amortisation – intangibles	1,249	591
Amortisation – prepaid assisted acquisitions support	233	213
Amortisation – leases	317	56
Share-based payments charge	970	68
Auditor's remuneration (see below)	113	58
Staff costs (note 9)	8,115	3,737
Exceptional costs (note 10)	853	–
Audit services		
– Audit of the Company and consolidated accounts	113	58
	113	58

12. Finance income and costs

	2021 £'000	2020 £'000
Finance income:		
Bank interest	2	6
Other similar income	2	5
	4	11
	2021 £'000	2020 £'000
Finance costs:		
Bank interest	232	–
Interest expense on lease liabilities	88	3
	320	3

13. Taxation

	2021 £'000	2020 £'000
Current tax	1,680	1,031
Adjustments in respect of previous periods	*29*	3

Current tax total	1,709	1,034
Deferred tax credit on acquired business combinations	1,245	(13)
Deferred tax credit on share-based payments	(209)	(13)
Deferred tax total	1,036	(26)
Total tax charge in statement of comprehensive income	2,745	1,008

The tax assessed for the period is higher (2020: higher) than the standard rate of corporation tax in the UK. The difference is explained below.

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	6,423	4,767
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 19%	1,220	906
Effects of:		
Expenses not deductible for tax purposes	448	2
Depreciation in excess of capital allowances	12	13
Effect of change in deferred tax rate	1,540	83
Deferred tax provision	(504)	-
Adjustments in respect of previous periods	29	4
Total tax charge in respect of continuing activities	2,745	1,008

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

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

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

	2021 £'000	2020 £'000
Profit for the financial year attributable to owners of the parent	3,469	3,783
Amortisation on acquired intangibles	1,214	498
Share-based payments charge	970	68
Exceptional costs (note 10)	853	-
Deferred tax rate change from 19% to 25%	1,540	-
Discontinued operations – loss on disposal	293	-
Gain on revaluation of listed investment	(83)	-
Adjusted profit for the financial year	8,256	4,349

Weighted average number of shares		
Number used in basic earnings per share	30,622,102	25,822,750
Dilutive effect of share options on ordinary shares	99,590	519,817
Number used in diluted earnings per share	30,721,692	26,342,567
Basic earnings per share	11.3p	14.6p
Diluted earnings per share	11.3p	14.4p
Adjusted basic earnings per share	27.0p	16.8p
Adjusted diluted earnings per share	26.9p	16.5p

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 is a dilutive effect of share options on the earnings per share calculation.

In 2020 there were options over 2,379,800 ordinary shares outstanding at 31 December 2020; 300,000 had not yet vested and had performance conditions that determined whether they would vest or not in the future; 64,800 vested in a previous year and were exercisable at 31 December 2020, and it was determined that 503,750 of the remaining 2,015,000 options (25%) would vest. The average share price during the year ended 31 December 2020 was above exercise price of the options that had either vested or were due to vest based on the 2020 financial statements. For these reasons in 2020 there is 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

	2021 £'000	2020 £'000
Final dividend for 2020		
6.6p per share paid 23 February 2021 (2020: No final dividend paid)	1,704	–
Interim dividend for 2021		
3.8p per share paid 11 October 2021 (2020: 2.1p per share paid 23 September 2020)	1,218	542
Total dividend paid	2,922	542

The Directors propose a final dividend for 2021 of 7.8p per share totalling £2.488m, which they expect will be paid on 27 May 2022. 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 1 January 2020	7,803	1,972	338	225	7,226	17,564
Additions	–	–	–	–	185	185
Carried forward 31 December 2020	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
Amortisation & Impairment						
Brought forward at 1 January 2020	2,152	222	238	166	-	2,778
Charge for year	413	67	76	35	-	591
Carried forward 31 December 2020	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
Net book value						
At 31 December 2021	15,229	4,562	59	3,405	23,243	46,498
At 31 December 2020	5,238	1,683	24	24	7,411	14,380

The carrying amount of goodwill relates to 6 (2020: 5) 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 2021 and projections through to 31 December 2022. 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 2021 was 17 years 10 months.

The brand names under which XFL trades of C J Hole, Parkers and Ellis & Co have been in existence for between 72 years and 170 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 Relief-from-Royalty-Method was used to value the brand names. Looking at independent research of royalty rates, management selected pre-tax royalty rates of between 3% and 5% for the above brand names.

