Prior to publication in this announcement, the information contained within the Executive Chairman's Statement of this announcement was deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

14 September 2017

FRANCHISE BRANDS PLC

("Franchise Brands", "the Group" or "the Company")

Half year results for the six months ended 30 June 2017

Franchise Brands plc (AIM: FRAN), a multi-brand international franchisor, is pleased to announce its half year results for the period ended 30 June 2017. In addition, the annual results of the Company's principal operating subsidiary, Metro Rod Limited, for the year to 30 April 2017, which primarily cover pre-Franchise Brands ownership, have been published today, details of which are set out in note 4 to the half year results.

Financial highlights

- Revenue up three-fold to £8,639,000 (H1 2016: £2,488,000).
- Adjusted EBITDA increased by 66% to £1,256,000 (H1 2016: £758,000).
- Organic EBITDA increased by 13% to £1,161,000 (H1 2016: £1,026,000).
- Adjusted profit before tax and exceptional items grew by 38% to £1,001,000 (H1 2016: £724,000).
- Statutory loss after tax and net exceptional costs of £237,000 (H1 2016: profit £575,000).
- Cash generated from operations before exceptional costs of £2,117,000 (H1 2016: £773,000).
- Increase in cash balances to £5,961,000 (31 December 2016: £2,999,000).
- Net debt of £5,990,000 at 30 June 2017 (31 December 2016: nil).
    - Gearing at 30 June 2017 of 26% (31 December 2016: nil).
- Adjusted Basic EPS 1.31p (H1 2016: 1.58p), reflecting the significant increase in shares in issue following the IPO and acquisition of Metro Rod.
- Basic EPS loss of 0.39p (H1 2016: profit of 1.58p), reflecting both the increase in shares in issue and the exceptional cost of the acquisition.
- Maiden interim dividend of 0.17p per share declared, covered 7.7 times by adjusted earnings per share.

Operational highlights

- £28.5m acquisition of Metro Rod completed on 11 April 2017, funded by:
    - Placing of new shares which raised £20m before expenses (29,850,746 shares issued at 67p each);
    - Bank debt of £12m from a five-year term loan, and
    - a further £5m revolving credit facility, which remains undrawn.
- Metro Rod, Chips Away, Ovenclean and Barking Mad trading in-line with management expectations.
- Direct labour operation Kemac experienced disappointing sales to its water utility customers, but remedial action has been taken.
- Franchise territories sold totalled 49 (H1 2016: 33).
- Total number of UK franchisees increased to 443 (H1 2016: 320).
- Board and management team strengthened.

Stephen Hemsley, Executive Chairman, commented:

"Our principal existing brands have delivered strong growth, and in a relatively short space of time we have created a high quality portfolio of businesses with significant critical mass in the franchising sector. We are focused on maximising the earnings potential from all our brands, particularly with the recent acquisition of Metro Rod, where the medium-term upside potential is substantially better than our initial expectations, with the benefit of additional near term investment.

I am hugely confident that the Group will develop into a highly profitable and cash generative business enabling a progressive dividend policy."

Enquiries:

Franchise Brands plc Stephen Hemsley, Executive Chairman Chris Dent, Chief Financial Officer Julia Choudhury, Corporate Development Director	**+44 (0) 800 012 6462**
Allenby Capital Limited (Nominated Adviser and Joint Broker) Jeremy Porter/ James Thomas/ Liz Kirchner	**+44 (0) 203 328 5656**
Dowgate Capital Stockbrokers (Joint Broker) James Serjeant	**+44 (0) 203 903 7715**
MHP Communications (Financial PR) Katie Hunt/Ivana Petkova	**+44 (0) 203 128 8100**

Executive Chairman's Statement

Introduction

It has been an eventful six months for the Group with the transformational acquisition of the Metro Rod businesses, which constituted a reverse takeover for AIM rules purposes, only eight months after our original IPO. This was funded by a significant equity fund raising, which was very well supported by our existing shareholders and also gave us the opportunity to welcome some new shareholders. Thank you all for your support.

Acquisition of Metro Rod

The acquisition of Metro Rod was completed on 11 April 2017, funded by a £20m share issue, of which the Board invested £12m, and a term loan facility from HSBC Bank plc ("HSBC") of £12m. The total acquisition cost inclusive of working capital adjustments and net of cash at completion was £28.5m. In addition, transaction fees and associated costs of £1.8m were incurred.

