23 July 2019

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

Interim results for the six months ended 30 June 2019

A strong performance driven by accelerating Metro Rod system sales

Franchise Brands plc (AIM: FRAN), a multi-brand international franchisor, is pleased to announce its unaudited results for the six months ended 30 June 2019.

Financial highlights

- Revenue increased by 19% to £20.1m (H1 2018: £16.8m).
- Fee and direct labour income increased by 25% to £10.6m (H1 2018: £8.4m).
- Adjusted EBITDA* increased by 25% to £2.5m (H1 2018: £2.0m).
- Profit before tax increased by 27% to £1.8m (H1 2018: £1.4m).
- Statutory profit after tax increased by 23% to £1.4m (H1 2018: £1.2m).
- Net debt** of £5.4m at 30 June 2019 (31 December 2018: £5.9m), with balance sheet gearing of 21% (31 December 2018: 24%).
- Basic EPS increased by 24% to 1.84p (H1 2018: 1.49p).
- Adjusted EPS*** increased by 22% to 2.06p (H1 2018: 1.69p)
- An interim dividend of 0.30p per share declared (interim 2018: 0.21p per share), an increase of 43%, 6.1 times covered by profit after tax (interim 2018: 7.1x).

Operational highlights

- Metro Rod’s “Vision 2023” strategy is delivering increasingly tangible benefits:
    - System Sales growth of 15% (H1 2018: 4%),
    - 83% of the network is in growth (H1 2018: 73%) with 39% of franchisees growing at over 20% year-on-year (H1 2018: 25%),
    - Local sales have grown 19% (H1 2018: 8%),
    - Excellent progress in the development of new business systems: roll out of quotation system for additional works, implementation of finance system and trial of works management system.
- Substantial improvement in franchise recruitment at ChipsAway, Ovenclean and Barking Mad compared to H2 2018: 34 new franchisees recruited in our B2C businesses (H2 2018: 16).
- Successful launch of ChipsAway’s pilot Car Care Centre incorporating the technology required to repair and recalibrate cars fitted with Advanced Driver Assistance Systems (“ADAS”).
- New management at Barking Mad resulting in deeper integration with the Group and increased efficiencies.

**Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and the share-based payment expense.*
*** Net debt has been restated as a result of our adoption of IFRS16 Leases. Please see notes to the financial statements for details.*
**** Adjusted EPS is earnings per share before amortisation of acquired intangibles and the share-based payment expense.*

Stephen Hemsley, Executive Chairman, commented:

“Franchise Brands has delivered a strong performance in the first half of 2019 driven primarily by Metro Rod’s accelerating rate of growth. We have made significant progress with our strategy at Metro Rod and have begun to realise the benefits of our investment in infrastructure - in particular IT - that is starting to unlock sales growth, efficiencies and improved customer service, enhancing both corporate and franchisee profitability.”

“All of our profitable, cash generative B2C brands have seen a substantial improvement in franchise recruitment compared to the challenging second half of last year and ChipsAway is increasingly well positioned for the rapid

changes underway in the automotive sector in particular in relation to ADAS and the growth of electric and hybrid vehicles.“

“The outlook for the Group therefore remains very positive, with the combination of accelerating organic growth and the potential for prudently financed, earnings-enhancing complementary acquisition opportunities giving us the confidence of delivering further significant growth in earnings and dividends in the current year and beyond.”

Enquiries:

Franchise Brands plc	**+ 44 (0) 1562 826705**
Stephen Hemsley, Executive Chairman	
Chris Dent, Chief Financial Officer	
Julia Choudhury, Corporate Development Director	
Allenby Capital Limited (Nominated Adviser and Joint Broker)	**+44 (0) 203 328 5656**
Jeremy Porter/ Liz Kirchner	
Dowgate Capital Limited (Joint Broker)	**+44 (0) 203 903 7715**
James Serjeant/Colin Climie	
MHP Communications (Financial PR)	**+44 (0) 203 128 8100**
Katie Hunt	

CHAIRMAN'S STATEMENT

The Group has delivered a strong performance in the first six months of 2019 as we increasingly realise the tangible benefits of our strategy. Metro Rod's rate of growth is accelerating, demonstrating the increased engagement from our franchisees who are embracing the many changes we are introducing as part of our Vision 2023 strategy. All our B2C brands have seen a substantial improvement in franchise recruitment compared to the challenging second half of last year. ChipsAway has also made excellent progress in establishing a pilot Car Care Centre and upskilling our franchise network for work on electric and automated vehicles. Following a recent change in management, Barking Mad has been more deeply integrated into the group and we are starting to see the benefits in improved recruitment and reduced costs.

