26 July 2018

FRANCHISE BRANDS PLC
(“Franchise Brands”, “the Group” or “the Company”)

Half year results for the six months ended 30 June 2018

A very positive outlook for the Group as Metro Rod strategy delivers

Franchise Brands plc (AIM: FRAN), a multi-brand international franchisor, is pleased to announce its unaudited half year results for the period ended 30 June 2018.

Financial highlights

- Statutory revenue up 88% to £16.8m (H1 2017: £8.9m).
- Recurring Management Service Fee (“MSF”) income up 86% to £5.4m (H1 2017: £2.9m) and is now 64% of total fee income (H1 2017: 57%).
- Adjusted EBITDA* increased by 46% to £1.8m (H1 2017: £1.3m).
- Adjusted profit before tax* up 41% to £1.4m (H1 2017: £1.0m).
- Profit before tax of £1.4m (H1 2017: loss of £0.2m).
- Statutory profit after tax of £1.2m (H1 2017: loss of £0.2m).
- Cash generated from operating activities of £1.5m (H1 2017: £0.7m).
- Strong cash conversion of 83% (H1 2017: 54%).
- Net debt of £5.5m at 30 June 2018 (31 December 2017: £6.3m).
    - Gearing at 30 June 2018 of 23% (31 December 2017: 27%).
- Basic and adjusted EPS* of 1.5p (H1 2017: basic loss of 0.40p; adjusted profit of 1.3p).
- Interim dividend of 0.21p per share declared, an increase of 24% (H1 2017: 0.17p per share).

Operational highlights

- 41 new franchisees recruited (H1 2017: 49).
- Continuing significant investment in IT: included new telephone technology and works management automation.
- Launch of Metro Rod “Vision 2023” to accelerate business growth.
- Establishment of Exeter as Metro Rod corporate franchise.
- Completion of 88,000 jobs at Metro Rod, an increase of 15% from the equivalent period in 2017.

**Adjusted items are before costs of acquisitions of subsidiaries, costs of transition of subsidiaries, exceptional bad debt provision and IPO expenses and, in relation to EBITDA only, share-based payment expense.*

Stephen Hemsley, Executive Chairman, commented:

“The first half of 2018 has been a period of pleasing progress for Franchise Brands with the business as a whole performing as expected. Metro Rod is capable of significant growth and I am very encouraged that we have started to see the benefits coming through of the new strategy. The investment we are making will help unlock Metro Rod’s potential; new technology is already allowing us to automate processes, reduce costs and provide a superior customer experience.

“ChipsAway, Ovenclean and Barking Mad have performed solidly, delivering high levels of cash conversion. It is encouraging to see further growth in high-margin MSF income across all these brands.

“The outlook for the Group remains very positive and I look forward to the remainder of 2018 with confidence.”

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Executive Chairman's statement

The first six months of 2018 has seen the continuing implementation of the strategy for Metro Rod that was formulated following its acquisition in April 2017. All elements of this strategy are working well and are beginning to deliver improvements which will benefit this business in the longer term. ChipsAway, Ovenclean and Barking Mad had a satisfactory six months, and whilst franchise recruitment slowed, investment in new territories by existing franchisees increased with strong underlying trading, thereby driving Management Service Fee ("MSF") income.

Metro Rod

The strategy formulated for Metro Rod has the central objective of making franchisees more independent and responsible for building their own businesses by giving them the IT, sales and marketing support needed to achieve this. Significant progress has been made with our IT systems, which have now been transitioned onto a cloud-based platform. This has improved the speed and reliability of the existing works management system ("WMS"). Franchisees have also been given far greater access to the WMS which allows them to more fully manage both existing and new work. Substantial progress has also been made in automating the call centre, which has improved efficiency and enhanced customer service by putting the customers and franchisees in direct contact with each other. Finally, we have started to put in place a "dashboard" which provides management information, giving us and our franchisees a much greater insight into the business.