The after tax royalty rates were then applied to the projected cash flows of each brand. The projected cash flows being the forecast growth in current revenues using market data through to 31 December 2022. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 2.2%. The after tax cash flows determined through this process were then discounted at 13.5% to determine a value for each brand name. This discount rate approximated the Company's WACC as the risk profile of the brand names was seen as commensurate with that of the overall Company. The values derived exceeded their carrying values.

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 2021 and projections through to 31 December 2025. Thereafter projected revenue growth was assumed to be 2.2% per annum.

A period of projected cash flows exceeding 5 years was deemed appropriate because the business has only been operating for 7 years, is continuing to recruit relatively high levels of new franchisees, each new franchisee should grow significantly in the first 5 years of operation and it has yet to develop the operational efficiencies of a mature franchisor.

The revenue growth rates used in the valuation range from 32% in FY22 to 4% in FY25.The growth rate in FY22 is high because of the significant number of new franchisees recruited in FY21.

The cash flows arising were discounted by the weighted average cost of capital being 13.72% 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 2021 was 9 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 2021 was 15 years and 8 months.

The carrying value of EweMove the identified cash generating unit, was £9.1m at 31 December 2021 whereas the recoverable amount was assessed to be £16.9m at the same date. Headroom of £7.8m 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 2021. Thus, if the discount rate increased by 82% to 25%, an impairment change would result against goodwill, all other assumptions remaining unchanged.

Assumption	Judgement	Sensitivity
Discount rate	As indicated above the rate used is 13.72%	82%
Revenue – FY22 to FY25	The range of growth rates for FY22 to FY25 are stated above	(133%)
Direct costs – all years	Assumed to be 21% of revenue for all years	88%
Indirect costs – all years	Assumed to be 38% of revenue in FY22 but 40% previous average in FY23 onwards	47%
Direct and indirect costs – all years	As indicated above for direct and indirect costs	31%

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
Details of the Acquisition of Hunters Property plc can be found in note 35.

The value of the master franchise agreement was based on the value of the cash flows derived from the actual revenue and operating margins for 2021, projections of revenue through to 2042 applying historic attrition rates of 4% and growth rate of 2%. The revenue streams represent the return from all the assets employed in generating those revenues. Thus, to value the franchise rights separately, the fair value and expected rate of return of these other assets, known as the contributory asset charge, was determined and deducted.

A discount rate of 9.5% was applied which represented a 2% reduction on the company's WACC as the risk profile of the master franchise rights was seen as slightly less than that of the overall company. The resulting present value was not increased by the tax adjusted benefit as the amortisation of master franchise rights are not deductible for UK corporation tax. The master franchise rights are being amortised over 21 years. The period of amortisation remaining at 31 December 2021 was 20 years 3 months.

Hunters was founded in 1992 and in the following 30 years has established a widely recognised brand within the estate agency sector, which attracts a significant number of franchise enquiries and has a significant fixed element to its royalties. Management expects to derive income from the brand for the next 20 years and, with this as the assets' useful life, the period of amortisation remaining at 31 December 2021 was 19 years 3 months.

The Relief-from-Royalty-Method was used to value the brand name. Looking at independent research of royalty rates and taking into account the factors highlighted in the last paragraph, management selected a pre-tax royalty rate of 5%.

The after tax royalty rate was then applied to the projected cash flows of the brand up until December 2042. The projected cash flows being the forecast growth in revenues of 2% through to 2042. The after tax cash flows determined through this process were then discounted at 11.5%. *This discount rate approximated the company's WACC as the risk profile of the brand names was seen as commensurate with that of the* overall company.

The value of the lettings books was based on the value of the cash flows derived from the actual revenue and operating margins for 2021, projections of revenue through to 2033 applying historic attrition rates of 4% and growth rate of 2%. The revenue streams represent the return from all the assets employed in generating those revenues. Thus, to value the lettings books separately, the fair value and expected rate of return of these other assets, known as the contributory asset charge, was determined and deducted.

