Interim Results

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

Interim Results for the six months ended 30 June 2018

Group revenue up 17%

Interim dividend increased by 14%

The Property Franchise Group, one of the UK's largest property franchises, today announces its interim results for the period ended 30 June 2018.

Financial Highlights

- Revenue increased by 17% to £5.5m (H1 2017: £4.7m)
- Management Service Fees (royalties) increased by 15% to £4.4m (H1 2017: £3.8m)
- Operating margin* of 35% (H1 2017: 31%)
- Adjusted EBITDA* increased by 29% to £2.3m (H1 2017: £1.8m)
- Profit before tax of £1.9m (H1 2017: £2.1m, which included £0.7m exceptional gain)
- Strong balance sheet with a net cash position of £0.5m (H1 2017: net debt of £0.7m)
- Interim dividend increased by 14% to 2.4p per share (H1 2017: 2.1p)

Operational Highlights

- Tenanted managed properties increased to 53,000 (H1 2017: 50,000)
- 16 new franchisees recruited (H1 2017: 20)
- 15 new offices opened (H1 2017: 18)
- 377 trading offices (H1 2017: 383)
- Group remains heavily weighted towards lettings, accounting for 69% of Management Service Fees (H1 2017: 70%)

** excludes exceptional items and share-based payment charges*

Ian Wilson, Chief Executive Officer of The Property Franchise Group, commented:

"We are pleased to have delivered another strong set of results, with all of our brands, including our "challenger" online brand, EweMove, improving revenue over the same period last year. Underlying profits, excluding the impact of an exceptional gain recognised in the comparative period in the prior year, also grew, as our franchisees benefitted from the Group's support and guidance.

"Historically, the Group has experienced stronger trading in the second half year, associated with heightened lettings activity in the period from June to September. We are seeing early indicators that this pattern will be maintained in 2018. The Directors are confident of the underlying strength of the Group and its continuing ability to effectively manage its cost base. Accordingly, we are pleased to be increasing the interim dividend by 14% to 2.4p.

"Thanks to our multi-brand strategy, strong balance sheet and robust cash flow we believe that we are well-positioned to outperform our competitors, increase market share and to deliver growth in value for all our stakeholders over the long term."

A video overview of the interim results from CEO Ian Wilson is available to watch here: http://bit.ly/TPFG_H1_18

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Chief Executive's Review

Despite challenging market conditions, the Group has delivered revenue and underlying profit growth across all six of our brands.

Over the past 12 months we have invested in strengthening our leadership team, with two Managing Directors in our subsidiaries and a Group Marketing Director. We have established five new websites, one for each of our traditional brands, optimised for pay-per-click ("PPC") advertising, and we have commissioned a bespoke Customer Relationship Management ("CRM") platform scheduled for launch in the second half-year to enhance efficiencies across the brands.

Driving growth in our traditional brands

The Group has delivered growth in revenues across our portfolio of traditional lettings and estate agency brands, and we are pleased to have transacted on an additional 2,973 tenanted managed properties over the reporting period. Thanks to the success we have had with new transactions, we achieved a net gain in the number of properties we are managing across the Group in the first half, despite the previously mentioned market headwinds.

This success was driven in part by the investment in PPC advertising that we have been encouraging our franchisees to make in their businesses. Across the Group we are now spending approximately £1m per annum on PPC marketing at a franchisee level, and the campaigns have delivered over 26,000 leads in the reporting period, on a rising trend.

We have invested in a team to assist our franchisees in acquiring competitors' portfolios of tenanted managed properties. Through this, we support them in identifying targets, assist with due diligence and put funding solutions together using high street banks and secondary funding sources. We also gift our franchisees "cash-back" on these acquisitions to recognise that they are creating a stream of Management Services Fees revenue for the franchisor, over future years. At the franchisee level, the acquisition of a competitor can be perceived to be a daunting undertaking, but we have found that with the Group's support our franchisees are more confident to pursue these opportunities than their independent peers might be, and are able to ultimately make both their own business, and the Group, more profitable. This is becoming increasingly important, as the Government's proposed tenant fee ban (expected to take effect in Spring 2019) will erode the profitability of small independent agents, and could encourage them to exit the lettings sector. We have been very pleased with the success these initiatives have shown so far in increasing the numbers of our franchisees completing acquisitions.