Shortly after completion, we completed a tour of all 40 Metro Rod franchisees, visiting them at their local offices and meeting their teams. This has given us a tremendous insight into the business and confirms the exciting opportunity presented by the Metro Rod business as well as the quality of the franchisees, who are the backbone of any franchise business. We have also spent a considerable amount of time with the teams in the Support Centre, capturing valuable feedback on the business processes and systems including how they can be improved.

We are firmly of the view that Metro Rod has a market leading national offering in the commercial drainage market which has never been fully exploited during the company's over 30 year history. With further investment in IT, sales and marketing, combined with the application of sound franchising principles and the expertise of the enlarged Franchise Brands team, we are confident that we can deliver significant additional value from this business.

In addition to the existing core drainage business, Metro Plumb was launched in February 2016 on a national basis and is operated by 30 of the 40 Metro Rod franchisees. Metro Plumb offers a limited range of plumbing services mainly to the emergency insurance market. Sales volumes have been growing and we continue to actively pursue new opportunities to further develop this early-stage business.

As part of the transaction, we also acquired a direct labour plumbing business, Kemac, which had been transferred into the Metro Rod group prior to the acquisition (in May 2016). This business executes the Metro Plumb business in areas where the Metro Rod franchisees did not take up the new franchise, mainly in London. It also undertakes a variety of specialist plumbing work, mainly for water utilities.

Operational review, current trading & prospects

ChipsAway and Ovenclean, our principal existing brands, traded well in the six months to 30 June 2017 growing EBITDA by 13% to £1,161,000 from £1,026,000. The total number of franchisees grew to 329 (H1 2016: 320), following the recruitment of 37 new franchisees (H1 2016: 33) and 28 leavers (H1 2016: 17). The quality of the earnings has also improved with an increasing number of franchisees now paying a turnover related management service fee ("MSF") rather than the lower minimum monthly fee. These highly cash generative businesses are on track to deliver another strong performance in the current year.

Barking Mad, which was acquired in October 2016, made an EBITDA contribution of £108,000 in the period, in line with our expectations. The total number of franchisees grew to 73 (H1 2016: 71), following the recruitment of 12 new franchisees and 10 leavers. Barking Mad is now integrated into the Group and is benefiting from our shared support services, particularly in the areas of franchise recruitment, marketing and finance.

Active promotion of the MyHome brand has now ceased, but the start-up of "The Handyman Van" is showing promise. Losses from these activities have been reduced from £69,000 to £12,000 in the period.

The core Metro Rod drainage business, made an EBITDA contribution in the eleven weeks post acquisition of £287,000. This was in-line with the original plan, despite our decision to incur additional payroll costs in expanding the sales team and in restoring the call centre functionality to provide customers and franchisees with an improved service.

Metro Plumb, which contributed an EBITDA of £62,000 in the period, is still at an early stage, and provides the participating franchisees with a "second string" of income. For many franchisees, this business has yet to reach critical mass, but much effort is being directed at generating additional sales volume, which whilst behind our ambitious initial budget, is still expected to deliver strong growth. We are increasingly encouraged that this business is becoming a viable additional source of profit for most of the participating franchisees and ourselves.

Trading at the direct labour organisation, Kemac, has been disappointing, with this business making a minimal contribution to profits due to significantly reduced sales to the water utilities companies. Remedial action has been taken, but whilst this has led to a welcome return to profitability in July and August, we are re-examining the long term potential of this business. In 2016 Kemac contributed £370,000 of EBITDA to the Group.

Central overheads in the period grew by 77% to £355,000 (2016: £201,000) as anticipated. This increase is almost entirely due to the costs of becoming an AIM quoted company, the cost of a full management team, and the introduction of non-cash items such as the amortisation of intangibles and the IFRS2 charge in respect of share options. A further significant change in the central overhead is forecast in the second half of the current year as the increased costs are annualised. Future increases in central overheads thereafter will be more modest.

The medium term upside potential of the Metro Rod core business is substantially better than our initial expectations. To unlock the sales and profit potential there is much work to do and the near term investment required will be greater than initially envisaged, particularly in IT, sales and marketing. The marketing element will be mostly covered by raising a National Advertising Fund ("NAF") from franchisees, although we intend to contribute alongside our franchisees an initial share equivalent to our MSF contribution of 22.5%. The cost of this contribution will be around £75,000 in 2018.