Some progress has also been made in sales and marketing support for the Metro Rod franchisees following the launch of a National Advertising Fund ("NAF") in January 2018. A Sales & Marketing Director was appointed at Metro Rod in May 2018 following the establishment of a marketing team earlier in the year. Whilst it is early days, the co-ordination of the sales and marketing function, together with the newly established ability to train the franchisees' marketing personnel, is beginning to improve top-line sales. As this new team becomes established we are anticipating a more rapid increase in sales, although this will depend on the franchisees' appetite and operational capacity to service this additional volume.

To give added focus to the development of the franchisees' businesses, a new initiative – "Vision 2023" – was recently launched which sets out the market opportunity for the business as a whole and how we, in partnership with our franchisees, intend to capture it. Vision 2023 was launched at a national conference in June and has been widely welcomed by our franchisees. It has also helped us to identify where a change of franchisee may be needed if we are to fully exploit the market opportunity.

The first such change occurred during the period with the departure of our franchisee in Exeter. This territory is now operated as a corporate franchise and will be used to trial some of the new initiatives set out in Vision 2023. We anticipate investing in other strategic partnerships with existing franchisees in different areas of the country to provide an example of the ways in which the business can be developed.

Metro Plumb has continued to grow sales and these have now reached critical mass for a growing number of franchisees. The revised strategy is to focus our sales effort on those areas where we think we can develop critical mass and to offer this franchise opportunity independently of Metro Rod. The first such sale is anticipated in August/September 2018. Kemac had a much-improved performance over the period. This resulted from a combination of the actions taken at the end of 2017 to reduce the cost base and a pick-up in work from water utilities as a result of several emergency situations.

ChipsAway, Ovenclean and Barking Mad
ChipsAway and Ovenclean, which are effectively run as one business out of our Kidderminster location, had a satisfactory performance in the first half of the year. Whilst ChipsAway franchise recruitment slowed, investment in additional territories by existing franchisees increased, with 7% of the network buying additional territory, demonstrating their confidence in the business. As more ChipsAway franchisees move towards Car Care Centres and multiple van operations, they begin paying an MSF based on actual turnover (rather than a fixed monthly fee) and therefore the growth in this source of income, albeit still small, almost doubled year-on-year. Ovenclean's MSF income also improved as a result of an increase in the monthly fee that became effective at the end of the first half in 2017. Marketing at ChipsAway and Ovenclean, which is funded through their NAFs, continued to deliver a strong pipeline of consumer leads to franchisees.

Barking Mad has seen a good progression in the first half of the year. New franchisee recruitment increased from last year and operationally, Easter was particularly buoyant with customer bookings up by 26% on the same period last year. As Barking Mad franchisees pay a 10% MSF on turnover, this source of income grew reasonably well during the period.

Group trading summary
Overall the Group has had a pleasing start to the year with the business as a whole performing as expected. The Group has returned to profitability at every level, compared to the losses in 2017 resulting from the exceptional costs incurred relating to the acquisition of Metro Rod. The annualisation of the equity dilution resulting from the fundraising in April 2017 to finance the Metro Rod acquisition has, as expected, diluted earnings per share, but with profit after tax ahead by 46%, we are pleased to report EPS on underlying profits ahead by 15% and an interim dividend increase of 24%. Strong cash generation in the first half of the year is leaving us with available cash and unused facilities of £5.3m at 30 June 2018, which gives us significant optionality should the right opportunity present itself.

Conclusion
The outlook for the Group remains very positive. Metro Rod is capable of significant growth and the investment required to unlock this potential is underway and bearing fruit. In the first half of 2018 we have started to see the benefits of the new Metro Rod strategy outlined at the end of 2017. The management changes made last year and the subsequent further strengthening of the team is now paying real dividends both in terms of financial results but also in the spirit and motivation of franchisees and Support Centre team members alike.

ChipsAway, Ovenclean and Barking Mad are all well managed established brands in niche sectors that will continue to grow at a more modest but stable rate and are highly cash generative.

I would like to end by thanking my colleagues and franchisees across the Group for their continued hard work and support as we continue building a business we can all be proud of.