The profitability of a property management business increases with size, and we are actively encouraging stronger franchisees to scale up their businesses by buying out their less successful neighbours. The success of this programme is reflected in the decline in the number of trading offices in our traditional brands, from 278 at 30 June 2017 to 263 at 30 June 2018.

EweMove

Our "challenger" online brand EweMove has continued to increase its share of the online market, with 114 franchise territories trading at the end of the reporting period. It is now the 5th biggest online player based on number of new transactions.

The focus remains on recruiting experienced estate agents as franchisees, offering them a customer proposition which they are familiar with, namely no-sale-no-fee, building on our enviable Trust Pilot reputation (UK No.1 estate agent), and a technologically powered alternative to remaining on the high street.

EweMove continued to trade profitably during the first half, adding incremental value to the Group. Alongside this, the Group has benefitted significantly from the cross-fertilisation of EweMove's digital expertise into the traditional brands.

Outlook

As before, we expect further trading headwinds in 2019, as a result of negative sentiment around Brexit causing homeowners to postpone home moves, as well as the negative sentiment amongst buy-to-let landlords as a result of rising interest rates and the further reduction in tax relief on mortgage interest payments. We are also expecting to see an impact on our Group revenues from the Government's proposed tenant fee ban, the timing of which is expected to be 1 April 2019 and which will impact Group revenues and profit by circa £0.75m gross in 2019, reducing to £0.5m net after mitigation factors are taken into account.

However, our multi-brand strategy means that the Group is well-diversified; across geographical regions, lettings and sales, traditional high street agency and the developing online sector. Our franchise model means that the head office overhead is kept lean and costs controlled; we operate with just 50 employees out of relatively inexpensive southern and northern head office premises. The initiatives we have put in place so far to fortify our franchisees against market headwinds are progressing well, and will continue to be a focus during the second half and into 2019.

Our fundamentals remain strong, as the differentiated level of service and marketing across our brands continues to deliver organic growth. With a strong balance sheet and robust cash flow we are well-positioned to outperform our competitors, increase market share and to deliver growth in value for all our stakeholders over the long term. With this backdrop, the Board remains confident of delivering on market expectations for the full year.

Ian Wilson, Chief Executive Officer

Financial Review

Revenue

Revenue for the six months ended 30 June 2018 was £5.5m (H1 2017: £4.7m), an increase of £0.8m (17%) over the comparative period. EweMove contributed approximately half of this increase in revenue (£0.4m) with the remaining £0.4m generated by the traditional brands.

Traditional brands

Lettings MSF grew by 6% and sales MSF grew by 5% in the six months ended 30 June 2018 compared to the same period of 2017. Lettings MSF growth in the same period last year was 5% and sales MSF growth was static. This increased rate of growth in difficult market conditions is testament to the strength of our franchise network, the development of our digital marketing offering and progress in assisting franchisees to buy independent agents' businesses.

EweMove

EweMove franchisees pay a monthly licence fee and a completion fee per transaction. The total of the licence fees and completion fees for the six months ended 30 June 2018 was £0.92m (H1 2017: £0.55m), which is a 66% increase on the same period of 2017. We include these licence fees and completion fees within MSF.

Franchise sales income was £0.1m (H1 2017: £0.2m), down 50% on the six months ended 30 June 2017. New recruits in the first half of this year were 12 compared to 18 for the comparative period but importantly, 67% of new recruits were experienced estate agents compared to 56% for the comparative period. Experienced estate agents joining EweMove pay a franchise fee of £1,995 whereas inexperienced joiners pay a franchise fee of £19,995. However, our experienced estate agents are more productive and they pay licence fees from commencement of the franchise whereas inexperienced joiners pay licence fees from the first anniversary of the franchise's commencement.