The IT investment is needed to replace a cumbersome and inefficient works management system, outdated call centre systems and to automate some manual administrative systems and processes all of which are inhibiting the ability of the business to grow. This expenditure is expected to start later this year following the transfer of the existing systems from Metro Rod's previous owners onto a stand-alone basis, and will be partly offset by some cost savings initiatives. This will ultimately enable the business to grow more rapidly and allow central overheads to become a reducing percentage of income, thereby enhancing our operational gearing.

Due to the lack of contribution from Kemac we expect adjusted EBITDA to be below current market expectations in the current year. Looking forward, the additional investment we have decided to make in Metro Rod and the slower rate of growth anticipated at Metro Plumb compared to the initial ambitious budget means that we also expect adjusted EBITDA to be below current market expectations in 2018. However, during this period of investment we still expect to grow earnings, cashflow will remain strong and our gearing is expected to reduce, enabling us to maintain a progressive dividend policy.

Beyond this period of intensive investment activity we anticipate enhanced earnings and much improved operational gearing as overheads decline as a proportion of income.

Management team

I am pleased to report we have strengthened the Board and management team during the course of 2017. We have recently welcomed Chris Dent as Chief Financial Officer. He is a Chartered Accountant who spent the first ten years of his career with Deloitte. More recently he was CFO of an AIM quoted company which he led through a series of acquisitions, including a reverse takeover.

In April, we also welcomed Colin Rees as Chief Information Officer. Colin was previously IT Director at Domino's Pizza Group plc for five years and prior to that held a number of senior IT positions in organisations such as EasyJet, Figleaves and News International.

More recently, we promoted Peter Molloy, formerly Commercial Director of Metro Rod, to the position of Managing Director of Metro Rod. Peter has been with the business since 2003 and he and his team have delivered and managed the majority of the impressive customer contracts that have been won during this period. Peter has already established close working relationships with the Franchise Brands teams, particularly in the areas of finance, IT and marketing, and I am confident that he and the team will unlock the huge potential we see for the Metro Rod business.

I am confident that the leadership team of the Group is now complete and that we are extremely well placed for the journey ahead.

Conclusion

It has been an exciting and challenging six months for the Group and I would like to thank the team for their hard work and commitment during this period. I would also like to thank and acknowledge the help and support of the franchisees in Chips Away, Ovenclean and Barking Mad for their continuing hard work in building these great brands.

I am pleased to welcome the Metro Rod team, who have been through a period of multiple owners to a new and permanent home at Franchise Brands. Finally, and by no means least, I would like to welcome the Metro Rod franchisees, all of whom I have now met, to the Group. Many of these are highly experienced and we have been impressed with their levels of passion for and commitment to the business. I know from our visits that they are also genuinely excited about the future potential of their businesses under Franchise Brands' ownership. I look forward to working with them all in building a truly great business.

In a relatively short space of time, we have created a high quality portfolio of businesses with significant critical mass in the franchising sector. We have also assembled an excellent and highly entrepreneurial team that can really drive it forward. This team has also made a considerable personal investment in the recent equity fundraisings, such that the Board and senior management now own 64% of the equity of the enlarged Group. I am hugely confident that following significant investment in infrastructure over the next couple of years we will have a highly profitable and cash generative business able to successfully take on still more challenges and grow into a substantial force in franchising.

Stephen Hemsley
Executive Chairman

14 September 2017

Chief Financial Officer's Review

Results for the six months ending 30 June	2017 £'000	2016 £'000	Change	%
Revenue	**8,639**	**2,488**	**6,151**	**247%**
Cost of Sales	(5,033)	(825)	(4,208)	510%
Gross Profit	**3,606**	**1,663**	**1,943**	**117%**
Other Operating Costs	(2,350)	(905)	(1,445)	160%
Adjusted EBITDA	**1,256**	**758**	**498**	**66%**
Depreciation	(47)	(32)	(15)	47%
Amortisation	(48)	-	(48)	n/a
Share based payment	(56)	-	(56)	n/a
Finance costs	(104)	(2)	(102)	5,100%
Adjusted Profit before tax	**1,001**	**724**	**277**	**38%**
Taxation	(197)	(149)	(48)	32%
Adjusted profit after tax	**804**	**575**	**229**	**40%**
Exceptional items (net of tax)	(1,041)	-	(1,041)	n/a
Statutory (loss)/profit	**(237)**	**575**	**(812)**	**-141%**

