FRANCHISE BRANDS

EMPOWERING FRANCHISEES

Annual Report
& Accounts 2021

Our purpose

BUILDING MARKET-LEADING BRANDS

Our purpose is to build market-leading businesses primarily via a franchise model. We support our franchisees to successfully grow their businesses and achieve their goals. This provides unity behind our purpose and theirs – when they grow, we grow.

Contents

Front cover image:
Ben Simpson
Drainage engineer - Metro Rod Newport & Hereford

Financial & Operational Highlights

OUR HIGHLIGHTS

REVENUE
£57.7m
+17%
2020: £49.3m

ADJUSTED EBITDA*
£8.5m
+28%
2020: £6.6m

PROFIT BEFORE TAX
£5.8m
+57%
2020: £3.7m

ADJUSTED EARNINGS PER SHARE**
5.55p
+27%
2020: 4.35p

DIVIDEND PER SHARE
1.50p
+36%
2020: 1.10p

NET CASH***
£6.5m
2020: £4.9m

A strong recovery across the Group in 2021, despite the Q1 lockdown.

Metro Rod and Metro Plumb system sales increased by 24% to a record £50.4m.
- Metro Rod won significant £1m contract with Peel Ports, delivered directly.
- Pump sales by Metro Rod franchisees increased 103% to £1.5m, facilitated by Willow Pumps.

Acquisition of Azura Group, a leading franchise management software system developer, which gives the Group ownership of its core IT systems.

Willow Pumps' sales growth of 7% driven by a 33% rise in the higher-margin service work and the development of the Metro Rod corporate franchise areas.

A strong recovery by the B2C division, underpinned by franchisees returning to full fees and a steady level of recruitment with 57 new franchisees (2020: 58).

* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share-based payment expense and non-recurring items.
** Adjusted EPS is earnings per share before amortisation of acquired intangibles, share-based payment expense and non-recurring items.
*** Net Cash is cash less loans, borrowings and obligations under leases.

At a Glance

OUR LEADING BRANDS

B2B

METRO ROD DRAIN CARE AND REPAIR

- The UK's commercial drainage experts with over 35 years' experience.
- Provides one-stop solutions to a range of commercial customers, including facilities management, construction, manufacturing, education, retail, insurance, water utilities and the public sector.
- 42 franchisees providing full national coverage through the B2B division's network of over 50 depots and Metro Rod's 470 highly trained engineers.

METRO PLUMB THE NATION'S LOCAL PLUMBER

- Specialist plumbing franchise built on providing emergency services to insurance customers, with over 90 plumbers.
- Range of services is expanding and moving to service domestic as well as commercial customers.
- 33 franchisees of which 7 are stand-alone and 3 of which are operated corporately.

WILLOW PUMPS DESIGN, INSTALLATION & MAINTENANCE

- Founded in 1997, a leading pump design, installation and maintenance business, with a below-ground and above-ground capability.
- One-stop shop for design, installation and maintenance of adoptable and non-adoptable pump stations.
- Servicing, reactive and extra works for a wide range of commercial customers across different sectors.
- Acquired by Franchise Brands in 2019 to help expand Metro Rod and Metro Plumb's range of services.

B2B-ADJUSTED EBITDA*

£7.1m

B2C

ChipsAway LIKE IT NEVER HAPPENED

- The UK's leading mobile car paintwork repair specialist established in 1994.
- 213 franchisees in the UK.
- 36 Car Care Centres can complete larger repairs.

ovenclean LESS GRIME, MORE TIME

- The leading and longest established oven cleaning business in the UK, since 1994.
- A network of 105 franchisees.

Barking Mad Happy Dog, Happy Holiday, Happy You.

- A leading provider of dog home boarding services (dog holidays) since 2000.
- Services provided by 63 franchisees.

B2C-ADJUSTED EBITDA*

£2.6m

* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share-based payment expense and non-recurring items (Covid-19 related restructuring charge and bad debt provision).