Stephen Hemsley
Executive Chairman

Chief Financial Officer's review

	H1 2018 (Unaudited) £'000	Restated (Unaudited) H1 2017 £'000	Change £'000	Change %
Statutory revenue	16,844	8,937	7,907	88%
Franchise payments	(8,395)	(3,850)	(4,609)	118%
Fee and direct labour income	**8,449**	**5,087**	**3,298**	**66%**
Other cost of sales	(1,972)	(1,168)	(804)	69%
Gross profit	**6,477**	**3,919**	**2,558**	**65%**
GP margin on fee income	*77%*	*77%*		
Administrative expenses	(4,657)	(2,669)	(1,988)	74%
Adjusted EBITDA	**1,820**	**1,250**	**570**	**46%**
Depreciation	(61)	(47)	(14)	30%
Amortisation of intangibles	(108)	(48)	(60)	125%
Share-based payment	(81)	(56)	(25)	45%
Finance expense	(172)	(104)	(68)	65%
Adjusted profit before tax	**1,398**	**995**	**403**	**41%**
Tax expense	(235)	(196)	(39)	20%
Adjusted profit after tax	**1,163**	**799**	**364**	**46%**
Non-recurring items (net of tax)	-	(1,041)	1,041	-100%
Statutory profit/(loss)	**1,163**	**(242)**	**1,405**	**581%**

Note: "Adjusted" items are before costs of acquisitions of subsidiaries, costs of transition of subsidiaries, exceptional bad debt provision and IPO expenses and, in relation to EBITDA only, share-based payment expense.

In 2018 we continue to feel the transformational effect of the acquisition of Metro Rod in April 2017. The half year figures for 2018 contain a full six months of all of our brands, whereas the comparative figures for 2017 contain almost three months of trading of Metro Rod, and a full six months for ChipsAway, Ovenclean and Barking Mad. The 2017 numbers have been re-stated following accounting changes to revenue due to our adoption of IFRS15.

Statutory revenue & fee and direct labour income

Statutory consolidated revenue has increased 88% from £8.9m to £16.8m with all the additional revenue coming from Metro Rod. Statutory revenue is made up of a number of different income streams that have differing accounting policies and is not, therefore, a KPI that management track on a consolidated basis. The KPIs used by management to track our sales performance vary between the brands depending on the manner in which MSF is derived.

The Group as a franchisor has three main fee income streams: MSF received from our existing franchisees either based on fixed monthly fees or as a percentage of system sales; fees generated from the sale or resale of franchise territories; and income from the sale of products to franchisees. The Group also has two direct labour divisions, Kemac and our Metro Rod corporate franchise in Exeter, which comprise a separate category of direct labour income.

During H1 2018 MSF income increased to 64% of total fee income, from 57% in H1 2017. The increase in recurring MSF income reflects our focus on improving the quality of our income stream to one which is more aligned to the growth in franchisees' sales, rather than recruitment income from the sale and resale of franchise territories. Income from area sales has fallen from 19% to 11%, and product sales from 13% to 6%, following the acquisition of Metro Rod. Conversely direct labour income has increased from 11% to 19% with the inclusion of Kemac for a full six months. Overall fee and direct labour income has increased 66% from £5.1m to £8.4m.

Our fee and direct labour income generates a high level of gross margin, and this has remained at 77% in both current and comparative periods. Overall, gross profit increased by 65% from £3.9m to £6.5m.

Trading results

Metro Rod, which includes Metro Plumb, made an EBITDA contribution of £0.9m in the period, up from £0.4m for the almost three months of ownership in H1 2017. On a 'pro-forma' basis Metro Rod would have contributed around £0.8m in H1 2017 if it had been owned for six months, which gives an implied organic EBITDA growth of 13%. This growth has been driven by the increase in our MSF income on system sales from our national network of 41 franchisees, including our corporate franchise in Exeter.