A discount rate of 9.5% was applied which represented a 2% discount over the company's WACC as the risk profile of the lettings books was seen as slightly less than that of the overall company. The resulting present value was not increased by the tax adjusted benefit as the amortisation of lettings books are not deductible for UK corporation tax. The lettings books are being amortised over 12 years. The period of amortisation remaining at 31 December 2021 was 11 years 3 months.

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 2021 and projected revenue growth of 2% assumed through 2042.

The cash flows arising were discounted by between 9.5% and 11.5% based on the weighted average cost of capital for Hunters. This resulted in a total value for the company of the identifiable intangible assets that exceeded the carrying values of the company's 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 useful life of the master franchise agreement was assessed as 21 years and remains unchanged. The period of amortisation remaining at 31 December 2021 was 20 years 3 months.

The Relief-from-Royalty-Method was used to value the brand names. Looking at independent research of royalty rates, management selected a pre-tax royalty rate of 5% for the Hunters brand.

The Directors believe that no reasonably possible change in assumptions at the year end will cause the value in use of the Hunters brand to fall below its carrying value and hence impair its intangible values.

The useful life of the lettings books was assessed as 12 years and remains unchanged. The period of amortisation remaining at 31 December 2021 was 11 years 3 months.

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 this intangible.

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 2021. Thus, if the discount rate increased by 12% to 12.9%%, an impairment change would result against goodwill, all other assumptions remaining unchanged.

Assumption	Judgement	Sensitivity
Discount rate	Weighted average cost of capital used of 11.5%	12%
Revenue – FY22 to FY25	The range of growth rates for FY22 (10%), FY23 to FY25 2%	(196%)
Indirect costs – all years	Assumed to be 66% of revenue	7%

Business combination completed in September 2021 – The Mortgage Genie
Details of the Acquisition of The Mortgage Genie Limited and The Genie Group UK Ltd can be found in note 35.

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'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	–	–	–
The Mortgage Genie Limited & The Genie Group UK Ltd	146	–	–	–
Auxilium Partnership Limited	–	185	–	–
	23,243	7,411	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 2020	37	138	162	337
Acquisitions	–	2	1	3
Additions	–	15	–	15
Carried forward 31 December 2020	37	155	163	355
Acquisitions (note 35)	–	62	99	161
Additions	7	64	16	87
Disposals	–	(14)	(116)	(130)
Carried forward 31 December 2021	44	267	162	473
Depreciation				
Brought forward 1 January 2020	29	92	138	259
Charge for year	4	20	4	28
Carried forward 31 December 2020	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
Net book value				
At 31 December 2021	5	113	99	217
At 31 December 2020	4	43	21	68

19. Leases

The Group's 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 2020	75	–	75
Additions	67	–	67
Amortisation	(56)	–	(56)
Carried forward 31 December 2020	86	–	86
Acquisitions (note 35)	1,579	22	1,601
Additions	145	53	198
Amortisation	(304)	(13)	(317)
Carried forward 31 December 2021	1,506	62	1,568

Lease liabilities

	Land and Buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2020	77	-	77
Additions	67	-	67
Interest expenses	3	-	3
Lease payments	(61)	-	(61)
Carried forward 31 December 2020	86	-	86
Acquisitions (note 35)	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

20. Prepaid assisted acquisitions support
Group

	Total £'000
Cost	
Brought forward 1 January 2020	954
Additions	155
Carried forward 31 December 2020	1,109
Additions	57
Carried forward 31 December 2021	1,166
Amortisation	
Brought forward 1 January 2020	296
Charge for year – to revenue	169
Charge for year – to cost of sales	44
Carried forward 31 December 2020	509
Charge for year – to revenue	188
Charge for year – to cost of sales	45
Carried forward 31 December 2021	742
Net book value	
At 31 December 2021	424
At 31 December 2020	600

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 2020 and 1 January 2021	–	–
Acquisitions (note 35)	61	61
Additions	25	25
Movement in fair value of listed investment	83	83
At 31 December 2021	169	169
Net book value		
At 31 December 2021	169	169
At 31 December 2020	–	–

Company

	Shares in Group undertakings £'000	Shares in listed company £'000	Total £'000
Cost			
At 1 January 2020	33,900	–	33,900
Acquisition of Auxilium Partnership Limited	200	–	200
Capital contribution to subsidiaries – share options	(17)	–	(17)
At 31 December 2020	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 31 December 2021	60,675	68	60,743
Net book value			
At 31 December 2021	60,675	68	60,743
At 31 December 2020	34,083	–	34,083

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 £6,110,284.