At a Glance continued

IPO AT AUGUST 2016

NUMBER OF PRINCIPAL BRANDS:
2

NUMBER OF EMPLOYEES:
26

NUMBER OF FRANCHISEES:
325

MARKET CAPITALISATION:
£12m

AT 31 DECEMBER 2021

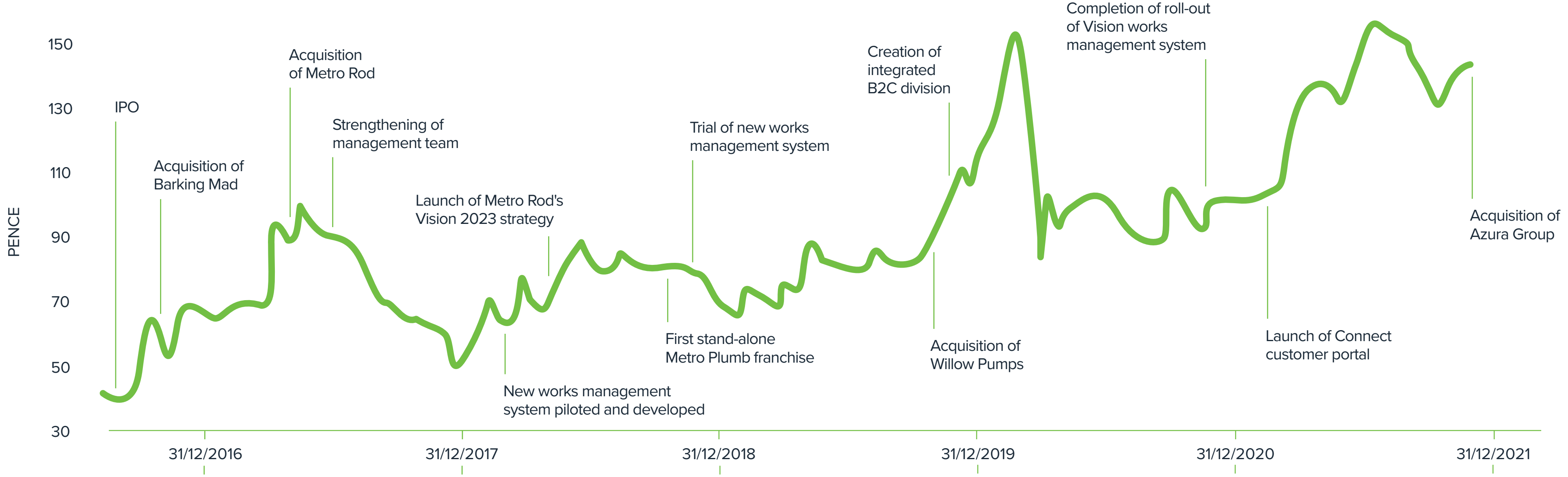
NUMBER OF PRINCIPAL BRANDS:
6

NUMBER OF EMPLOYEES:
291

NUMBER OF FRANCHISEES:
430

MARKET CAPITALISATION:
£147m

STRONG LONG-TERM GROWTH RECORD



Chairman's Statement

STRONG MOMENTUM

STEPHEN HEMSLEY
Executive Chairman

"I have been extremely pleased with the performance of Franchise Brands during 2021. All our businesses have shown themselves to be resilient and demonstrate the overall strength of our portfolio of franchise networks."

ADJUSTED EBITDA
£8.5m

Chairman's Statement continued

"2021 saw a strong recovery in our business as the continued lifting of the Covid-19 restrictions led to an increase in the demand for the Group's services, particularly at Metro Rod."

METRO ROD SYSTEM SALES

£50.4m

INTRODUCTION

Our B2C franchisees also operated for the full year in 2021, after the three-month shutdown in 2020. New ways of working became further embedded in the business, as a result of lessons learnt during the lockdowns and our ongoing digital investment, which will enhance our operational gearing in the years to come.

During the year we acquired Azura Group Ltd ("Azura"), a leading franchise management software system developer. This has enabled the Group to consolidate its software development and secure full ownership of the intellectual property ("IP") created in partnership with Azura. It also provides the opportunity to use Franchise Brands' experience and expertise to grow Azura's business by offering a Software as a Service ("SaaS") platform to other franchise businesses in the UK and overseas.

On 16 February 2022, we announced that we had reached agreement on the terms of a recommended all-share offer for Filta Group Holdings plc ("Filta"), a market-leading commercial kitchen services provider. The business specialises in fryer management and fat, oils & grease ("FOG") services. Filta's core business operations are within North America, the UK and mainland Europe. The North America and mainland Europe operations are exclusively operated as a franchise network, whilst the UK activities are operated under both franchise and direct labour ("DLO") business models. The business is complementary to our B2B franchise and DLOs in the UK and will significantly expand our "Water In, Waste Out" offering. Filta's franchise businesses in North America and Europe will provide accelerated growth prospects for the enlarged Group through both organic growth and complementary acquisitions.

B2B FRANCHISE DIVISION

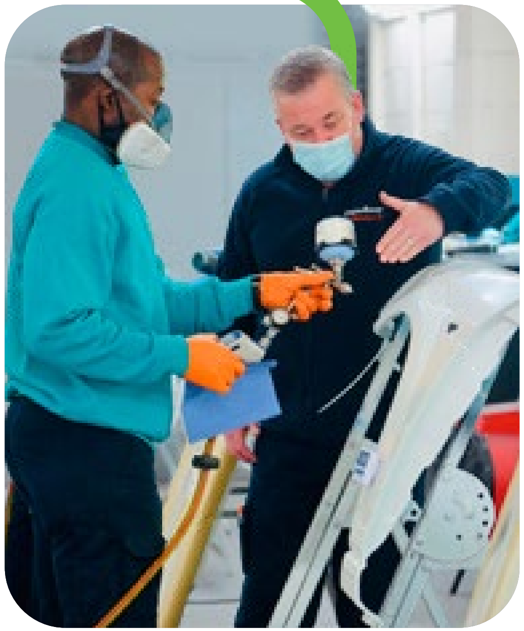
Metro Rod and Metro Plumb recovered strongly in 2021, with system sales growing by 24% (2020: -2%) to £50.4m (2020: £40.6m) as we successfully won new contracts with a wide range of local and national customers. This, in part, resulted from the investment made by our franchisees in tankers and a pump maintenance capability which allows us to provide a "one-stop-shop" to customers with a greater diversity of requirements. The tanker fleet has grown from 24 vehicles in 2018 to 57 by the year-end. We also saw the pump servicing undertaken by franchisees grow by 103% to £1.5m, as the lifting of Covid-19 restrictions allowed more face-to-face training of the franchisees' engineers.

There are now a total of 49 Metro Rod and Metro Plumb franchisees in the system and of these, 47 grew their sales in 2021, with 32 growing by over 20%. 24 franchisees now have sales of over £1m (2020: 17).

In line with our objective to develop Metro Plumb as a stand-alone franchise, 2 new franchisees were recruited in the year, bringing the total to seven. In addition, 23 Metro Rod franchisees also operate a Metro Plumb franchise and three territories in the South-East are operated corporately as DLOs. Metro Plumb sales totalled £6.9m, a 26% increase over the previous year. We are focused on accelerating the recruitment of stand-alone Metro Plumb franchisees in the coming year as the remaining Covid-19 restrictions are lifted.

During the year the B2B division completed a £1m contract for Peel Ports on a direct labour basis. This was delivered directly as we felt that the speed with which it had to be mobilised, and the investment in equipment required, was beyond the labour and financial resources of our franchises. The contract was successfully concluded in February 2022 and we anticipate that most of the labour and equipment will be absorbed into the franchise network. The division's other direct labour activity, Kemac, which is a specialist plumbing business and operates three Metro Plumb territories, traded well. It is currently working on broadening its customer base to improve resilience and increase the range of services offered.

Chairman's Statement continued



The investment in the digital transformation of the B2B franchise business is driving significant operational gearing. Whilst system sales increased 24%, administration expenses increased by only 10% and headcount grew by less than 1%. Since we acquired Metro Rod in 2017, almost every business function has benefited from some level of digital automation. As a result, the headcount at Metro Rod and Metro Plumb is now 15% lower and system sales per Support Centre employee increased 75% over the period to £450,000 per employee (2017: £257,000). We anticipate the digital transformation accelerating in the future following the acquisition of Azura.