Metro Rod & Metro Plumb

The sales growth initiatives set out in our Vision 2023 strategic plan for Metro Rod are starting to pay real dividends. System sales were 15% ahead in the period compared to growth of 4% in H1 2018. Encouragingly, 83% of the franchise network is in growth on a like-for-like basis, with 39% of the network growing at more than 20% year-on-year. Enabling franchisees to take more control of their businesses is one of the key objectives of Vision 2023 and growing local commercial sales won by the franchisees is an important barometer of success. We are therefore pleased to report that local sales have grown by 19% (H1 2018: 8%) and now represent 42% of overall system sales (H1 2018: 40%). To further boost locally-won sales and reduce reliance on centrally-won national accounts we have strengthened the marketing team with the appointment of Ailsa Illingworth as Head of Marketing; substantially completed the roll-out of a CRM system across the network; and are providing dedicated sales training to the franchisees' staff.

The development of IT systems that automate repetitive labour-intensive processes, improve management information and reduce costs, remains a key strategic objective. Digitally-enabling our business will also lead to an improved customer experience and provides an important point of differentiation from our competitors. Excellent progress has been made during the period. A new quotation system has been rolled out across the Metro Rod network that allows franchisees to submit quotations for additional and follow-up works directly to the customer using pre-populated templates as required by our customers. The new system has allowed us to substantially reduce our headcount in this area and most importantly reduce the time to provide a quote to the customer by nearly 70% from 12 to 4 days. Finally, we now also have a greatly improved data set which we can use to better understand individual franchisee performance and allow us to provide support where necessary.

The accounting and finance system was replaced during the period and this has allowed us to automate the invoicing process for commercial customers. It also provides a platform from which we can look to automate the more complicated and time-consuming national account customer invoicing. Finally, the new system has an enhanced credit control function to help improve our working capital management which remains an area of focus at Metro Rod.

We continue to work on the development of our new works management system. So far this year we have integrated the new system into many of the ancillary systems in the business including the franchisee dashboard, job logging robots automating repetitive tasks and the new accounting and finance system. The works management system is currently being trialled in two franchise territories with the expectation being that we extend the trial to two additional franchisees in the second half of this year and start rolling out the new system by early 2020.

Inevitably, not all franchisees are willing, or indeed able, to join us on the Vision 2023 journey and we must, therefore, allow them to realise their investment and sell their business to a new franchisee who shares our ambitions. Tracy Ball, who was recently appointed as Franchise Recruitment Manager, has had a real impact in developing an excellent pipeline of candidates for Metro Rod and Metro Plumb that has already resulted in two new franchisees joining the business in the first half of the year. Three additional sales have been agreed subject to contract and offers have been received for four other territories. As part of this process, we are also taking the opportunity to adjust territory sizes to create new more-focused areas that will lead to additional franchise territories in the future, particularly at Metro Plumb.

An initiative of which we are particularly proud - and which is an industry first - is the introduction of the Metro Rod apprentice scheme. With the help of the Institute of Training & Occupational Learning (ITOL) we have launched a

three-year scheme that allows young people to gain a recognised qualification whilst working full time. This will help our franchisees to expand their businesses with properly qualified and experienced team members.

Finally, we have been reviewing the strategy for Metro Plumb where the customer base is too narrow, resulting in too much fluctuation in sales volume and lack of pricing flexibility. We have therefore decided to create smaller territories and franchise these separately from Metro Rod. This will increase the focus of Metro Plumb franchisees on developing additional work from existing customers and driving more local sales rather than relying on national accounts. We envisage around 100 Metro Plumb franchise territories in the future and are pleased that the first two independent franchise territories have been established and are trading well.