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 2021.

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 2021.

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 shareholdings in OnTheMarket plc, a company listed on the Alternative Investment Market. The movement in fair value of listed investment represents the difference between original cost and market value. A decision was taken to measure at fair value going forwards.

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 2020 and 1 January 2021	–
Acquisitions	292
Carried forward 31 December 2021	292
Depreciation	
Brought forward 1 January 2020 and 1 January 2021	–
Charge for year	36
Carried forward 31 December 2021	36
Net book value	
At 31 December 2021	256
At 31 December 2020	–

Investment property comprises a property held under operating lease within Hunters Property Group Limited which is subleased to an independent third party. The investment property is held at historic cost less accumulated depreciation.

23. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	1,193	212	–	3
Less: provision for impairment of trade receivables	(323)	(155)	–	–
Trade receivables – net of impairment provisions	870	57	–	3
Loans to franchisees	31	49	–	–

Other receivables	137	4	–	–
Amounts due from Group undertakings	–	–	21	45
Prepayments and accrued income	1,782	1,181	47	36
Tax receivable	–	–	743	137
	2,820	1,291	811	221

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:

	2021 £'000	2020 £'000
Group		
Not more than 3 months	137	32
More than 3 months but not more than 6 months	7	–
More than 6 months but not more than 1 year	13	–
	157	32

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 £1.11m (2020: £0.84m) 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

	2021		2020	
	Number	£'000	Number	£'000
Group				
Authorised, allotted issued and fully paid ordinary shares of 1p each	32,041,966	320	25,822,750	258
Company				
Authorised, allotted issued and fully paid ordinary shares of 1p each	32,041,966	320	25,822,750	258

On 19 March 2021 5,551,916 shares were issued to the owners of Hunters Property plc at market price of £2.09 as part of the purchase consideration relating to the acquisition. The premium on the shares issued is included in the merger reserve rather than share premium in line with accounting principles.

On 19 May 2021 667,300 shares were issued to certain employees and directors following the exercise of share options. 602,500 shares were issued at £0.01 and 64,800 shares were issued at £1.385. The premium on the 64,800 shares is included in share premium.

25. Share premium

	Number of shares	Share capital £'000	Share premium £'000
At 31 December 2021	32,041,966	320	4,129
At 31 December 2020	25,822,750	258	4,040

Details of the movements in shares can be found in note 23.

26. Merger reserve

	Merger reserve £'000
Group	
At 1 January 2020 and 1 January 2021	2,797
Acquisition of Hunters Property plc	11,548
At 31 December 2021	14,345
Company	
At 1 January 2020 and 1 January 2021	20,787
Acquisition of Hunters Property plc	11,548
At 31 December 2021	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 2020	629	81	710
Share-based payment charge	68	–	68
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 31 December 2021	905	–	905
Company			
At 1 January 2020	629	81	710
Share-based payment charge	68	–	68
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 31 December 2021	905	–	905

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Repayable within 1 year:				
Bank loan (term loan)	1,875	–	1,875	–
Repayable in more than 1 year:				
Bank loan (term loan)	9,219	–	9,219	–
Bank loans due after more than 1 year are repayable as follows:				
Between 1 and 2 years	1,875	–	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 comprises:

Term loan – £7.5m drawn down on 30 March 2021 and is 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 amount outstanding at 31 December 2021 was £6.1m (2020: £nil).

Revolving credit facility ("RCF") – £5m drawn down on 30 March 2021 and is repayable on 26 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 2021 was £5m (2020: £nil).

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 £4.4m (2020: £nil), this included the repayment of £3.0m in relation to a Hunters loan balance at acquisition.

As at 31 December 2020 the Company had no loans outstanding.

29. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000

Trade payables	850	176	39	37
Other taxes and social security	1,387	1,274	134	–
Other payables	159	248	–	–
Amounts due to Group undertakings	–	–	102	–
Accruals and deferred income	3,884	1,052	1,188	110
	6,280	2,750	1,463	147

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 £0.7m (2020: £nil) in relation to revenue received in advance which will be recognised over the next 4 years

30. Deferred tax

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Balance at beginning of year	(1,115)	(1,140)	228	215
Movement during the year:				
Acquisitions	(3,419)	–	–	–
Adjustment to deferred tax rate from 19% to 25%	(1,540)	–	15	–
Statement of changes in equity	–	–	–	–
Statement of comprehensive income	657	25	287	13
Release of deferred tax balance relating to share options exercised in year	(153)		(153)	–
Other	–	–	–	–
Balance at end of year	(5,570)	(1,115)	377	228

Deferred taxation has been provided as follows:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Accelerated capital allowances	6	7	10	29
Share-based payments	409	199	367	199
Acquired business combinations	(5,985)	(1,321)	–	–
	(5,570)	(1,115)	377	228

31. Provisions

The provisions relate to dilapidations on office buildings £0.21m (2020: £nil) 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans and receivables:				
Trade receivables	870	57	–	3
Loans to franchisees	31	49	–	–
Other receivables	137	5	–	–
Cash and cash equivalents	8,413	8,771	4,635	4,601
Accrued income	1,107	840	–	–
Amount owed by Group undertakings	–	–	21	45
	10,558	9,722	4,656	4,649

Financial liabilities
Financial liabilities measured at amortised cost:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other financial liabilities:				
Trade payables	850	176	39	37
Other payables	159	248	134	–
Accruals	3,172	1,052	526	110
Amounts owed to Group undertakings	–	–	102	–
	4,181	1,476	801	147

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 £31k.

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 2021	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	1,009	–	–	–	–
Loans and borrowings	469	1,406	1,875	7,344	–
Lease liabilities	151	420	524	971	1,144
Total	1,629	1,826	2,399	8,315	1,144

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
Enterprise Management Incentive ("EMI") Share Option Scheme 2021
On 24 April 2021 a new EMI Share Option Scheme 2021 was introduced, all options under this scheme 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 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.

Grant – 24 April 2021
On 24 April 2021 an option over 700,000 ordinary shares was granted to the Chief Executive Officer and an option over 400,000 ordinary shares was granted to the Chief Financial Officer under this scheme.

The following principal assumptions were used in the valuation of the grant made in the year ended 31 December 2021 using the Black-Scholes option pricing model:

Assumptions	
Date of vesting	30/04/2024
Share price at grant	£2.15
Exercise price	£0.01
Risk free rate	0.1%
Dividend yield	4.90%
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 2024.

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 FY22, the market outlook and projections for FY23 to determine, at 31 December 2021, the achievement of the EPS condition. The expectation is that 100% of the options will vest.

The estimated fair value of the option over 1,100,000 ordinary shares at 31 December 2021 was £2,035,015. 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 £459,221 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2021.

Grant – 2 July 2021
On 2 July 2021 options over 425,500 ordinary shares were granted to a director and senior management under this scheme.

Assumptions	
Date of vesting	30/04/2024
Share price at grant	£2.99
Exercise price	£0.01
Risk free rate	0.1%
Dividend yield	4.90%
Expected life	2.83 years
Share price volatility	31.00%

The weighted average contractual life remaining of this option is 2 years 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 2024.

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 FY22, the market outlook and projections for FY23 to determine, at 31 December 2021, the achievement of the EPS condition. The expectation is that 100% of the options will vest.

The estimated fair value of the option over 425,500 ordinary shares at 31 December 2021 was £1,141,535. 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 £201,122 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2021.

Enterprise Management Incentive ("EMI") 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 following principal assumptions were used in the valuation of the grant made in the year ended 31 December 2021 using the Black-Scholes option pricing model:

Assumptions	
Date of vesting	23/03/2023
Share price at grant	£2.34
Exercise price	£0.01
Risk free rate	0.1%
Dividend yield	4.90%
Expected life	2 years
Share price volatility	31.00%

The weighted average contractual life remaining of this option is 1 year and 3 months.

The estimated fair value of the option over 100,000 ordinary shares at 31 December 2021 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 £81,797 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2021.

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 1 year and 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 budget for FY22, to determine, at 31 December 2021, that it expects 100% of the options will vest.

The estimated fair value of the option over 200,000 ordinary shares at 31 December 2021 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 £130,275 has been recognised in the Statement of Comprehensive Income in the year ended 31 December 2021.