As a result of the strong growth in system sales, a robust performance by the DLOs, Covid-related overhead efficiencies and the continuing benefits resulting from our investment in IT systems, adjusted EBITDA increased by 45%. This was another excellent performance by the business, led by Peter Molloy, Managing Director of Metro Rod and Metro Plumb, and his team.

WILLOW PUMPS

Willow Pumps, which is a DLO, had a mixed year. The pump and drainage service side of the business, which accounts for 78% of total sales (excluding the two Metro Rod corporate franchises), continued to grow strongly. However, the supply and installation ("S&I") business suffered from depressed sales volumes due to the slow and patchy recovery of the house-building sector.

Service revenue from the reactive and planned maintenance of pumps and drains grew by 33% due to new contracts and the developing relationship with the Metro Rod depots which helps the combined business provide customers with a truly national and cost-effective service. The growth in sales resulted in an increased gross profit contribution; however, the percentage gross margin declined slightly due to the tighter margin on work sub-contracted to Metro Rod.

S&I sales declined 30% during the year as this activity relies on new starts in the house-building sector which were disrupted by labour and material shortages. This was compounded by a reduction in gross margin due to much of the work being lower-margin, early-stage material supply. Action has been taken to address these more challenging market conditions by reducing overheads and seeking to broaden the customer base and product mix.

The Metro Rod corporate franchises of Kent & Sussex and Exeter which were transferred to Willow Pumps in 2020, grew sales by 12% and showed strong growth in profitability, albeit from a small base.

Overall, the EBITDA contribution from Willow Pumps declined by 9% in 2021, which was disappointing. However, it was entirely attributable to the decline in S&I activity, and we anticipate that the changes made in this area will result in a rebound in sales and EBITDA in 2022.

B2C FRANCHISE DIVISION

The B2C Franchise Division is comprised of the consumer-facing franchise businesses ChipsAway, Ovenclean and Barking Mad. This division recovered strongly in 2021 from the three-month shutdown of the business at the start of the Covid 19 pandemic in 2020. Almost all franchisees paid full fees in 2021 resulting in a recovery in sales, which, combined with the careful reintroduction of overhead costs following the reductions that the furlough payments in 2020 allowed, resulted in strong growth in EBITDA of 24%.

Franchise recruitment at ChipsAway, the leading brand in this division accounting for 84% of EBITDA, declined in the year to 38 new recruits (2020: 45). Whilst this was disappointing it was still the second-highest level of recruitment achieved over the last five years. Ovenclean, by contrast, had a particularly strong year with 13 new recruits (2020: 8). Barking Mad also increased recruitment to 6 franchisees (2020: 5) in a challenging year for this brand given the low demand for overseas holidays. Overall, the B2C division recruited 57 new franchisees (2020: 58), but lost 62, resulting in a total number of B2C franchisees at the year-end of 381. This is considered an excellent result given the uncertain environment that has existed since the start of the Covid pandemic.

METRO ROD FRANCHISEES WITH SALES >£1M

24

METRO ROD AND METRO PLUMB FRANCHISEES IN GROWTH

47

DIGITAL TRANSFORMATION

The digital transformation of the business has progressed at pace during the year, culminating in the acquisition of Azura in November 2021. Prior to the acquisition, and in response to franchisee feedback, our in-house team of software developers and the team embedded at Azura, developed a series of further upgrades to the Vision works management system. The additional functionality has automated an increasing number of processes, reducing costs for both us and our franchisees, improved efficiency and enhanced our customer service.

Chairman's Statement continued

"Metro Rod and Metro Plumb grew strongly in 2021, with system sales growing 24%."

INCREASE IN METRO ROD ADJUSTED EBITDA

45%

The use of the Connect portal, which provides customers with real-time visibility of every job, has rapidly grown in popularity since being launched. Connect provides customers with faster and more comprehensive information on a job, on a self-serve basis, and has reduced contact centre telephone traffic by 14%. The functionality of Connect is being extended to allow customers to both place jobs and review the invoices on closed jobs, which we anticipate will further enhance customer service and reduce contact-centre traffic. We will continue to shape our development journey around customer needs and will further encourage them to use Connect as their primary source of information.

The acquisition of Azura represents an important step in the Group's digital journey and I would like to welcome their leadership team of Simon Pullman (Managing Director), Sean McAree (Software Architect) and Mark Scott (Operations Director). The acquisition has a strong strategic and commercial rationale in that it consolidates and secures our software development and key IP, as well as providing a potential source of future income.

We believe that there is considerable scope to develop and grow Azura's business through combining the Group's expertise and experience in franchising, technology and marketing with Azura's pre-eminent franchise management platform. This will allow us to develop the existing software, using some of our Vision and Connect developments, and offering the enhanced package as a SaaS platform to other franchise businesses in the UK and overseas.

FILTA ACQUISITION

On 16 February 2022, the Boards of Franchise Brands and Filta announced that they had reached agreement on the terms of a recommended all-share offer for the entire share capital of Filta.

This offer is conditional on, amongst other things, Franchise Brands receiving acceptances in respect of at least 75% of the Filta voting rights. Franchise Brands has received irrevocable undertakings to accept the offer from 82% of the Filta shareholders. The offer is also subject to the passing of an ordinary resolution at the Franchise Brands general meeting to be held on 7 March 2022 giving the directors the authority to create and issue the consideration shares. The Board of Franchise Brands has unanimously approved the offer and each director of Franchise Brands together with Gresham House, who together hold 60% of the voting rights of Franchise Brands, have irrevocably undertaken to vote in favour of the resolution. The Board of Franchise Brands is therefore confident that the offer will be declared wholly unconditional soon after the irrevocable undertakings are fulfilled.

We believe that the merging of the two companies will establish a franchise business with a robust international footprint that will allow overseas development of the existing brands and facilitate the acquisition of new brands in North America, UK and Europe. The merged management team has significant franchising experience and expertise, which combined with the shared support services and resources will drive the future growth of the enlarged Group.

The complementary nature of the services provided, and the breadth of the customer base of the combined direct labour businesses in the UK, is expected to also provide significant opportunities for growth. The acquisition will significantly progress our ambition of offering a "Water In. Waste Out" service to the commercial sector.