Kemac

Kemac had an excellent start to the year as a result of a large contract from a water utility company. While this work has now been completed, the restructured business currently continues to generate an acceptable level of profit. As the remaining Metro Plumb territories still operated by Kemac are sold to independent franchisees, additional work will be required to maintain profitability and this is in development at present.

Chips Away & Ovenclean

Franchise recruitment at ChipsAway recovered strongly in the period with 19 franchisees recruited compared to 6 in H2 2019. It also exceeded the 17 franchisees recruited in H1 2018. This allowed us to grow the number of franchisees in the system to 204 (H2 2018: 201).

A pilot Car Care Centre was opened at our Kidderminster Support Centre incorporating the technology required to repair and recalibrate cars fitted with ADAS. This will allow us to showcase the concept to franchisees and train them in the use of this new technology. The centre has made a strong start and has already achieved monthly profitability.

Significant progress has also been made in training the ChipsAway franchise network to repair electric and hybrid vehicles with over half the system now fully trained. To further facilitate the safe working on these vehicles, we have developed an industry first online system which provides details of vehicles fitted with ADAS and those that are electric and hybrid.

Franchise recruitment at Ovenclean also recovered with 9 new franchisees recruited compared with 6 in H2 2018. However, this was still below our expectations and below the 13 new franchisees recruited in H1 2018. While this could be a timing issue, we are continually reviewing our processes to ensure they remain effective and relevant. Notwithstanding the slower recruitment, the franchisees remained busy and the system grew to 109 franchisees (H2 2018: 106).

Barking Mad

Barking Mad has been reorganised following the departure of the founder Lee Dancy and her husband, Richard. I would like to take this opportunity of thanking them for their contribution during their time with the Group.

Rachel Stewart, who had a senior Business Development role within the business over the past nearly four years, has been promoted to Managing Director of Barking Mad. She is leading the initiative to deepen the integration of Barking Mad with the Group's shared support services. This will drive a reduction in overheads locally and allow the team to refocus on accelerating franchise recruitment and providing business development support to Barking Mad's franchisees.

Good progress is being made in licensing our franchisees under the 2018 Animal Welfare Regulations which were introduced last October. Almost three-quarters of the network is now licenced with their Local Authorities which will give Barking Mad a significant competitive advantage over unlicensed web-based providers of dog sitting services.

Outlook

In the period we have begun to realise the increasingly tangible benefits of the foundations laid after the acquisition of Metro Rod in 2017. The investment we have made in infrastructure, particularly in the area of IT, is yielding real savings and efficiencies in previously manual support functions which historically acted as an impediment to sales growth and led to a sub-optimal customer experience. There is still more to do but good progress is being made that is enhancing corporate and franchisee profitability.

Each of the Group's businesses have interesting opportunities for expansion both organically and by complementary acquisitions. The Group has a strong balance sheet and is well positioned to consider acquisition opportunities that extend the range of services offered by each area of the business. There also remains the prospect of the acquisition of a new franchise system, although we are unwilling to match some of the valuations being paid and levels of gearing being accepted by private equity investors at present.

Conclusion

The outlook for the Group remains very positive with the combination of accelerating organic growth and the possibility of prudently financed, earnings-enhancing, acquisitions and we look forward to significant and sustainable growth in earnings and dividends.

We continue to strengthen the breadth and depth of our management team and increase integration and connectivity across the Group. This makes for an exciting as well as challenging environment, and I would like to thank the team for their outstanding commitment and hard work. The same is true for our franchisees and we are seeing the departure of some old friends and welcoming the arrival of new highly ambitious franchisees. I would like to thank all our franchisees across the Group for their commitment and hard work. I look forward to the remainder of 2019 and the years ahead with confidence.