System sales at Metro Rod grow through a combination of demand and supply side factors. The demand for drainage and plumbing services is driven by external factors such as (but not limited to) adverse weather conditions and also increases in operational capacity. Metro Rod completed 88,000 jobs during the period, up 15% from the equivalent period in 2017. In particular, the thawing of the "Beast from the East" in early March caused the network to enjoy its busiest ever period of trading. However, the average job value reduced as capacity was taken up by a larger number of reactive jobs, rather than the higher value repair work. As such, system sales grew only 3% from £17.4m to £18.0m over the same period in 2017. Within the overall increase, the local sales made by franchisees in their territories and Metro Plumb drove the growth, increasing by 6% and 27% respectively. A key part of the Vision 2023 strategy is for local sales by franchisees to become a higher proportion of total sales so this pattern is encouraging.

We are pleased that trading has improved at Kemac following a very disappointing 2017. In H1 2017 it made a minimal contribution, whereas in H1 2018 it contributed £0.2m to Group profits.

ChipsAway, Ovenclean and Barking Mad increased their EBITDA contribution by 2% growing to £1.3m from £1.27m. The total number of franchisees in these networks increased by 2% from 397 at the year end to 404 at the end of June 2018. Recruitment has had a slow start to the year with 41 new franchisees recruited compared to 49 in the previous year. However, growth in these businesses has been driven by growing MSF from existing franchisees in line with our focus on improving the quality of our income streams.

Group overheads increased from £0.4m to £0.6m, mostly as a result of the annualisation of the cost increases which took place following the acquisition of Metro Rod.

Adjusted EBITDA for the Group increased by 46% to £1.8m from £1.3m in the previous year.

Earnings and dividend

Amortisation costs have increased to £0.1m, due to a full six months' amortisation of the intangible assets arising from the acquisition of Metro Rod. The finance charge of £0.2m is up 65%, representing an interest rate of 3.9% on our gross debt.

Profit before tax was £1.4m which is a 41% increase when compared to the underlying profits before tax in H1 2017 of £1.0m. The tax charge for the period at 16.8% was lower than the statutory rate of 19% owing to an adjustment in respect of previous years. As a result, the Group made a statutory profit after tax in the period of £1.2m compared to a loss of £0.2m in 2017.

The number of shares in issue during the period was 77,732,033, resulting in a statutory and adjusted earnings per share of 1.5p. In H1 2017 the average number of shares in issue was 61,239,907, as the shares issued in respect of the Metro Rod acquisition were only issued part way through the period which resulted in adjusted earnings per share of 1.3p. Therefore, adjusted earnings per share increased by 15% or 0.2p.

Financing and cash flow

The Group generated cash from operating activities of £1.5m (H1 2017: £0.7m). During the period we repaid £1.3m of debt, reducing the gross level of debt from £9.5m at 31 December 2017 to £8.2m at 30 June 2018. Of the £1.3m repayment, £0.3m was scheduled and £1.0m was a reduction in the drawing on the revolving credit facility ("RCF").

At 30 June 2018 we had utilised £2.5m of our £5m RCF and had cash-in-hand of £2.8m (31 December 2017: £3.2m), meaning that we had available cash and facilities of £5.3m (31 December 2017: £4.7m). Shareholders' funds at 30 June 2018 were £24.2m (31 December 2017: £23.2m) against net debt of £5.5m (31 December 2017: £6.3m), giving modest gearing of 23% (31 December 2017: 27%).

Dividend

The Board is pleased to announce an interim dividend of 0.21 pence per share (H1 2017: 0.17 pence per share), an increase of 24%. The cost of the interim dividend is £163,000. The interim dividend for the period is seven times covered by profit after tax. The interim dividend will be paid on 13 September 2018 to shareholders on the register at the close of business on 24 August 2018.