Analysis of the results for the six months ended 30 June 2017 is complex as we compare a period in 2016, prior to the IPO, when the Group was a private company, with a period in 2017 that includes the results of Barking Mad (acquired in October 2016) and an eleven week contribution from Metro Rod. During this period, the capital structure of the Company has also changed significantly. The annual results of the Company's principal operating subsidiary, Metro Rod Limited, for the year to 30 April 2017 have been published today, details of which are set out in note 4 of these half year results.

To understand the underlying performance of the Group, the statutory loss in the period of £237,000 (H1 2016: profit of £575,000) has been adjusted in the table above to provide a better comparison of the underlying trading results of the business.

Earnings before depreciation, amortisation, share based payments, finance costs and tax ("Adjusted EBITDA") in the six months ended 30 June 2017 increased by 66% to £1,256,000 (H1 2016: £758,000).

Adjusted profit before tax grew 38% to £1,001,000 (H1 2016: £724,000) with a number of new costs related to the change in the capital structure of the Group and the acquisition of Metro Rod:

- The charge for depreciation increased 47% from £32,000 to £47,000 as a result of the addition of the normal on-going depreciation charge of Metro Rod.
- A new charge of £48,000 in respect of the amortisation of the intangible assets recognised on the acquisition of Metro Rod.
- A new IFRS2 charge of £56,000 in respect of share options granted at the IPO and subsequently. There was no such charge in the comparative period when the Group was a private company.

- An interest charge of £104,000 on the term loan taken out to finance the acquisition of Metro Rod.

The tax rate is based on the estimated rate for the full year of 19.25% on the profits after tax-allowable exceptional items, resulting in a total statutory tax charge for the period of £40,000 (H1 2016: £149,000). If the tax charge on the allowable element of the exceptional items were added back, the adjusted taxation charge for the period would be £197,000 (H1 2016: £149,000).

Exceptional costs were incurred on the acquisition of Metro Rod, subsequent integration and the raising of share capital. After allocating £444,000 of share issue costs against share premium and £170,000 of finance costs against the bank facilities, an amount of £1,198,000 was charged to operating profit in the statutory financial statements.

Earnings per share
The number of shares in issue at 30 June 2017 was 77.7 million, a significant increase over the pre-IPO position at 30 June 2016 of 36.3 million. The average number of shares in issue during the period was 61.2 million, an increase of 69% over the comparative period. Adjusted profit before tax and exceptional items grew by 38% and as a result adjusted earnings per share in the six months to 30 June 2017 declined to 1.31 pence per share (H1 2016: 1.58 pence).

Basic earnings per share, which is based on the same number of average shares in issue and the statutory loss for the period of £237,000, was a loss of 0.39 pence per share (H1 2016: profit of 1.58 pence).

Dividend
To reflect our confidence in the long term prospects of the business, as set out in the Chairman's statement, the board has decided to pay a first interim dividend of 0.17 pence per share (2016: Nil). The interim dividend will be payable on 13 October 2017 to shareholders on the register as at 22 September 2017. The anticipated dividend cost of £132,000 will be 7.7 times covered by adjusted earnings per share.

The Group paid a dividend in the period of £81,000 as a final dividend for 2016.

Financing and Cash Flow
The Group generated cash from operations of £2,117,000 before the pre-taxation exceptional acquisition costs of £1,198,000. After those costs, the Group generated net cash from operations of £919,000 (H1 2016: £773,000).

The Group raised proceeds of £19.6m from placing 29,850,746 shares at 67p each, net of expenses of £444,000. The Group also negotiated a 5-year term loan of £12m with HSBC, raising £11.8m after expenses. The proceeds of the equity raise and debt financing were used to acquire Metro Rod for £28.5m, net of cash acquired of £469,000. The outstanding shareholder loans of £417,000 at 30 June 2016 were repaid from existing cash resources in anticipation of the transaction, enabling HSBC to be the sole lender to the enlarged Group.

The Group also entered into a £5m revolving credit facility with HSBC to provide additional headroom. To date, the Group has not used any of this additional facility. At 30 June 2017 cash balances were £5,961,000, giving headroom of nearly £11m.