Stephen Hemsley
Executive Chairman

FINANCIAL REVIEW

Summary statement of income (unaudited)

	H1 2019 £'000	H1 2018 Restated £'000	Change £'000	Change %
Statutory revenue	**20,084**	16,844	3,240	19%
Franchisee payments	**(9,493)**	(8,395)	(1,098)	13%
Fee & direct labour income	**10,591**	8,449	2,142	25%
Other cost of sales	**(3,147)**	(1,972)	(1,175)	60%
Gross profit	**7,444**	6,477	967	15%
Administrative expenses	**(4,984)**	(4,506)	(478)	11%
Adjusted EBITDA	**2,460**	1,971	489	25%
Depreciation (including software)	**(317)**	(201)	(116)	58%
Amortisation of acquired intangibles	**(108)**	(108)	-	0%
Share-based payment expense	**(100)**	(81)	(19)	23%
Finance expense	**(159)**	(187)	28	-15%
Profit before tax	**1,776**	1,395	381	27%
Tax expense	**(348)**	(235)	(113)	48%
Statutory profit	**1,428**	1,160	267	23%

The results for the six months ended 30 June 2019 are the first fully comparative set of figures since we completed our transformational acquisition of Metro Rod in April 2017, as the current half year and the comparatives include the results for all our brands in both periods. The 2018 numbers have been re-stated following accounting changes to leases as a result of our adoption of IFRS16, details of which can be found in the notes to the Financial Statements.

Statutory revenue

Statutory consolidated revenue has increased by 19% to £20.1m in the period (H1 2018: £16.8m) with almost all the additional revenue coming from Metro Rod and our direct labour operations. Statutory revenue is made up of several different income streams that have different accounting policies, some of which are recorded on a gross basis and some represent just our Management Service Fee ("MSF") income. As a result, consolidated statutory revenue is not a KPI that management tracks.

System sales at Metro Rod, which is the gross sales made by our franchisees, increased by 15% to £20.3m in the period (H1 2018: £17.6m). The size and scale of our franchisees' businesses continue to evolve and, for the first time, two of our franchisees have achieved sales of £2m per annum with a further 13 franchisees achieving sales of over £1m. 83% of the network are in growth with 39% of franchisees growing at over 20% year-on-year.

Fee and direct labour income

The principal KPI used by management is fee and direct labour income. As shown in the table below, the overall fee and direct labour income increased 25% to £10.6m in H1 2019 from £8.4m in H1 2018.

	H1 2019 £'000	% of Total	H1 2018 £'000	% of Total	Change £'000	Change %
MSF income	**5,401**	51%	4,861	58%	540	11%
Sale of franchise territories	**908**	9%	898	11%	10	1%
Product sales	**460**	4%	535	6%	(75)	(14%)
Direct labour	**3,202**	30%	1,611	19%	1,591	99%
National advertising funds	**620**	6%	544	6%	76	14%
Fee & direct labour income	**10,591**	**100%**	**8,449**	**100%**	**2,142**	**25%**

MSF income received from our franchisees is based on fixed monthly fees or a percentage of the franchisees' sales. Our strategy is to increase sales-related MSF income to improve the quality of our earnings and align ourselves with

the interests of our franchisee communities so that both parties benefit from the growth in system sales. We continue to incentivise Metro Rod franchisees to grow their own businesses through a series of MSF discounts and schemes designed to encourage sales growth and investment in a wider range of equipment and people.

Fees generated from the sale (or resale) of franchise territories were essentially flat in H1 2019 compared with H1 2018 as a result of slightly lower recruitment of new franchisees which declined from 42 in H1 2018 to 37 in the period. However, the number of new franchisees recruited across the Group recovered strongly from the 17 recruited in H2 2018.

Income from the sale of products to franchisees was slightly lower as a result of competitive pressures from paint manufacturers and inclement weather which impacted product sales at ChipsAway.

Direct labour income arises from the four direct labour divisions: Kemac, a plumbing operation based in London; two Metro Rod corporate franchises in Exeter and Brighton & Gatwick; and the new ChipsAway Car Care Centre in Kidderminster. Our direct labour income increased by 99% in the current period to £3.2m (H1 2018: £1.6m). This growth has been driven principally by the addition of Brighton & Gatwick as a Metro Rod corporate franchise and by the strong performance of Kemac. All our direct labour divisions give us insight into our franchise networks to allow us to better support their system sales growth, thereby enhancing our MSF income.

Franchisees of every brand pay a monthly contribution into the respective national advertising funds. These funds are used exclusively to promote the system sales of those brands. The Group does not make any profit from these activities and to the extent that they are over, or under, spent in a period this amount is carried forward as a sundry debtor or creditor.