Administrative expenses

Administrative expenses have increased by £0.3m. This results from our continuing investment in our leadership team together with the creation of marketing and digital teams.

EBITDA

The Group's EBITDA before exceptional items and share based payment charges was £2.3m (H1 2017: £1.8m), an increase of 29% over the comparative period.

Operating profit

Operating profit includes exceptional items, share based payment charges and amortisation charges relating to acquired businesses. Post exceptional items, operating profit reduced by 10% to £1.9m (H1 2017: £2.1m). That said, it must be borne in mind that there was a net exceptional gain of £0.7m in the comparative period relating to the settlement of the consideration due to the founders of EweMove and an impairment charge against the master franchise rights of EweMove.

Operating profit before exceptional items and share based payment charges increased 32% to £1.9m (H1 2017 £1.5m) and operating margin, on the same basis, was 35% (H1 2017: 31%). Underlying this increase is an improvement in the profitability of EweMove which has contributed 72% of the increase.

Earnings per share

Earnings per share for the six months ended 30 June 2018 was 5.9p (H1 2017: 7.4p). The income attributable to owners was £1.5m (H1 2017: £1.9m).

Profit before income tax

Profit before tax was £1.9m (2017: £2.1m), a reduction of 10%. However, the prior year included a net exceptional gain of £0.7m and when this is eliminated from the prior year, profit before tax increased by 32%.

Dividends

The Board has pursued a progressive dividend policy since the IPO. Once again, the Company has increased the interim dividend by 14% over last year reconfirming its commitment to that policy and intends to make an interim dividend payment of 2.4p per share on 3 October 2018 to shareholders on the register on 21 September 2018, being the record date. The ex-dividend date will be 20 September 2018.

Cash flow

The net cash inflow from operating activities in the first six months of 2018 was £2.0m (H1 2017: £1.8m).

The purchase of intangible assets amounted to £0.1m (H1 2017: £0.1m) and, unlike in the comparative period, is explained by incentives targeted at encouraging franchisees to acquire portfolios of tenanted managed properties and their associated costs.

In the first 6 months of 2018 the Group made bank loan repayments of £0.45m (H1 2017: £0.45m) and paid a final dividend of £1.4m for the year ended 31 December 2017 (H1 2017: £1.2m for the year ended 31 December 2016).

Overall cash balances increased by £0.3m to £2.6m (H1 2017: £2.3m).

Liquidity

The Group had a net cash balance of £0.5m at the end of the period (H1 2017: net debt £0.7m).

The Group had unutilised bank loan facilities of £3.0m at 30 June 2018 (30 June 2017: £2.0m).

Financial position

The Group continues to be strongly cash generative. This combined with its robust balance sheet and unutilised bank loan facility puts it in a strong position to continue to fulfil the acquisition element of its strategic plan, to invest further resources into digital and marketing developments and to pursue the fulfilment of EweMove's potential.

David Raggett, Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Unaudited *6 Months Ended* 30.06.18 £	Unaudited *6 Months Ended* 30.06.17 £	Audited 12 Months Ended 31.12.17 £
CONTINUING OPERATIONS				
Revenue	6	5,504,179	4,714,186	10,169,996

	Notes			
Cost of sales		(528,437)	(540,670)	(1,058,535)
GROSS PROFIT		4,975,742	4,173,516	9,111,461
Administrative expenses		(3,037,814)	(2,702,565)	(5,332,534)
Share-based payments charge		-	-	(137,020)
		1,937,928	1,470,951	3,641,907
Exceptional items	7	-	679,146	701,463
OPERATING PROFIT		1,937,928	2,150,097	4,343,370
Finance income		5,256	20,086	28,075
Finance costs		(38,945)	(52,641)	(120,769)
PROFIT BEFORE INCOME TAX		1,904,239	2,117,542	4,250,676
Tax	8	(390,882)	(233,232)	(598,917)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS		1,513,357	1,884,310	3,651,759
Earnings per share attributable to owners	9	5.9p	7.4p	14.2p
Diluted earnings per share attributable to owners	9	5.9p	7.4p	14.2p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	Unaudited *As at* 30.06.18 £	Unaudited *As at* 30.06.17 £	Audited *As at* 31.12.17 £
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	11	15,960,126	16,125,244	16,204,749
Property, plant and equipment		108,581	118,265	109,266
		16,068,707	16,243,509	16,314,015
CURRENT ASSETS				
Trade and other receivables	12	1,095,882	1,156,232	1,117,337
Cash and cash equivalents		2,595,620	2,256,750	2,594,526
		3,691,502	3,412,982	3,711,863
TOTAL ASSETS		19,760,209	19,656,491	20,025,878
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital	13	258,228	258,228	258,228
Share premium		7,016,584	7,016,584	7,016,584
Other reserves	14	(42,780)	(138,483)	(42,780)
Retained earnings		7,153,627	5,809,528	7,034,699
TOTAL EQUITY		14,385,659	12,945,857	14,266,731