Chris Dent
Chief Financial Officer

Franchise Brands plc
Consolidated statement of comprehensive income
for the six months ended 30 June 2018

	Unaudited 6 months ended 30-June 2018 £'000	Restated Unaudited 6 months ended 30-June 2017 £'000	Restated Unaudited Year ended 31-Dec 2017 £'000
Revenue	16,844	8,937	24,867
Cost of sales	(10,367)	(5,018)	(15,152)
Gross profit	6,477	3,919	9,715
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items ("Adjusted EBITDA")	1,820	1,250	2,696
Depreciation	(61)	(47)	(96)
Amortisation of intangible fixed assets	(108)	(48)	(156)
Share-based payment expense	(81)	(56)	(58)
Costs of acquisition of subsidiaries	-	(1,140)	(1,144)
Costs of transition of subsidiary	-	(58)	(734)
Bad debt provision	-	-	(316)
Total administrative expenses	(4,907)	(4,020)	(9,522)
Operating profit/ (loss)	1,570	(99)	193
Finance expense	(172)	(104)	(277)
Profit/(loss) before tax	1,398	(203)	(65)
Tax expense	(235)	(39)	(43)
Profit/(loss) for the period and comprehensive income attributable to equity holders of the Parent Company	1,163	(242)	(128)

All amounts relate to continuing operations

Earnings per share			
Basic	1.50	(0.40)	(0.19)
Adjusted basic	1.50	1.30	2.44
Diluted	1.43	(0.40)	(0.19)
Adjusted diluted	1.43	1.29	2.44

Franchise Brands plc
Consolidated statement of financial position
as at 30 June 2018

	Unaudited 30-June 2018 £'000	Restated Unaudited 31-Dec 2017 £'000
Assets		
Non-current assets		
Intangible assets	**27,621**	27,658
Property, plant and equipment	**252**	162
Total non-current assets	**27,873**	27,820
Current assets		
Inventories	**276**	252
Trade and other receivables	**9,779**	8,144
Cash and cash equivalents	**2,751**	3,245
Total current assets	**12,806**	11,641
Total assets	**40,679**	39,461
Liabilities		
Current liabilities		
Trade and other payables	**7,705**	6,406
Loans and borrowings	**3,378**	4164
Obligations under finance leases	**23**	21
Current tax liability	**235**	-
Total current liabilities	**11,341**	10,591
Non-current liabilities		
Loans and borrowings	**4,744**	5255
Obligations under finance leases	**76**	65
Deferred tax liability	**355**	374
Total non-current liabilities	**5,175**	5,694
Total liabilities	**16,516**	16,285
Total net assets	**24,163**	23,176
Issued capital and reserves attributable to owners of the Parent		
Share capital	**388**	388
Share premium	**22,621**	22,621
Share-based payment reserve	**169**	88
Merger reserve	**396**	396
Retained earnings	**589**	-317
Total equity attributable to equity holders	**24,163**	23,176

Franchise Brands plc

Consolidated statement of cash flows
for the six months ended 30 June 2018

	Unaudited 6 months to 30-June 2018 £'000	Restated Unaudited 6 months to 30-June 2017 £'000	Restated Unaudited Year Ended 31-Dec 2017 £'000
Cash flows from operating activities			
Profit/(loss) for the period	1,163	(243)	(131)
Adjustments for:			
Depreciation of property, plant and equipment	61	47	96
Amortisation of intangible fixed assets	108	48	156
Share-based payment expense	81	56	58
Finance expense	172	104	277
Income tax expense	235	40	47
	1,820	52	503
Increase in trade and other receivables	(1,613)	(879)	(1,210)
Increase in inventories	(24)	(15)	(17)
Increase in trade and other payables	1,299	1,761	1,629
Cash generated from operations	1,482	919	905
Income taxes repaid/(paid)	48	(179)	(204)
Net cash generated from operating activities	1,530	740	701
Cash flows from investing activities			
Purchases of property, plant and equipment	(26)	(93)	(98)
Purchase of software	(81)	-	(21)
Gain on disposal of assets	-	-	13
Acquisition of subsidiary including costs, net of cash acquired	-	(28,487)	(28,403)
Net cash used in investing activities	(107)	(28,580)	(28,509)
Cash flows from financing activities			
Bank and other loans – repaid	(1,300)	(417)	(6,417)
Bank and other loans – received	-	11,830	15,330
Bank and other loans- provided	(193)	-	-
Interest paid – bank and other loans	(146)	(96)	(186)
Interest paid – finance leases	(6)	-	(10)
Proceed from issue of shares	-	20,000	20,000
Share issue expenses and other expenses of IPO	-	(444)	(444)
Dividends paid	(257)	(81)	(213)
Capital element of finance lease repaid	(15)	(6)	(6)
Net cash (used in)/ generated from financing activities	(1,917)	30,786	28,054
Net (decrease)/ increase in cash and cash equivalents	(494)	2,946	246
Cash and cash equivalents at beginning of year	3,245	2,999	2,999
Cash and cash equivalents at end of year	2,751	5,945	3,245