Trading results – EBITDA

	H1 2019 £'000	H1 2018 £'000	Change £'000	Change %
Metro Rod	**1,725**	1,199	526	44%
ChipsAway	**973**	947	27	3%
Ovenclean	**154**	193	(39)	(20%)
Barking Mad	**98**	138	(41)	(29%)
Head office	**(489)**	(506)	17	3%
Group EBITDA	**2,460**	**1,971**	**489**	**25%**

EBITDA at Metro Rod increased by 44% to £1.7m in the period (H1 2018: £1.2m) driven by the 12% increase in our MSF income while overheads grew only 11%. It has also been bolstered by a £0.3m (H1 2018: £0.2m) contribution from the three direct labour activities.

EBITDA at ChipsAway, Ovenclean and Barking Mad is, in total, down marginally with a contribution of £1.2m in the period (H1 2018: £1.3m). This reflects the lower recruitment at Ovenclean and Barking Mad in the period compared with H1 2018 (although recruitment at both brands is significantly ahead of H2 2018). The ChipsAway Car Care Centre made a small positive contribution in its first period of trading. Our B2C businesses continue to deliver very high levels of cash conversion compared to Metro Rod, which has a growing working capital requirement.

Group overheads have remained well controlled at £0.5m and as a result, EBITDA for the Group has increased by 25% to £2.5m (H1 2018: £2.0m).

Earnings

Depreciation and amortisation costs have increased to £0.4m (H1 2018: £0.3m), as a result of the acquisition of new equipment at our Brighton & Gatwick corporate franchise; the Car Care Centre in Kidderminster; and continuing software development at Metro Rod. The share-based payment charge has increased by 23% to £0.1m as a result of the new share options granted at the end of 2018.

The finance charge of £0.2m is down 15% in the period as a result of the lower average debt position. Interest cover remains strong, with the interest charge being 15.5 times covered by EBITDA (H1 2018: 10.5 times).

Profit before tax increased by 27% to £1.8m in the period (H1 2018: £1.4m). The tax charge for the period at 19.5% (2018: 17%) was higher than the statutory rate of 19% due to the unwinding of the deferred tax provision on acquired intangibles. The H1 2018 tax rate of 17% benefited from adjustments to the 2017 tax provision. As a result, the statutory profit after tax increased by 23% to £1.4m in the period (H1 2018: £1.2m).

Basic earnings per share increased by 24% to 1.84p (H1 2018: 1.49p) and diluted earnings per share by 27% to 1.82p (H1 2018: 1.43p). During H1 2019 we repurchased 163,700 of our ordinary shares for a total consideration of £120,000, taking the total number of shares repurchased to date to 363,700. This has resulted in a basic weighted average number of ordinary shares in issue and not in treasury of 77,447,500 (H1 2018: 77,732,033).

Adjusted earnings per share, adjusted for the amortisation of acquired intangibles and the share based payment charge, increased by 22% to 2.06p (H1 2018: 1.69p).

	H1 2019 £'000	EPS p	H1 2018 £'000	EPS p
Statutory profit after tax	**1,428**	**1.84**	**1,160**	**1.49**
Amortisation of acquired intangibles	108	0.14	108	0.14
Share-based payment expense	100	0.13	81	0.10
Tax effect	(37)	(0.05)	(34)	(0.04)
Adjusted profit after tax	**1,599**	**2.06**	**1,315**	**1.69**

Financing and cash flow

The Group generated cash from operating activities of £1.8m in the period (H1 2018: £1.7m) resulting in a cash conversion rate from EBITDA of 74% (H1 2018: 85%). This decline in cash conversion principally resulted from the increase in trade and other receivables as a result of the 15% increase in the level of Metro Rod system sales. However, this was compounded by an increase in debtor days at Metro Rod from 63 days at the year-end to the current 67 days. This, in part, resulted as a short-term consequence of the change of accounting and finance system. The longer-term benefits from the new system, with its dedicated credit control module, should start to be seen in H2 2019.

Expenditure on the fit out and new equipment for the Metro Rod corporate franchises, the Car Care Centre and the capitalised element of our IT investment totalled £0.7m in the period (H1 2018: £0.1m).