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:

	2021		2020	
	'000	Weighted average exercise price	'000	Weighted average exercise price

Number of share options				
Outstanding at the beginning of the year	2,380	£0.0474	2,210	£0.0503
Exercised	(667)	£0.14	–	–
Forfeited	(1,513)	£0.01	(30)	£0.01
Granted	1,626	£0.01	200	£0.01
Outstanding at the end of the year	1,826	£0.01	2,380	£0.0474

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.

The outstanding options at 31 December 2020 comprised 2,315,000 options with an exercise price of £0.01 and 64,800 options with an exercise price of £1.385. The 64,800 options were exercisable at 31 December 2020, 2,015,000 were exercisable on the announcement of the financial statements for the year ended 31 December 2020 and the remaining 300,000 options were not yet exercisable.

During the year ended 31 December 2021:

- The 64,800 options were exercised on 19 May 2021
- 5,000 of the 2,015,000 options were forfeited leaving 2,010,000 remaining, 25% of these vested (502,500) and were exercised on 19 May 2021 resulting in 1,507,500 being forfeited.
- 100,000 of the 300,000 options mentioned above vested in full and were exercised on 19 May 2021.
- 1,625,500 options were granted under the 2021 scheme and the CEO bonus deferral scheme

The weighted average remaining contractual life of options is 2.3 years (2020: 0.4 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:

	2021 £'000	2020 £'000
Interim and final dividend (ordinary shares of £0.01 each)		
Richard Martin	836	169
Paul Latham	8	1
Phil Crooks	0	–
Dean Fielding	1	–
David Raggett	29	5
Glynis Frew	12	–
	886	175

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

	2021 £'000	2020 £'000
Wages and salaries	1,096	1,040
Social security costs	291	134
Pension contribution	76	19
	1,463	1,193

Details of Directors' interests in share options are disclosed in the Directors' remuneration report on pages 46 to 48.

35. Acquisitions

Acquisition of Hunters Property plc

Effective 19 March 2021 the Group acquired the entire issued share capital of Hunters Property plc, a competitor property franchisor with a network of 211 offices across the UK. Consideration of £26.1m was paid which comprised of each Hunters shareholder receiving 0.1655 New shares in The Property Franchise Group PLC and 43.2 pence in cash. In addition the Group took over loans of £3.0m which it repaid post completion, bringing total consideration to £29.1m.

The fair value of the identifiable assets and liabilities acquired and the consideration paid and payable are set out below:

	£'000
Master franchise agreements	10,789
Brands	3,060
Lettings book	3,556
Right of use assets	1,601
Property, plant and equipment	161
Investments	353
Trade and other receivables	1,561
Cash	1,490
Trade and other payables	(2,824)
Lease liabilities	(2,855)
Provisions	(197)
Deferred tax	(3,419)
Net assets acquired	13,276
Goodwill	15,871
Consideration	29,147
Satisfied by:	
New shares in The Property Franchise Group plc issued to Hunters shareholders	11,604
Cash paid to Hunters shareholders	14,531
Hunters loans repaid by The Property Franchise Group plc post completion	3,012
Total	29,147

Post acquisition results

	Total £'000
Revenue	9,776
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	3,014

Acquisition of The Mortgage Genie Limited and The Genie Group UK Ltd

The Board are pursuing a strategy to develop financial services as a revenue stream to complement lettings and sales MSF. On 6 September 2021 the Group took an 80% share in The Mortgage Genie Limited and acquired the entire share capital of The Genie Group UK Limited. The minority shareholder of The Mortgage Genie Limited is Matthew Stevens who continues as a director. Both companies operate under the name The Mortgage Genie, an online mortgage broker.

The initial consideration was £400,000 and a further consideration of £61,400 was payable post completion based on opening balances, bringing the total consideration to £461,400.

The fair value of the identifiable assets and liabilities acquired and the consideration paid and payable are set out below:

	£'000
Intangible asset – software	14
Trade and other receivables	182
Cash	297
Trade and other payables	(178)
Net assets acquired	315
Goodwill	146
Consideration	461
Satisfied by:	
Initial consideration paid on completion	400
Deferred consideration paid post 31 December 2021	61
Total	461

Post acquisition results

	Total £'000
Revenue	421
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	35