OUTLOOK

Trading has started strongly in 2022, with continuing sales growth in the B2B division and steady recruitment in the B2C division. Profitability continues to be enhanced by the improved operational gearing that our digital investment enables, which has been enhanced by the acquisition of Azura.

The acquisition of Filta will be transformational for the business, taking us from a UK-focused business to one with international scale and an expanded management team capable of developing the group in North America, UK and Europe and enabling us to provide a broader

range of complementary services to a larger combined client base. I look forward to welcoming Jason Sayers and Brian Hogan to our board and all of the Filta team to the Group once the merger is declared unconditional. We also remain keen to increase the scale of our B2C franchise business and continue to search for complementary acquisitions which will leverage our existing infrastructure.

It has been an extremely active and challenging twelve months for our corporate team dealing with both the disruptive effects of Covid-19 and expanding the group both organically and by acquisition. This applies equally to our franchisees who have weathered the storm and come out stronger and with better businesses. I would like to thank them all for their contribution in 2021. We therefore look forward with confidence to the year ahead.

STEPHEN HEMSLEY
Executive Chairman

BUSINESS BUILDING STRATEGY

We build market-leading businesses primarily via a franchise model, and our business-building strategy has four engines of growth.

At the centre of our strategy is supporting our franchisees who are the backbone of the group. If they grow, we grow. We support our franchisees in a variety of ways and we also look for external growth opportunities through acquiring new franchise brands.

Business model and Strategy continued

SUPPORTING OUR FRANCHISEES

We provide our franchisees with support, training and specialist tools, from launch or acquisition of their franchise to helping them build a profitable business over the long term. Our support services include sales and marketing, technology, specialist training, health and safety, invoicing and credit control and business mentoring.

PROGRESS IN 2021

We supported our franchisees recover strongly from the impact of the Covid-21 restrictions, provided them with strong levels of customer enquiries, helped them develop sales, supported investment in their businesses and provided specialist training..

PRIORITIES FOR 2022

Continue supporting our franchisees to grow their businesses to pre-pandemic levels in terms of sales volume and customer service. We consider the recruitment and retention of labour one of the business's critical issues in 2022.

EXPANDING OUR RANGE OF SERVICES

We actively look for opportunities to help our B2B franchisees to expand their range of services and customer base. Our ambition is to offer a "Water In, Waste Out" service to the commercial sector. Willow Pumps is helping Metro Rod franchisees to develop a pump capability. We look for additional opportunities to help franchisees develop specialist capabilities.

PROGRESS IN 2021

We helped train 65 engineers across 30 Metro Rod depots to perform pump servicing work. 75% of these engineers are trained to a level that allows them to service all reactive and extra works. Pump sales at Metro Rod in 2021 were £1.5m, more than double that of 2020.

PRIORITIES FOR 2022

Continue to train engineers to become competent in repairing and servicing pump equipment. As additional pump work leads to more tanker work, we will also support our franchisees in investing in a still more capable tanker fleet.

DEVELOPING A TECHNOLOGY PLATFORM

A key part of the Group's strategy for developing our brands is the automation of as many of our processes and interactions as possible. We believe that this will not only enhance customer service and thereby increase sales, but also improve corporate and franchisee efficiency, thereby reducing costs and increasing profitability. Our ambition is to develop a group-wide technology platform.

PROGRESS IN 2021

We embarked on a further, more ambitious three-year digital journey. Following the successful roll out of Vision, we launched the Connect customer portal and optimised these platforms with a series of upgrades to further enhance functionality.

PRIORITIES FOR 2022

The acquisition of Azura provides the opportunity to both accelerate our digital journey and offer an enhanced platform to other franchise businesses on a Software as a Service ("SaaS") basis.

GROWING OUR PORTFOLIO

Acquisitions are a central part of our growth strategy and we actively seek franchise businesses where we can leverage our high-quality support services and existing divisional structure. We also seek franchise businesses of scale that could create a third division of the Group.

PROGRESS IN 2021

We acquired Azura Group, a leading franchise management software system developer with whom we partnered to develop Vision. The acquisition consolidates and secures our software development and key IP.

PRIORITIES FOR 2022

The integration of the anticipated acquisition of Filta in the UK and the accelerated development of its businesses in North America and Europe. We also continue to seek complementary B2C acquisitions.

Strategy in Action

OUR VISION FOR ENHANCED SERVICE

DYNAMIC MANAGEMENT REPORTING

REAL-TIME TECHNICIAN UPDATES

AUTOMATION THROUGH ROBOTICS

VISION
Works Management System

‘Vision’, our works management system, allows our franchisees to be more productive, efficient and ultimately more profitable.

PERSONALISED CUSTOMER RULES

Strategy in Action continued

VISION WORKS FOR OUR FRANCHISEES

CUSTOMER SPECIFIC PROCESSES

A benefit of Vision is the ability to implement customer specific rules which reduces the time taken to process jobs and improves accuracy. For example, engineers are able to receive notifications of a new job, and the mobile app provides them with clear notes and step-by-step customer instructions. As well as saving time for engineers on site or franchisees offices, it helps improve compliance with customer processes and reduces issues with invoicing.

IMPROVED FRANCHISEE REPORTING

The roll out of Vision and the improved functionality has facilitated better reporting for our franchises using intelligent dashboards. These are constantly evolving and the new reports which can now be generated have helped franchisees better understand their KPIs and profitability to identify where the opportunities are.

FOCUS FOR 2022

A key priority for 2022 is a scheduling tool to improve engineer efficiency which is critical against the backdrop of a tight labour market and will also help SLA performance. Being able to carry out more jobs a day, with reduced mileage and fuel costs also leads to improved productivity and profitability. We continue trials of a new remote worker device that is intended to enable to connect with the relevant customer apps and systems, and negates the need for engineers to remember passwords on site.

A POWERFUL AND VERSATILE TOOL

IMPROVED ROBOTICS AND AUTOMATION

Vision has enabled jobs to be logged by robots more quickly and accurately. This means engineers can be deployed to site faster which improves our ability to meet customer SLAs. We developed an email handling tool which can intelligently understand requests and this is enhancing customer service as well as leading to contact centre efficiencies. Robots have allowed us to automate certain elements of the invoicing process. The robots automatically detect discrepancies and then submit the required approvals. This speeds up invoicing and enables us to process increased volumes without the need to increase labour overhead.