During the period we repaid £0.5m of our term loan, reducing the balance to £5.7m (31 December 2018: £6.3m). As at 30 June 2019 we had also utilised £2.5m of our £5.0m revolving credit facility (31 December 2018: £2.5m) and had cash-in-hand of £2.8m (31 December 2018: £2.9m), resulting in available cash and facilities of £5.3m (31 December 2018: £5.4m).

Shareholders' funds at 30 June 2019 were £25.5m (31 December 2018: £24.4m) against net debt of £5.4m (31 December 2018: £5.9m), resulting in modest capital gearing of 21% (31 December 2018: 24%).

Dividend

The Board is pleased to declare an interim dividend of 0.30 pence per share (interim 2018: 0.21 pence per share), an increase of 43%. The cost of the proposed final dividend is £232,000. The interim dividend is 6.1 times covered by profit after tax. The interim dividend will be paid on 24 September 2019 to shareholders on the register at the close of business on 6 September 2019.

Chris Dent
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Unaudited 6 months ended 30 June 2019 £'000	Restated Unaudited 6 months ended 30 June 2018 £'000	Restated Unaudited Year ended 31 December 2018 £'000
Revenue	**20,084**	16,844	35,470
Cost of sales	**(12,641)**	(10,367)	(22,341)
Gross profit	**7,443**	6,477	13,129
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items ("Adjusted EBITDA")	**2,460**	1,971	4,003
Depreciation (including software)	**(317)**	(201)	(410)
Amortisation of acquired intangibles	**(108)**	(108)	(253)
Share-based payment expense	**(100)**	(81)	(138)
Total administrative expenses	**(5,509)**	(4,895)	(9,928)
Operating profit	**1,935**	1,582	3,201
Finance expense	**(159)**	(187)	(340)
Profit before tax	**1,776**	1,395	2,861
Tax expense	**(349)**	(235)	(536)
Profit for the period and total comprehensive income attributable to equity holders of the Parent Company	**1,428**	1,160	2,325

All amounts relate to continuing operations.

Earnings per share (p)			
Basic	**1.84**	1.49	2.99
Diluted	**1.82**	1.43	2.95

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Unaudited 30 June 2019 £'000	Unaudited Restated 31 December 2018 £'000	Unaudited Restated 31 December 2017 £'000
Assets			
Non-current assets			
Intangible assets	**27,369**	27,232	27,025
Property, plant and equipment	**1,369**	1,286	1,202
Total non-current assets	**28,738**	28,518	28,227
Current assets			
Inventories	**288**	245	252
Trade and other receivables	**12,206**	11,048	8,144
Cash and cash equivalents	**2,759**	2,940	3,245
Total current assets	**15,253**	14,233	11,641
Total assets	**43,992**	42,751	39,868
Liabilities			
Current liabilities			
Trade and other payables	**9,074**	8,596	6,406
Loans and borrowings	**3,441**	3,439	4,164
Obligations under leases	**24**	21	21
Current tax liability	**582**	196	-
Total current liabilities	**13,121**	12,252	10,591
Non-current liabilities			
Loans and borrowings	**3,900**	4,400	5,255
Obligations under leases	**825**	987	1,129
Deferred tax liability	**683**	702	374
Total non-current liabilities	**5,408**	6,089	6,758
Total liabilities	**18,530**	18,341	17,349
Total net assets	**25,462**	24,411	22,519
Issued capital and reserves attributable to owners of the Parent			
Share capital	**388**	388	388
Share premium	**22,621**	22,621	22,621
Share-based payment reserve	**326**	226	88
Merger reserve	**396**	396	396
Treasury reserve	**(270)**	(151)	-
Retained earnings	**2,000**	931	(974)
Total equity attributable to equity holders	**25,462**	24,411	22,519