LIABILITIES				
NON-CURRENT LIABILITIES				
Borrowings	15	1,150,000	2,050,000	1,600,000
Deferred tax		1,423,288	1,524,045	1,467,598
		2,573,288	3,574,045	3,067,598
CURRENT LIABILITIES				
Borrowings	15	900,000	900,000	900,000
Trade and other payables	16	1,370,152	2,038,468	1,299,638
Tax payable		531,110	198,121	491,911
		2,801,262	3,136,589	2,691,549
TOTAL LIABILITIES		5,374,550	6,710,634	5,759,147
TOTAL EQUITY AND LIABILITIES		19,760,209	19,656,491	20,025,878

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Called up share capital (note 13) £	Retained earnings £	Share premium £	Other reserves (note 14) £	Total equity £
Balance at 1 January 2017 (audited)	253,008	5,078,584	6,929,723	(75,422)	12,185,893
Profit and total comprehensive income	-	1,884,310	-	-	1,884,310
Issue of share capital- exercise of options	5,220	-	86,861	-	92,081
Dividends paid (note 10)	-	(1,153,366)	-	-	(1,153,366)
Deferred tax on share-based payments	-	-	-	(93,061)	(93,061)
Share-based payments charge	-	-	-	30,000	30,000
Total transactions with owners	5,220	(1,153,366)	86,861	(63,061)	(1,124,346)
Balance at 30 June 2017 (unaudited)	258,228	5,809,528	7,016,584	(138,483)	12,945,857
Profit and total comprehensive income	-	1,767,449	-	-	1,767,449
Dividends paid (note 10)	-	(542,278)	-	-	(542,278)
Deferred tax on share-based payments	-	-	-	(11,317)	(11,317)
Share-based payments charge	-	-	-	107,020	107,020
Total transactions with owners	-	(542,278)	-	95,703	(446,575)
Balance at 31 December 2017 (audited)	258,228	7,034,699	7,016,584	(42,780)	14,266,731
Profit and total comprehensive income	-	1,513,357	-	-	1,513,357
Dividends paid (note 10)	-	(1,394,429)	-	-	(1,394,429)
Total transactions with owners	-	(1,394,429)	-	-	(1,394,429)
Balance at 30 June 2018 (unaudited)	258,228	7,153,627	7,016,584	(42,780)	14,385,659