THE CREATION OF AN INTEGRATED SYSTEM

The roll out of Vision enables us to fully integrate our systems using its CRM as the core. We will feed enquiries from the website into Vision and then automatically pass them to franchisees. A new upgraded quotations management system is also being included that will enable us to automate quote production and portal updates. The data and information that will be provided by the system will help us improve the quality of our marketing campaigns. The same information will also be made available to our customers via Connect.

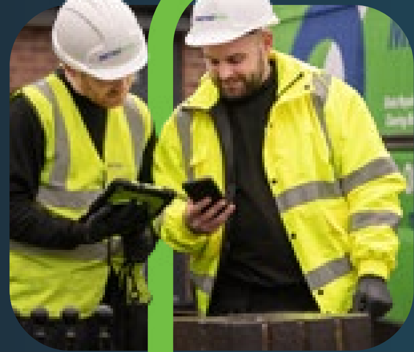
JOBS LOGGED BY ROBOTS IN 2021
10%

EMAILS TO CONTACT CENTRE HANDLED BY ROBOTS
24%

INVOICING TASK AUTOMATIONS
>22k

Strategy in Action continued

CONNECTING SMARTER WITH CUSTOMERS



INTEGRATION WITH CUSTOMER SYSTEMS AND PORTALS

SCHEDULED DELIVERY OF REPORTS AND JOB IMAGES

SELF-SERVICE JOB LOGGING (COMING SOON)

CONNECT
Instant online visibility of every job

SELF-SERVICE ACCESS TO INFORMATION IN NEAR REAL-TIME

Strategy in Action continued

HOW CONNECT BENEFITS OUR CUSTOMERS

A real-time portal developed together with our customers, providing them with full on-line visibility of every job. Connect offers self-reporting functionality, saving customers time and money.

CUSTOMER LOGINS IN 2021

23k

REDUCTION IN CONTACT CENTRE TRAFFIC

14%

OUTBOUND CUSTOMER TEXTS

19k

TRANSFORMING THE CUSTOMER EXPERIENCE

OVERVIEW

Connect is a portal which provides our customers with information and tools that allows them to see the status of their job in real-time. This ability for customers to self-select information in an efficient and transparent way saves them - and us - time and money. We launched Connect, which is also available on a mobile app, in January 2021 and there has been a 7-fold increase in customer logins over the year.

OUR CUSTOMER JOURNEY

We have shaped our development journey around our customer's needs. During the year we developed self-reporting functionality to allow customers to request their own updates on certain events at certain times. Customers can schedule automated reports, including job card and photos, to be emailed when a job is either created or has been completed. Certain customers can also receive an SMS notifying them of the initial appointment and can receive a call from the engineer on route.

FOCUS FOR 2022

To date the journey has centred around making real-time information available. The next stage will be around enabling our customers to provide inbound information and transact with Connect. For example, we have developed functionality that allows customers to log their own jobs and this is currently being trialled. In time, customers will also be able to provide purchase order numbers, authorise uplifts and review and potentially approve quoted works.

Strategy in Action continued

ACQUISITION OF AZURA GROUP

WEB BASED

END-TO-END PLATFORM

CUSTOMISED SOLUTIONS

FRANCHISE PARTNER OF CHOICE

Strategy in Action continued

AN IMPORTANT STEP IN OUR DIGITAL JOURNEY

BACKGROUND

Franchise Brands has partnered with Azura since 2018 to develop and customise the "Vision" works management system which is built on Azura's core system. The acquisition enables the Group to consolidate its software development and secure ownership of the related intellectual property created to date, as well as bring Azura's skilled team in-house.

ABOUT AZURA

Established in 1990 by Simon Pullum, Azura has developed a proprietary, fully integrated, cloud-based, franchise management software system specifically tailored and designed to the needs of franchise businesses. Azura works with over 35 franchise networks and has particular experience in the service-based, van-based, children's activity and domiciliary care sectors.

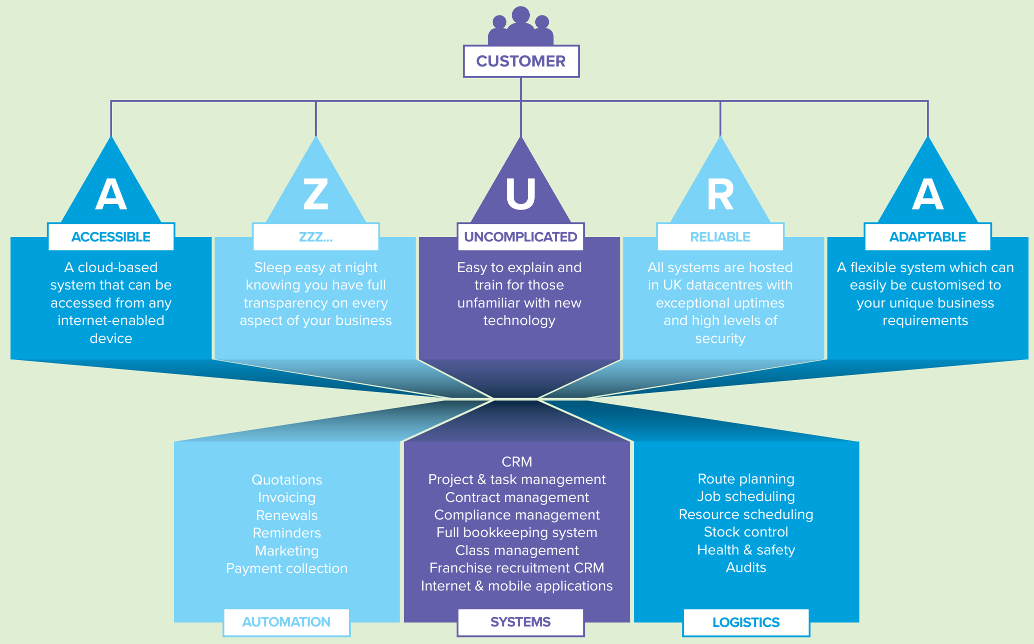
BENEFITS FOR AZURA AND FRANCHISE BRANDS

Azura now has a deep insight into our business. This will enhance their ability to develop further functionality for Franchise Brands and other franchisors. Technology is fundamental to any business but we see particular relevance to franchise businesses which are often start-ups and need to be as efficient as possible.