Franchise Brands plc

Consolidated statement of changes in equity
for the six months ended 30 June 2018

	Share capital	Share premium account	Share-based payment reserve	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	239	3,214	30	396	24	3,903
Loss for the period	-	-	-	-	(242)	(242)
Dividend paid	-	-	-	-	(81)	(81)
Acquisition of a subsidiary	149	19,407	-	-	-	19,556
Share based payment	-	-	56	-	-	56
At 30 June 2017 (Restated)	388	22,621	86	396	(299)	23,192
Profit for the period	-	-	-	-	114	114
Dividend paid	-	-	-	-	(132)	(132)
Share based payment	-	-	2	-	-	2
At 1 January 2018 (Restated)	388	22,621	88	396	(318)	23,175
Profit for the period	-	-	-	-	1,163	1,163
Dividend paid	-	-	-	-	(257)	(257)
Share based payment	-	-	81	-	-	81
At 30 June 2018	388	22,621	169	396	589	24,163

1. Accounting policies

Basis of preparation
The consolidated financial statements for the six months ended 30 June 2018 and 2017 are unaudited and were approved by the Directors on 25 July 2018. They do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial statements for the year ended 31 December 2017 were prepared in accordance with IFRS and have been delivered to the Registrar of Companies. The report of the auditor on those financial statements was unqualified and did not draw attention to any matters by way of emphasis of matter.

Applicable standards
These unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention. They have not been prepared in accordance with IAS 34, the application of which is not required to the interim financial statements of AIM companies. The interim financial statements have been prepared in accordance with the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 December 2017, with the exception of the changes due to the adoption of IFRS15, which are discussed in note 3 below, and the application of IFRS9, which has not resulted in any material changes. The Board is currently considering the impact of IFRS16.

Basis of consolidation
The Group's financial statements consolidate the financial statements of Franchise Brands plc and its subsidiaries.

Going concern
The condensed financial statements have been prepared on a going concern basis. At the period end the Group was profitable, cash generative on an operating level, and had cash and cash equivalents of £2.8m. The Directors are satisfied that there are sufficient resources available for the Group to continue for the foreseeable future.

2. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would have been issued on the conversion of all dilutive potential Ordinary Shares into Ordinary shares at the start of the period or, if later, the date of issue.

Adjusted earnings per share

During the comparative period, the Group incurred significant exceptional costs associated with the acquisition of Metro Rod and transitional costs following acquisition. If these costs of £1,198,000, of which £382,000 were not deductible for corporation tax, were added back and the resultant profit taxed at 19.25% being the Group's estimated underlying tax rate for the full year, the profit attributable would be £799,000.

Earnings per share

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Profit/(loss) attributable to owners of the parent	**1,163**	(242)	(128)
Exceptional items, net of tax	**-**	1,041	1,849
Adjusted profit attributable to owners of the parent	**1,163**	799	1,721
	Number	Number	Number
Basic weighted average number of shares	**77,732,033**	61,239,907	69,553,746
Dilutive effect of share options	**3,395,460**	827,475	741,726
Diluted weighted average number of shares	**81,127,493**	62,067,382	70,295,472
	Pence	Pence	Pence
Basic earnings per share	**1.50**	(0.40)	(0.19)
Diluted earnings per share	**1.43**	(0.40)	(0.19)
Adjusted earnings per share	**1.50**	1.30	2.44
Adjusted diluted earnings per share	**1.43**	1.29	2.44