Shareholder's funds at 30 June 2017 were £23,197,000 (2016: £3,903,000) against net debt of £5,990,000 (YE 2016: net cash of £2,999,000), giving capital gearing of a modest 26% (2016: Nil).

Chris Dent
Chief Financial Officer

14 September 2017

Consolidated statement of comprehensive income
for the six months ended 30 June 2017

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Revenue	**8,639**	**2,488**	**4,870**
Cost of sales	**(5,033)**	(825)	(1,572)
Gross profit	**3,606**	**1,663**	**3,298**
Administrative expenses before exceptional costs	**(2,501)**	(937)	(2,052)
Costs of acquisition of subsidiary	**(1,140)**	-	(58)
Costs of transition of subsidiary	**(58)**	-	-
IPO costs	**-**	-	(397)
Total administrative expenses	**(3,699)**	(937)	(2,507)
Operating (loss)/ profit	**(93)**	**726**	**791**
Finance income	**-**	-	2
Finance expense	**(104)**	(2)	(9)
(Loss)/profit before tax	**(197)**	**724**	**784**
Tax expense	**(40)**	(149)	(260)
(Loss)/profit for the period and comprehensive income attributable to equity holders of the parent company	**(237)**	**575**	**524**

All amounts relate to continuing operations

Earnings per share (pence)			
Basic	**(0.39)**	1.58	1.28
Adjusted basic	**1.31**	1.58	2.4
Diluted	**(0.38)**	1.58	1.28
Adjusted diluted	**1.30**	1.58	2.39

Franchise Brands plc
Consolidated statement of financial position
as at 30 June 2017

	Unaudited 30 June 2017 £'000	Audited 31 December 2016 £'000
Assets		
Non-current assets		
Intangible assets	26,771	2,142
Property, plant and equipment	220	121
Trade and other receivables	-	112
Deferred tax asset	774	-
Total non-current assets	27,765	2,375
Current assets		
Inventories	353	193
Trade and other receivables	9,837	307
Cash and cash equivalents	5,961	2,999
Total current assets	16,151	3,499
Total assets	43,916	5,874
Liabilities		
Current liabilities		
Trade and other payables	7,369	1,078
Loans and borrowings	1,167	167
Obligations under finance leases	25	29
Current tax liability	235	211
Total current liabilities	8,796	1,485
Non-current liabilities		
Loans and borrowings	10,671	250
Obligations under finance leases	88	73
Deferred tax liability	1,164	163
Total non-current liabilities	11,923	486
Total liabilities	20,719	1,971
Total net assets	23,197	3,903
Issued capital and reserves attributable to owners of the parent		
Share capital	388	239
Share premium	22,621	3,214
Share-based payment reserve	86	30
Merger reserve	396	396
Retained earnings	(294)	24
Total equity attributable to equity holders	23,197	3,903

Franchise Brands plc

Condensed Consolidated statement of cash flows
for the six months ended 30 June 2017

	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year ended 31 December 2016 £'000
Cash flows from operating activities			
(Loss)/profit for the period	(237)	575	524
Adjustments for:			
Depreciation of property, plant and equipment	47	33	66
Amortisation of intangible fixed assets	48	5	10
Share-based payment expense	56	-	30
Finance income	-	-	(2)
Finance expense	104	2	9
Profit on sale of property, plant and equipment	-	-	-
Income tax expense	40	149	260
	58	764	897
Increase in trade receivables	(885)	(180)	(31)
Increase in inventories	(15)	(22)	(15)
Increase in trade and other payables	1,761	211	261
Cash generated from operations	919	773	1,112
Income taxes paid	(179)	(71)	(203)
Net cash generated from operating activities	740	702	909
Cash flows from investing activities			
Purchase of property, plant and equipment	(93)	(10)	(10)
Interest received	-	-	2
Acquisition of subsidiary, net of cash acquired	(28,487)	-	(333)
Net cash used in investing activities	(28,580)	(10)	(341)
Cash flows from financing activities			
Other loans – repaid	(417)	-	(1,847)
Other loans – received	-	-	500
Bank loans received	11,830	-	-
Interest paid	(96)	(2)	(9)
Proceeds from issue of shares	20,000	-	3,562
Share issue expenses	(444)	-	(233)
Dividends paid	(81)	-	-
Capital element of finance lease repaid	10	(22)	(38)
Net cash generated from/(used in) financing activities	30,802	(24)	1,935
Net increase in cash and cash equivalents	**2,962**	668	2,503
Cash and cash equivalents at beginning of period	2,999	496	496
Cash and cash equivalents at end of period	**5,961**	1,164	2,999