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited *6 Months Ended* 30.06.18 £	Unaudited *6 Months Ended* 30.06.17 £	Audited 12 Months Ended 31.12.17 £
Cash flows from operating activities			
Profit before income tax	1,904,239	2,117,542	4,250,676
Depreciation and amortisation charges	355,228	307,171	646,006
Net exceptional income	-	(679,146)	(701,463)
Share-based payments charge	-	30,000	137,020
Loss on disposal of intangible assets	1,749	-	2,579
Finance costs	38,945	52,641	120,769
Finance income	(5,256)	(20,088)	(28,075)
Operating cash flow before changes in working capital	2,294,905	1,808,120	4,427,512
Decrease in trade and other receivables	21,455	320,815	359,710
Increase / (decrease) in trade and other payables	70,656	(110,058)	52,428
Cash generated from operations	2,387,016	2,018,877	4,839,650
Interest paid	(39,086)	(60,835)	(102,887)
Tax paid	(395,991)	(153,030)	(297,166)
Net cash generated from operations	1,951,939	1,805,012	4,439,597
Cash flows from investing activities			
Purchase of subsidiary undertakings net of cash acquired	-	-	(1,000,000)
Purchase of intangible assets	(96,630)	(96,517)	(402,364)
Purchase of tangible assets	(15,042)	(6,168)	(12,840)
Interest received	5,256	20,088	28,075
Net cash used in investing activities	(106,416)	(82,597)	(1,387,129)
Cash flows from financing activities			
Issue of ordinary shares	-	92,080	92,081
Repayment of borrowings	(450,000)	(450,000)	(900,000)
Equity dividends paid	(1,394,429)	(1,153,366)	(1,695,644)
Net cash used in financing activities	(1,844,429)	(1,511,286)	(2,503,563)
Increase in cash and cash equivalents	1,094	211,129	548,905
Cash and cash equivalents at the beginning of the period	2,594,526	2,045,621	2,045,621
Cash and cash equivalents at end of period	2,595,620	2,256,750	2,594,526

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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. The address of its head office and registered office is 2 St Stephen's Court, St Stephen's Road, Bournemouth, Dorset, UK.

2. GOING CONCERN

The interim financial information has been prepared on the basis that the Group is a going concern.

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

3. BASIS OF PREPARATION

The consolidated interim financial information for the six months ended 30 June 2018 was approved by the Board and authorised for issue on 12 September 2018. The results for 30 June 2018 and 30 June 2017 are unaudited. The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 on which the auditors gave an audit report which was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

This interim report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2018, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2017 plus the adoption and implementation of IFRS 9 and IFRS 15 as explained below.

<u>IFRS 9 "Financial Instruments"</u>

IFRS 9 supersedes IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018, as such these are the first financial statements under this standard.

The core areas addressed within IFRS 9 are as follows:

- Classification and measurement of financial assets and liabilities
- Impairment of financial assets
- Hedge accounting

The Group has not identified any adjustments are required to the classification and measurement of financial assets and liabilities as a result of adopting this standard. As such no adjustment to the opening balance sheet is necessary.

<u>IFRS 15 "Revenue from Contracts with Customers"</u>

IFRS 15 replaces IAS 18, IAS 11 and related interpretations, and is effective for accounting periods commencing on or after 1 January 2018, as such these are the first financial statements under this standard.

This standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods and services is transferred. It applies to all contracts with customers, except those in the scope of other standards.

The Group has performed an assessment which has highlighted that the new standard only impacts on franchise sales revenue. The impact on these financial statements was immaterial but adjustments were made to defer income in relation to obligations not yet fulfilled.

4. BASIS OF CONSOLIDATION

The Group's interim financial information includes those of the parent company and its subsidiaries, drawn up to 30 June 2018. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

5. SEGMENTAL REPORTING

The board of Directors, as the chief operating decision-making body, review financial information for and make decisions about the Group's overall franchising business and have identified a single operating segment, that of property franchising.

6. REVENUE

The Directors believe there to be three material income streams relevant to property franchising which are split as follows:

	Unaudited *6 Months Ended* 30.06.18 £	Unaudited *6 Months Ended* 30.06.17 £	Audited 12 Months Ended 31.12.17 £
Management service fee	4,406,284	3,815,842	8,281,238
Franchise sales	212,265	261,668	569,857
Other	885,630	636,676	1,318,901
	5,504,179	4,714,186	10,169,996

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

7. EXCEPTIONAL ITEMS

The net exceptional income in the year ended 31 December 2017 of £701,463 all relates to EweMove. It consists of the reduction in deferred consideration payable of £1,179,146 and the associated unwinding of the discounting on deferred consideration in the year, and an impairment charge of £500,000 against the master franchise agreement following a revaluation due to evidence suggesting that the business' value may have been impaired.

The net exceptional income in the period ended 30 June 2017 was the same as for the year ended 31 December 2017 except that the unwinding of the discounting had not been accounted for.