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	Unaudited 6 months ended 30 June 2019 £'000	Restated Unaudited 6 months ended 30 June 2018 **£'000**	Restated Unaudited Year ended 31 December 2018 **£'000**
Cash flows from operating activities			
Profit for the period	**1,428**	1,160	2,325
Adjustments for:			
Depreciation of property, plant and equipment	**317**	201	410
Amortisation of intangible fixed assets	**108**	108	253
Share-based payment expense	**100**	81	138
Finance expense	**159**	187	340
Income tax expense	**348**	235	536
Operating cash flow before movements in working capital	**2,460**	1,971	4,003
Increase in trade and other receivables	**(1,198)**	(1,613)	(2,743)
Increase in inventories	**(36)**	(24)	(202)
Increase in trade and other payables	**587**	1,299	2,107
Cash generated from operations	**1,813**	1,634	3,165
Income taxes received/ (paid)	**20**	48	48
Net cash generated from operating activities	**1,833**	1,682	3,213
Cash flows from investing activities			
Purchases of property, plant and equipment	**(503)**	(26)	(222)
Purchase of software	**(245)**	(81)	(348)
Net cash used in investing activities	**(748)**	(107)	(570)
Cash flows from financing activities			
Bank and other loans – repaid	**(500)**	(1,300)	(1,600)
Other loans- repaid/ (made)	**61**	(193)	(138)
Interest paid – bank and other loan	**(139)**	(146)	(279)
Interest paid – finance leases	**(12)**	(40)	(38)
Dividends paid	**(358)**	(257)	(420)
Purchase of treasury shares	**(120)**	-	(151)
Capital element of finance lease repaid	**(198)**	(133)	(322)
Net cash (used in)/generated from financing activities	**(1,266)**	(2,069)	(2,948)
Net (decrease)/ increase in cash and cash equivalents	**(181)**	(494)	(305)
Cash and cash equivalents at beginning of year	2,940	3,245	3,245
Cash and cash equivalents at end of year	**2,759**	2,751	2,940

Reconciliation of cash flow to the Group net debt position

Group	**Term loan £'000**	**Revolving credit facility £'000**	**Loan fees £'000**	**Lease debt £'000**	**Total liabilities from financing activities £'000**	**Cash £'000**	**Net debt £'000**
At 1 January 2019	**(5,436)**	**(2,514)**	**110**	**(1,008)**	**(8,847)**	**2,940**	**(5,908)**
Financing cash flows	500	-	-	171	671	-	671
Other cash flows	-	-	-	-	-	(181)	(181)
Other changes	7	9	(17)	(12)	(13)	-	(13)
At 30 June 2019	**(4,929)**	**(2,505)**	**93**	**(849)**	**(8,190)**	**2,759**	**(5,431)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

Group	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 January 2018 (Restated)	**388**	**22,621**	**88**	**396**	**–**	**(974)**	**22,519**
Profit for the period and total comprehensive expense	–	–	–	–	–	1,160	1,160
Contributions by and distributions to owners							
Dividend paid	–	–	–	–	–	(257)	(257)
Share-based payment	–	–	81	–	–	–	81
At 30 June 2018 (Restated)	**388**	**22,621**	**169**	**396**	**–**	**(72)**	**23,502**
Profit for the year and total comprehensive income	–	–	–	–	–	1,166	1,166
Contributions by and distributions to owners							
Dividend paid	–	–	–	–	–	(163)	(163)
Treasury shares	–	–	–	–	(151)	–	(151)
Share-based payment	–	–	57	–	–	–	57
At 31 December 2018 (Restated)	**388**	**22,621**	**226**	**396**	**(151)**	**931**	**24,411**
Profit for the year and total comprehensive income	–	–	–	–	–	1,428	1,428
Contributions by and distributions to owners							
Dividend paid	–	–	–	–	–	(358)	(358)
Treasury shares	–	–	–	-	(119)	–	(119)
Share-based payment	–	–	100	-	-	–	100
At 30 June 2019	**388**	**22,621**	**326**	**396**	**(270)**	**2,000**	**25,462**

1. Accounting policies

Basis of preparation
The consolidated financial statements for the six months ended 30 June 2019 and 2018 are unaudited and were approved by the Directors on 22 July 2019. 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 2018 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. The Group's financial statements consolidate the financial statements of Franchise Brands plc and its subsidiaries.

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 2018, with the exception of the changes due to the adoption of IFRS16, which are discussed in note 3 below.

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 £2.7m. 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.

During the current and comparative periods, the Group has not incurred any exceptional costs which the Directors believe should be separately identified.