Core functionality includes a customer web portal, full CRM system, franchise recruitment CRM, an integrated invoicing and bookkeeping system, and intranet and mobile applications. Franchisors benefit from improved efficiencies, reliability, accessibility and compliance, flexibility and scaleability.

AZURA™ GROUP

AZURA'S TECHNOLOGY TRANSFORMS THE FRANCHISE EXPERIENCE



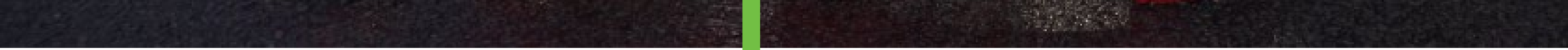
B2B Review

STRENGTH IN NUMBERS

METRO ROD DRAIN CARE AND REPAIR

METRO PLUMB THE NATION'S LOCAL PLUMBER

WILLOW PUMPS



B2B Review continued

SYSTEM SALES
£50.4m

INCREASE IN TANKER SALES
68%

% METRO ROD FRANCHISEES WITH SALES >£1M
57%

PETER MOLLOY
Managing Director,
Metro Rod and Metro Plumb

2021 PERFORMANCE REVIEW

METRO ROD

Metro Rod performed strongly in 2021, delivering record system sales of £50.4m, an increase of 24% over 2020. We continued to provide an expanded range of “Water In. Waste Out” services to our customers. Tanker sales increased 68%. Pump sales by Metro Rod franchisees doubled to £1.5m as more franchisees developed a pump capability by training up engineers. Tanker and pump work has an average order value (AOV) several times higher than that of drainage.

Encouragingly, local sales grew more rapidly than national sales in 2021. This is in line with our Vision 2023 strategy where we are supporting the franchisees to undertake more local work which is easier to service and attracts a significantly higher AOV than national account work. Franchisees are also better able to leverage local relationships and build customer loyalty.

We broadened the scope of work we provided national accounts in particular, with higher value-added services such as surveys and inspections, asset mapping, specialist repairs or excavations. This has been made possible through franchisee investment in new equipment. In addition to the external finance we have facilitated, we have deployed our own resources to help finance this expansion by providing loans to franchisees of £250,000 over the last 12 months.

We are also seeing the benefits of the 9 new franchisees that have joined the network since 2019 through resales (of which there have been 7) and franchising previously sub-contracted territories. The average size of a Metro Rod franchisee in 2021 increased by 24%. 57% of franchisees exceeded £1m in sales compard to 2020.

METRO PLUMB

Metro Plumb sales totalled 26% to £6.9m and plumbing now accounts for 8.5% of system sales. Our seven stand-alone Metro Plumb franchisees are bringing focus and dynamism to previously under-utilised territories and are expanding their businesses with additional plumbers and vans. We are helping them to win more local work through sales and marketing support, including highly effective national digital advertising that was launched in June. We provided plumbing services to over 550 customers in 2021.

Five Metro Plumb businesses achieved over £150,000 of sales in 2021. We have over 90 plumbers in the network. This provides us with a strong platform from which to accelerate the build out of Metro Plumb.

PRIORITIES IN 2022

METRO ROD

Build out the pump capability of Metro Rod franchisees and grow local and national sales.

Engineer recruitment, retention including creating additional capacity through innovative IT solutions.

Focus on improving the customer’s experience.

Territory maximisation including an accelerated process for resales.

METRO PLUMB

Accelerate the recruitment of new stand-alone Metro Plumb franchisees.

Increase local sales through improved sales and marketing.

Greater focus on the key competencies of Metro Plumb and Metro Rod.

B2B Review continued

METRO ROD CUSTOMER SITES BENEFITING FROM TANKER SERVICES IN 2021

2,073

METRO ROD & WILLOW PUMPS TANKER FLEET

66

METRO ROD PUMP SALES IN 2021

£1.5m

EXPANDING METRO ROD'S RANGE OFSERVICES

TANKER SERVICES

We now have 57 tankers in the Metro Rod network and 5 franchisees have 3 or more tankers. This compares to only 24 tankers in 2018. Over the period, tanker sales at Metro Rod have grown over four-fold and over 2,000 customer sites now benefit from tanker services. Together with Willow Pumps' fleet of 9 tankers, we have 66 tankers across the Group.

Franchisees need a range of tankers to service customers. These start from smaller multi-purpose combination units to larger vehicles which can recycle up to 3,000 gallons of water and waste. Franchisees with a tanker fleet can be more responsive to customer needs ensuring we deploy the right equipment to provide a first-time fix. Tankers are essential in order to carry out pump work as chambers will need to be emptied and cleaned prior to servicing being carried out.

PUMP WORK

The acquisition of Willow Pumps has enabled us to train Metro Rod franchisees to develop a pump capability. 30 Metro Rod franchisees now have a pump capability and the team at Willow Pumps has helped train up 65 engineers to carry out pre-planned maintenance, reactive and extra works. Pump sales in 2021 were £1.5m and we serviced 355 customers, an increase of 60% over 2020. 67% of pump work was delivered by Metro Rod franchisees without the need of assistance of Willow Pumps.

Franchisees are now winning high value, repeat business from a mixture of local and national accounts. The AOV for pump work is approximately three times higher than drainage and hence the work is highly profitable for franchisees. Customers benefit from higher service levels as franchisees can deliver the entire end-to-end service.

WILLOW PUMPS
DESIGN, INSTALLATION & MAINTENANCE

The pump and drainage service side of the business, which represents 78% of total sales (excluding the two Metro Rod corporate franchises) continued to grow strongly. Sales increased 33% due to new contracts and the developing relationship with Metro Rod which helps the combined business provide customers provide a truly national service and cost effective service. During the year we carried out over 4,000 pre-planned maintenance jobs and over 9,000 quoted and reactive jobs.