8. TAXATION

The underlying tax charge is based on the expected effective tax rate for the full year to December 2018. The majority of the tax arises from applying this effective tax rate to the profit on ordinary activities.

9. EARNINGS PER SHARE

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

	Unaudited *6 Months Ended* 30.06.18	Unaudited *6 Months Ended* 30.06.17	Audited 12 Months Ended 31.12.17
Basic earnings per share			
Weighted average number of shares	25,822,750	25,477,256	25,651,423
Profit for the period (£)	1,513,357	1,884,310	3,651,759
Earnings per share (pence)	5.9p	7.4p	14.2p

	Unaudited *6 Months Ended* 30.06.18	Unaudited *6 Months Ended* 30.06.17	Audited *12 Months Ended* 31.12.17
Diluted earnings per share			
Weighted average number of shares	25,822,750	25,477,256	25,651,423
Dilutive effect of share options on ordinary shares	349	2,518	-
	25,823,099	25,479,774	25,651,423
Diluted earnings per share (pence)	5.9p	7.4p	14.2p

10. DIVIDENDS

	Unaudited *As at* 30.06.18 £	Unaudited *As at* 30.06.17 £	Audited *As at* 31.12.17 £
Dividends (ordinary share of £0.01 each)	1,394,429	1,153,366	1,695,644
Dividend per share	5.4p	4.5p	6.6p

11. INTANGIBLE ASSETS

	Master Franchise Agreement £	Brands £	Technology £	Customer Lists £	Goodwill £	Total £
Cost						
Balance at 1 January 2017 (Audited)	7,803,436	1,972,239	92,704	316,825	7,226,160	17,411,364
Additions	-	-	96,517	-	-	96,517
Disposals	-	-	-	(11,665)	-	(11,665)
Balance at 30 June 2017 (Unaudited)	7,803,436	1,972,239	189,221	305,160	7,226,160	17,496,216
Additions	-	-	84,989	322,344	-	407,333
Disposals	-	-	-	-	-	-
Balance at 31 December 2017 (Audited)	7,803,436	1,972,239	274,210	627,504	7,226,160	17,903,549
Additions	-	-	-	96,630	-	96,630
Disposals	-	-	-	(84,205)	-	(84,205)
Balance at 30 June 2018 (Unaudited)	7,803,436	1,972,239	274,210	639,929	7,226,160	17,915,974
Amortisation						
Balance at 1 January 2017 (Audited)	412,354	22,242	6,180	150,252	-	591,028
Charge for period	205,780	33,363	9,270	40,552	-	288,965
Impairment	500,000	-	-	-	-	500,000
Eliminated on disposals	-	-	-	(9,022)	-	(9,022)
Balance at 30 June 2017 (Unaudited)	1,118,134	55,605	15,450	181,782	-	1,370,971
Charge for period	207,394	33,363	33,668	53,404	-	327,829
Impairment	-	-	-	-	-	-
Eliminated on disposals	-	-	-	-	-	-
Balance at 31 December 2017 (Audited)	1,325,528	88,968	49,118	235,186	-	1,698,800
Charge for period	206,587	33,363	39,518	60,036	-	339,504
Disposals	-	-	-	(82,456)	-	(82,456)
Balance at 30 June 2018 (Unaudited)	1,532,115	122,331	88,636	212,766	-	1,955,848
Net book value						
30 June 2017 (Unaudited)	6,685,302	1,916,634	173,771	123,377	7,226,160	16,125,244
31 December 2017 (Audited)	6,477,908	1,883,271	225,092	392,318	7,226,160	16,204,749
30 June 2018 (Unaudited)	6,271,321	1,849,908	185,574	427,163	7,226,160	15,960,126

An impairment review of the EweMove intangibles was performed at 30 June 2017 as a result of the reduction in the deferred consideration negotiated. This led to the value of master franchise agreements being written down by £500,000.

As at 30 June 2018 there is no indication that any of the assets may be impaired.