Earnings per share

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Profit attributable to owners of the Parent	**1,428**	1,160	2,325
Adjusting items, net of tax	**171**	155	291
Adjusted profit attributable to owners of the Parent	**1,428**	1,160	2,616

	Number	Number	Number
Basic weighted average number of shares	**77,447,500**	77,732,033	77,687,101
Dilutive effect of share options	**1,173,070**	3,395,460	1,100,364
Diluted weighted average number of shares	**78,620,570**	81,127,493	78,787,465

	Pence	Pence	Pence
Basic earnings per share	**1.84**	1.49	2.99
Diluted earnings per share	**1.82**	1.43	2.95
Adjusted earnings per share	**2.06**	1.69	3.37
Adjusted diluted earnings per share	**2.03**	1.62	3.32

3. Restatement due to IFRS16

At the beginning of the period the Group adopted *IFRS16 Leases*, the new accounting standard on Leases. IFRS16 replaced IAS17 'Leases' and substantively changed the accounting for operating leases. Where a contract meets IFRS16's definition of a lease, the lease agreements give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables. Lease costs are now recognised in the form of depreciation of the right-to-use asset and interest on the lease liability, which has impacted the phasing of operating profit and profit before tax compared to the previous cost profiles and presentation in the income statement, and has impacted the classification of associated cash flows.

The adoption has had a significant impact on the presentation of the Group's assets and liabilities, mainly relating to property and vehicle leases. The standard has increased lease assets by £0.9m, and increased lease liabilities by a similar value. Overall the standard has had an immaterial overall effect on profit and earnings.

In line with the transitional arrangements within IFRS16 we have re-stated our previous period figures to show the effect of the new standard using the full retrospective method.

Six months ended 30 June 2018	**Original numbers**	**IFRS16 adjustment**	**Final numbers**
	£'000	**£'000**	**£'000**
Revenue	16,844	0	16,844
Cost of sales	(10,367)	0	(10,367)
Other administrative expenses	(4,846)	151	(4,695)
Depreciation	(61)	(140)	(201)
Finance expense	(172)	(15)	(187)
Tax expense	(235)	0	(235)
Net profit	1,163	(3)	1,160

Year ended 31 December 2018	**Original numbers**	**IFRS16 adjustment**	**Final numbers**
	£'000	**£'000**	**£'000**
Revenue	35,470	0	35,470
Cost of sales	(22,341)	0	(22,341)
Other administrative expenses	(9,820)	303	(9,517)
Depreciation	(131)	(279)	(410)
Finance expense	(310)	(30)	(340)
Tax expense	(536)	0	(536)
Net profit	2,332	(7)	2,325

Year ended 31 December 2018	**Original numbers**	**IFRS16 adjustment**	**Final numbers**
	£'000	**£'000**	**£'000**
Intangible assets	27,232	0	27,232
Property, plant and equipment	382	904	1,286
Inventories	245	0	245
Trade and other receivables	11,048	0	11,048
Cash	2,940	0	2,940
Trade and other payables	(8,596)	0	(8,596)
Loans and borrowings	(3,439)	0	(3,439)
Obligations under leases	(21)	0	(21)
Current tax	(196)	0	(196)
Loans and borrowings	(4,400)	0	(4,400)
Obligations under leases	(51)	(936)	(987)
Deferred tax liability	(702)	0	(702)
Total net assets	**24,442**	**(31)**	**24,411**

The change in the standard has had a material effect on some of the key performance measures which the Group uses to manage the business, namely EBITDA, Net debt, and related ratios. The table below shows the changes in those KPIs.

	Original numbers	Final numbers
	£'000	**£'000**
H1 2018 EBITDA	1,820	1,971
FY 2018 EBITDA	3,700	4,003
Net assets	24,442	24,411
Net debt 31 December 2018	(4,971)	(5,907)
Gearing 31 December 2018	20%	24%
Net debt to EBITDA FY 2018	1.34x	1.48x

4. Dividend

On 22 July 2019 the Board declared an interim dividend of 0.30 pence per share (interim 2018: 0.21 pence per share). The interim dividend will be paid on 24 September 2019 to shareholders on the register at the close of business on 6 September 2019.

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/.