The supply & installation business was impacted by the slow and patchy recovery of the house-building sector as a result of labour disruptions and material shortages. As a result, supply and installation sales declined 30% during the year.

B2B Review continued

WILL TAYLOR,
Pump Engineer, Metro Rod Mid Wales & Shropshire

"Having invested in a fleet of 4 tankers, I was keen to develop a pump capability to offer one-stop solutions to customers. The Willow Pumps team has been brilliant. They have trained and mentored my son, Will, who is now a certified Level 3 pump engineer, able to carry out reactive and extra works. The combination of pumps and tankers has been fantastic for my business."

ADRIAN TAYLOR,
Metro Rod Mid Wales & Shropshire

METRO ROD TRAINED PUMP ENGINEERS
65

% OF WORK DELIVERED WITHOUT WILLOW PUMPS ASSISTANCE
67%

The training of Metro Rod engineers began in earnest in the second half of 2020 and accelerated during 2021 as the lifting of the restrictions allowed greater face-to-face training. The training takes place at the Willow Pumps depot in Aylesford.

The depot has a purpose-built workshop fitted out with a Control Panel, pumps and floats to simulate the realities of being on site. This allows engineers to practice their newly learnt skills in a safe environment, repeating jobs under the watchful eye of the expert trainer until both are satisfied the job has been completed safely and effectively.

It takes 5-10 days to train an engineer with limited mechanical experience to a level which allows them to carry out all reactive and extra works. 75% of the Metro Rod franchisees have taken the opportunity to train engineers to this level.

The team at Willow Pumps are also on hand to expertly assist recently-trained engineers, and provide advice and mentoring on site via video calls. This helps engineers build confidence in their new skills and develop further on the job. They are also able to support franchisees deliver larger more complex jobs such as refurbishing pump stations or design new pump stations.

B2C Review

ROBUST PERFORMANCE

ChipsAway
LIKE IT NEVER HAPPENED

ovenclean
LESS GRIME, MORE TIME

Barking Mad
Happy Dog. Happy Holiday. Happy You.

B2C Review continued

TOTAL B2C FRANCHISEES
381

TOTAL FRANCHISEES RECRUITED IN 2021
57

CHIPSAWAY FRANCHISEES WITH EXPANDED OPERATIONS
45%

TIM HARRIS
Managing Director,
B2C Division

2021 PERFORMANCE REVIEW

CHIPSAWAY

ChipsAway continues to be our largest B2C brand generating 84% of the division's EBITDA. The business performed strongly in 2021 with 38 new franchisees joining the network, the second highest number over the last 5 years. The network reduced slightly in size from 215 to 213 franchisees due to a higher number of leavers, but this is considered a good result given the uncertain environment.

The Group's marketing activities generated nearly 300,000 consumer leads for our franchisees. We take particular care to optimise the lead volume with franchisee capacity to ensure a steady stream of high-quality leads. In 2021, the network completed over 68,000 jobs, 20% higher than 2020 together with a 4% increase in the average order value to £246.

ChipsAway franchisees expanded the scope of their operations during the year by establishing car care centres or fixed units, where larger more specialist repairs can be carried out. 95 franchisees (45% of the total) operated expanded operations by the end of the year compared to 89 in January. The Corporate Car Care R&D Centre we established in 2019 had an excellent year, with EBITDA up 40% on 2020.

We continued to provide our franchisees with a range of specialist training courses. We currently have 170 technicians in the network qualified to City and Guilds NVQ3 Level that are able to repair electric and hybrid vehicles. In addition, we ran numerous advanced paints and dents training courses and master classes and trialled specialist courses on Advanced Driver Assistance Systems awareness which will be rolled out in 2022.

OVENCLEAN

Ovenclean performed particularly well in 2021. We were able to expand the size of the network from 100 to 105 franchisees by recruiting 13 new franchisees, with only 8 franchisees leaving the system. Ovenclean franchisees benefited from improved consumer confidence resulting in high demand for our services. We were able to provide our franchisees with 35% more consumer leads than in 2020 and also carried out a rebrand.

BARKING MAD

It was another challenging year for Barking Mad due to the impact of Covid on the foreign holiday market. However, we recruited 6 new franchisees during the year. The network reduced from 71 to 63 franchisees as the result of 14 leavers. The new website helped generate customer enquiries and we are hopeful that Barking Mad will benefit from the return of foreign holidays in 2022.

PRIORITIES IN 2022

CHIPSAWAY

Continued franchisee training for new automotive technologies associated with the move to electric and hybrid vehicles and those with Advanced Driver Assistance Systems.

Further development of our Car Care concept to provide greater customer service, operating efficiency and potential for franchisee roll out.

Continued development of our IT platform including using technology for online quotations and subsequent booking of repairs.

OVENCLEAN

Expansion to deliver greater national coverage through both existing franchisees and new partnerships.

Investigate expanding our embryonic 'white goods' repair offering.

BARKING MAD

Continue to support and invest in our network to take full advantage of a return of the holiday market.

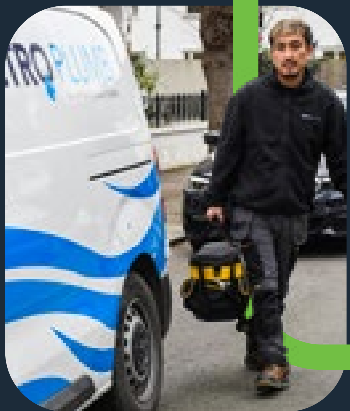
Working Responsibly

Our values and culture

OUR GUIDING PRINCIPLES

WE DEMAND INTEGRITY

We are professional in everything we do and treat people with respect.



WE EMPOWER PEOPLE

We empower our people and expect them to take ownership of a situation and to be accountable for their actions and the results they generate.

WE ARE FAIR

We consider that fairness and transparency are essential to creating high-trust working relationships with each other, and with our franchisees, partners, suppliers, and customers.

WE ARE CHALLENGING OF OURSELVES

We set high standards, are demanding of ourselves, are prepared to challenge the norm and have a relentless focus on continuous improvement.

WE WORK AS A TEAM

We place a huge amount of importance on teamwork between our colleagues and our franchisees to create a dynamic business.