Franchise Brands plc

Consolidated statement of changes in equity
for the six months ended 30 June 2017

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	120	-	-	-	(500)	**(380)**
Profit for the period	-	-	-	-	(575)	**575**
At 30 June 2016	120	-	-	-	75	**195**
Loss for the period	-	-	-	-	(51)	**(51)**
Acquisition of subsidiary	4	-	-	396	-	**400**
Issue of Shares	114	3,214	-	-	-	**3,328**
Share based payment	1	-	30	-	-	**31**
At 1 January 2017	239	3,214	30	396	24	**3,903**
Loss for the period	-	-	-	-	(237)	**(237)**
Dividend Paid	-	-	-	-	(81)	**(81)**
Acquisition of a subsidiary	149	19,407	-	-	-	**19,556**
Share based payment	-	-	56	-	-	**56**
At 30 June 2017	**388**	**22,621**	**86**	**396**	**(294)**	**23,197**

1. Accounting Policies

Basis of preparation
The consolidated financial statements for the six months ended 30 June 2017 and 2016 are unaudited and were approved by the Directors on 13 September 2017. 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 2016 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 2016.

Basis of consolidation
The Group's financial statements consolidate the financial statements of Franchise Brands plc and its subsidiaries. Although the acquisition of Metro Rod Limited by Franchise Brands plc was a reverse acquisition under AIM Rules for Companies, the directors believe that the transaction is an acquisition under accounting rules. Therefore, Franchise Brands plc continues to be the legal and accounting parent. Comparative periods are accounted for under merger accounting principles, following the introduction of a new holding company on 15 July 2016, and are presented as if Franchise Brands plc has always been the holding company for the Group.

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 £5,961,000. The directors are satisfied that there are sufficient resources available for the Group to continue for the foreseeable future.

Segmental reporting
All segment revenue, profit before taxation, assets and liabilities are presented as attributable to the single principal activity of franchise operation.

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 are 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 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 £804,000.

Earnings per share

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Profit attributable to owners of the parent	**(237)**	575	524
Exceptional items, net of tax	**1,041**	-	455
Adjusted profit attributable to owners of the parent	804	575	979

	Number	Number	Number
Basic weighted average number of shares	**61,239,907**	36,324,429	40,837,885
Dilutive effect of share options	**827,475**	-	147,654
Diluted weighted average number of shares	**62,067,382**	36,324,429	40,985,539

	Pence	Pence	Pence
Basic earnings per share	**(0.39)**	1.58	1.28
Diluted earnings per share	**(0.38)**	1.58	1.28
Adjusted earnings per share	**1.31**	1.58	2.40
Adjusted diluted earnings per share	**1.30**	1.58	2.39

3. Exceptional items and other costs

	£'000
Exceptional costs of acquisition	1,140
Exceptional costs of post-acquisition transition	58
Costs charged against Share Premium account	444
Costs deducted from the gross outstanding Bank loan	170
	1,812

The Company incurred costs associated with the acquisition of Metro Rod and in relation to raising additional equity and bank loan finance. An amount of £1,198,000 has been charged in arriving at profit from operations. A total of £444,000 has been charged to share premium account. The Bank arrangement fee of £170,000 has been deducted from the Bank loan outstanding and is being charged to income over the five-year term of the facilities, as required by IFRS. Following acquisition the Group has incurred transition costs of in relation to bringing IT to a standalone basis and some redundancy costs. For corporation tax purposes, the exceptional costs will be partly allowed and partly disallowed as deductions from income.