3. Restatement due to IFRS15

At the beginning of the period the Group adopted *IFRS15 Revenues from Contracts with Customers*, the new accounting standard on revenue. There have been 2 key changes derived from the adoption of the standard:

- Metro Rod revenue recognition: the introduction of IFRS15 has resulted in a minor shift of the revenue recognition point based on the assessment of control being transferred and when the Company has a legal and enforceable right for payment. The Directors believe that invoicing is a key service which we undertake on behalf of our franchise network and customers. Furthermore, given the invoicing requirements of our Facilities Management customers, the Directors believe that revenue will only be received once invoicing has been completed in accordance with these requirements. Therefore, our revenues should only be recognised at the point at which the invoice has been raised. Given the nature of the work performed at Metro Rod - being a large number of small value jobs - the shift has not had a significant impact in terms of the financial statements as the Company will see approximately the same number of jobs being reported into the relevant period as previously. For the six months ended 30 June 2017, the restatement decreased revenue by £22k (FY2017: £65k), decreased cost of sales by £15k (FY2017: £46k), and decreased the tax expenses by £1k (FY2017: £4k), having a total effect on profit after tax of a decrease of £5k (FY2017: £16k).
- National advertising funds: the national advertising funds for our different networks have not previously been recognised as revenue under IAS18. The Directors did not believe that the Group met the criteria for recognising revenue due to fact that the Group is not exposed to the risks and rewards of the transactions. The management of the funds does not result in any profit or loss for the Group as all funds received are expended on behalf of the networks. With the adoption of the precepts of IFRS15 with its control-based approach, the Directors have concluded that the Group will recognise the costs expended by the funds in the year within the costs of the business, and will recognise an equal amount as revenue, with any difference from the amount of cash received from our franchisees as accrued or deferred revenue within the balance sheet. Therefore, there is no effect on profit. In the current period the inclusion of the fund expenditure as income has increased revenue by £498k (H1 2017: £320k) and has increased administration expenses by the same amount of £498k (H1 2017: £320k). The revenue which we are recognising in respect of the national advertising fund is included in the total of MSF for the purposes of income categorisation.

In line with the transitional arrangements within IFRS15 we have re-stated our previous period figures to show the effect of the new standard.

Six months ended 30 June 2017	**Original numbers**	**IFRS15 adjustment**	**Final numbers**
	£'000	**£'000**	**£'000**
Revenue	8,639	298	8,937
Cost of sales	(5,033)	15	(5,018)
Total administrative expenses	(3,699)	(320)	(4,019)
Finance expense	(104)	0	(104)
Tax expense	(40)	1	(39)
Profit after tax	(237)	(5)	(242)

Year ended 31 December 2017	**Original numbers**	**IFRS15 adjustment**	**Final numbers**
	£'000	**£'000**	**£'000**
Revenue	24,292	575	24,867
Cost of sales	(15,198)	46	(15,152)
Total administrative expenses	(8,882)	(640)	(9,522)
Finance expense	(277)	0	(277)
Tax expense	(47)	4	(43)
Profit after tax	(112)	(16)	(128)

	Original numbers	**IFRS15 adjustment**	**Final numbers**
Assets	**£'000**	**£'000**	**£'000**
Intangible assets	27,025	633	27,658
Property, plant and equipment	162	0	162
Inventories	252	0	252
Trade and other receivables	9,670	(1,526)	8,144
Cash	3,245	0	3,245
Trade and other payables	(7,132)	726	(6,406)
Loans and borrowings	(9,419)	0	(9,419)
Obligations under finance leases	(86)	0	(86)
Deferred tax liability	(526)	152	(374)
Total net assets	**23,191**	**(16)**	**23,175**

4. Dividend

On 25 July 2018 the Board declared an interim dividend of 0.21 pence per share (H1 2017: 0.17 pence per share). The interim dividend will be paid on 13 September 2018 to shareholders on the register at the close of business on 24 August 2018.

5. Availability of this report

This half year results report will not be sent to shareholders but is available on the Company's website at https://www.franchisebrands.co.uk/key-documents/.