12. TRADE AND OTHER RECEIVABLES

	Unaudited *As at* 30.06.18 £	Unaudited *As at* 30.06.17 £	Audited *As at* 31.12.17 £
Trade receivables	157,319	149,169	137,860
Loans to franchisees	18,102	49,900	39,344
Other receivables	42,193	47,318	21,225
Prepayments and accrued income	878,268	909,845	918,908
	1,095,882	1,156,232	1,117,337

13. CALLED UP SHARE CAPITAL

	Unaudited *As at* 30.06.18 £	Unaudited *As at* 30.06.17 £	Audited *As at* 31.12.17 £
Group			
25,822,750 allotted issued and fully paid Ordinary Shares of 1p each	258,228	258,228	258,228

On 9 June 2017 options over 1,500,000 shares were granted to two executive directors at an exercise price of 1 pence per share. The options are exercisable after the approval of the financial statements for the year ending 31 December 2019, and subject to meeting an Earnings per Share target. On 1 August 2018 options in a parallel scheme were granted to the same executive directors, over the same number of shares, and with the same Earnings per Share target, but these are exercisable one year later, after the approval of the financial statements for the year ending 2020. Participants will only be able to exercise one of their options.

THE PROPERTY FRANCHISE GROUP PLC

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. OTHER RESERVES

	Merger Reserve £	Share Based Payment Reserve £	Total £
1 January 2017 (Audited)	(179,800)	104,378	(75,422)
30 June 2017	(179,800)	41,317	(138,483)
31 December 2017 (Audited)	(179,800)	137,020	(42,780)
30 June 2018	(179,800)	137,020	(42,780)

Merger reserve

The merger reserve relates to the acquisition of Martin & Co (UK) Limited by The Property Franchise Group PLC. This did not meet the definition of a business combination and therefore, falls outside of the scope of IFRS 3. This transaction was accounted for in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6 - Acquisitions and Mergers.

Share-based payment reserve

The share based payments reserve comprises charges made to the income statement in respect of share-based payments and related deferred tax impacts under the Group's equity compensation scheme.

15. BORROWINGS

	Unaudited *As at* 30.06.18 £	Unaudited *As at* 30.06.17 £	Audited *As at* 31.12.17 £
Repayable within 1 year:			
Bank loan (term loan)	900,000	900,000	900,000
Repayable in more than 1 year:			
Bank loan (term loan)	1,150,000	2,050,000	1,600,000
Bank loans due after more than 1 year are repayable as follows:			
Between 1 and 2 years	900,000	900,000	900,000
Between 2 and 5 years	250,000	1,150,000	700,000

The term loan of £2.05m (31.12.17: £2.50m) is secured with a fixed and floating charge over the Group's assets and a cross guarantee across all companies in the Group.

The Company has a loan facility of £5m, and has drawn down two terms loans under this facility, referred to below as 'Loan 1' and 'Loan 2'.

Loan 1 - £2.5m drawn down on 30 October 2014 and is repayable over 5 years in equal instalments. Interest is charged quarterly on the outstanding amount and the rate is fixed at 4.08%. The amount outstanding at 30 June 2018 was £0.75m (2017: £1.25m).

Loan 2 - £2m drawn down on 5 September 2016 and is repayable over 5 years in equal instalments. Interest is charged quarterly on the outstanding amount, the rate is variable during the term at 2.5% above LIBOR, at 30 June 2018 the rate was 3.2%. The amount outstanding at 30 June 2018 was £1.3m (2017: £1.7m).

At 31 December 2017 the unutilised amount of the facility was £2.5m and on 30 June 2018 the unutilised amount of the facility was £2.95m.

16. TRADE AND OTHER PAYABLES

	Unaudited *As at* 30.06.18 £	Unaudited *As at* 30.06.17 £	Audited *As at* 31.12.17 £
Trade payables	183,579	252,878	154,076
Other taxes and social security	526,840	405,631	572,573

Other payables	42,924	35,829	49,707
Accruals and deferred income	616,809	344,130	523,282
Deferred consideration	-	1,000,000	-
	1,370,152	2,038,468	1,299,638