4. Business combination and annual results of Metro Rod Limited

On 11 April 2017, the Group acquired 100 per cent of the voting equity interests of Metro Rod Limited, a company whose principal activity is that of a franchisor of drain care and environmental services. The acquisition was made as a transformational step in implementing the Group's stated buy and build strategy. In particular, it represents the entry into the B2B franchising market at a size and scale that is attractive strategically.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Intangible assets	416	6,428	6,844
Property, plant and equipment	53	-	53
Deferred tax asset	774	-	774
Current tax asset	4	(4)	0
Inventories	145	-	145
Trade and other receivables	9,009	(494)	8,515
Cash	469	-	469
Trade and other payables	(4,513)	-	(4,513)
Deferred tax liability	-	(1,164)	(1,164)
Total	6,357	4,766	11,123
Consideration paid in cash			28,956
Goodwill			17,833

Intangible asset adjustments comprise:

	£'000
Write off goodwill from previous acquisition (subsumed in Group goodwill)	(121)
Write off Software costs	(295)
Recognise Brand	4,685
Recognise Customer relationships	2,159
	6,428

Deferred tax liability has been calculated on the value of the intangible assets acquired at a corporation tax rate of 17 per cent and a corresponding amount has been recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes.

The values of the intangibles acquired are currently provisional, and will be finalised at the year end. Customer Relationships have a useful economic life of 10 years, whereas the Brand and Goodwill both have indefinite lives.

An adjustment has been made to write off £494,000 of support payments to franchisees for capital expenditure, which were previously recognised as receivables and written off as a deduction from revenue over 7 years.

Goodwill represents the value of the business that does not qualify for separate recognition.

The fair value of consideration paid and net cash paid comprised:

	£'000
Cash	28,701
Other payments (warranty insurance, transitional services, accounting)	255
Fair value of consideration paid	28,956
Less: cash acquired on acquisition	(469)
Net cash paid	28,487

Acquisition costs relating to this transaction amounted to £1,198,000 and have been disclosed within the statement of comprehensive income in the Group and included within investments in the Company.

Since the acquisition date, Metro Rod Limited has contributed £5.6m to Group revenues and £0.17m to Group income. If the acquisition had occurred on 1 January 2017, Group revenue would have been £16.0m, Group income would have been £0.37m and adjusted Group income would have been £1.39m.

In addition, the Company today publishes the audited accounts for Metro Rod Limited for the year ended 30 April 2017 ("the **Accounts**"). The Accounts are substantially for a period when Metro Rod Limited was still a wholly owned and managed subsidiary of Enserve Group Limited and are therefore not consolidated with the Company, except for the 20 days since acquisition on 11 April 2017 to the year ended 30 April 2017. The Company's AIM Admission Document published on 22 March 2017 in connection with the acquisition contained financial information on Metro Rod Limited for the three and half years to 31 October 2016. Relevant extracts from the Accounts are set out below to provide financial information on Metro Rod since that which was published in the Admission Document.

Metro Rod Limited
Statement of Comprehensive Income
For the year ended 30 April 2017

	Year ended 30 April 2017 £'000	**Year ended 30 April 2016 £'000**
Revenue	**24,907**	**21,416**
Cost of sales	(17,953)	(15,039)
Gross Profit	**6,954**	**6,377**
Administrative expenses	(4,210)	(3,209)
Operating profit before exceptional items	2,744	3,168
Exceptional items	(1,549)	(766)
Operating profit	**1,195**	**2,402**
Income tax	232	302
Profit for the financial year and comprehensive income attributable to equity holders of the parent company	**1,427**	**2,704**

Metro Rod Limited
Statement of Financial Position
As at 30 April 2017

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Fixed assets		
Intangible assets	-	298
Property, plant and equipment	51	62
Trade and other receivables	31	346
Deferred tax asset	774	522
Total non-current assets	**856**	**1,228**
Current assets		
Inventories	145	24
Trade and other receivables	8,950	14,831
Cash and bank balances	2,591	12,545
Total current assets	**11,686**	**27,400**
Total assets	**12,542**	**28,628**
Current liabilities		
Trade and other payables	(7,031)	(6,874)
Loans and borrowings	-	(5,696)
Total current liabilities	**(7,031)**	**(12,570)**
Net assets	**5,511**	**16,058**
Equity attributable to equity holders of the company		
Share capital	-	-
Retained earnings	5,511	16,058
Total equity	**5,511**	**16,058**

The Accounts were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The Accounts have been prepared on the historical cost basis and on the going concern basis.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. Metro Rod Limited is a qualifying entity for the purposes of FRS 101.

5. Dividend and Post Balance Sheet Events

A dividend of 0.17p per share was paid on 28 April 2017 in respect of the financial year 2016. The board have proposed an interim dividend of 0.17 p per share (2016: £nil) for the financial year 2017, which will be payable in October 2017.

6. 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/.