Working Responsibly
Overview

OVERVIEW
Working responsibly is an imperative and we want to do what we can to contribute to a more sustainable future. Our focus is on developing a business that builds economic and social value and protects our environment in everything we do. We want to create an inclusive, fair and rewarding environment where our people, and our franchisees can thrive, one which has a positive impact on the communities in which we work and live, and operates to the highest standards of integrity, transparency and accountability. We are also committed to reducing our environmental impact wherever we can.

UN GOAL:	HOW WE CONTRIBUTE:
GOOD HEALTH AND WELLBEING	• Mental Health First Aiders training. • Employee assistance programme for all staff. • Highly developed health and safety processes and training.
GENDER EQUALITY	• High proportion of females in our Support Centres: 61% in Metro Rod and 65% in B2C. • Dedicated leadership training and mentoring for female managers.
DECENT WORK AND ECONOMIC GROWTH	• Development opportunities, rewards and recognition. Share options for 100% of qualifying employees. • Create local employment in the community. • Opportunities through apprenticeship scheme.
SUSTAINABLE CITIES AND COMMUNITIES	• High standards of quality and sustainability. • Manage and commitment to reduce environmental impact. • Accreditations and certifications.

JULIA CHOUDHURY
Corporate Development Director

OUR APPROACH TO ESG
We made good progress on our ESG journey in 2021 and initiated a process to determine what matters most and what we should focus on. This involved engaging with our customers, shareholders and employees to understand what is important to them. We have developed a framework around 4 ESG pillars: environment, people, communities and governance to help drive and measure progress and embed sustainability considerations into our decision making.

We also considered how we can link our ESG strategy to the UN Sustainable Development Goals and have chosen four particular goals to which we can contribute to.

OUR ESG PILLARS

We have developed a framework around four ESG pillars:

1. ENVIRONMENT
   - Reduce, Re-Use, Recycle
   - High quality and sustainable service delivery
   - Education and training
2. PEOPLE
   - Rewarding opportunities for our people to develop and thrive
   - Wellbeing and keeping people safe
   - Diversity and inclusion
3. COMMUNITIES
   - Creating local employment
   - Apprenticeships and work experience
   - Contribution to community projects, charities and activities
4. GOVERNANCE:
   - Upholding high standards
   - Being transparent
   - Being accountable

Working Responsibly continued
Stakeholders and S172

OUR COMMITMENT TO S172 AND STAKEHOLDER ENGAGEMENT

As a progressive, principle-led Group, we are committed to working in partnership with all our stakeholders. We place particular importance on directly engaging and collaborating with our employees, franchisees, customers, suppliers and shareholders.

See page 45 which sets out examples of some of the principal decisions taken by the Board during the year.

STAKEHOLDERS	IMPORTANCE OF STAKEHOLDER TO THE GROUP	HOW WE ENGAGED	RELEVANT LINKS
EMPLOYEES	Our committed and dedicated employees are our most important resource. They play a key role in supporting our franchisees and helping provide them with the tools they need to grow their businesses. We aim to cultivate and maintain a positive working environment and provide learning and development opportunities, recognition and rewards.	- Presentations, forums, webinars, communications bulletins, videos and online events. - Providing support for working from home and wellbeing. - Share options granted and exercised.	See pages 22, 23, 25 and 26.
FRANCHISEES	Our franchisees are the very backbone of the Group and it is their commitment, hard work and entrepreneurialism that helps us grow our business. Our teams provide all the support and development they need to grow their businesses and maintain the highest brand and operational standards.	- Predominantly digital engagement due to the restrictions, assisted by our IT systems. - Training and development and visits face-to-face where possible.	See pages 9, 10, 11, 18 and 19.
SHAREHOLDERS	Our shareholders support the long-term growth of the Group. We rely on them to finance our development and growth plans. Engaging with them regularly to communicate progress, understand their perspectives, discuss long-term issues and ensure feedback is taken into account is critical to the long-term success of the Group.	- Annual Report, Interim Report, trading updates, regular meetings with institutions. - Regular engagement with Proactive Investors digital platform - UK Investor Show presentation at live event.	See pages 4 to 7 and 30 to 34.
CUSTOMERS AND LOCAL COMMUNITIES	We are passionate about providing the highest possible customer service. Understanding the needs of our customers, evaluating our performance delivery against KPIs and evaluating feedback helps us to continually improve. We are committed to making a positive contribution to the communities we work in.	- Online meetings, reviews, surveys, performance ratings. - Supported and worked with our commercial customers during Covid. - New Metro Rod community engagement initiatives.	See pages 12, 13, 18 and 26.
SUPPLIERS	Our suppliers provide us and our franchisees with the highest possible quality of products, equipment and services. This allows us to deliver a first class service to our customers. Regular reviews take place to ensure a supply chain free of slavery and human trafficking.	- Online meetings and demonstrations and direct feedback. - New relationships for franchisees where supply was constrained, ie, vehicles. - Vendor visits where possible.	See pages 18, 19 and 29.

Working Responsibly continued
Social

A GREAT WORK ENVIRONMENT

OUR COMMITMENT TO DIVERSITY AND INCLUSION

We believe in the importance of creating and maintaining a diverse and inclusive working environment where team members feel welcome and can be themselves. We are committed to promoting equality of opportunity for all our people and those seeking to join the Franchise Brands family. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

GENDER PAY GAP

We reward our people fairly. This includes upholding equal pay. As part of our commitment to be an Employer of Choice, we have chosen this year to start to report on Gender Pay Gap on a voluntary basis. Our gender pay gap is 27%. This is largely due to the nature of our business with predominantly male engineers who command a higher salary than office workers, and the fact we have fewer women in senior management. The ratio between our top salary and bottom salary is 8x.

SHARE OWNERSHIP

Our strong ownership culture is one of the keys to our success and we offer share options to everyone in the Group. This principle is extended to businesses we acquire.

WOMEN IN THE BUSINESS

We are proud of the number of women we have in the business, in particularly in our Support Centres which provide valuable services and support to our franchisees. We also have a growing number of women in management positions and we are pioneering our Developing Inspiring Leaders programme with high potential women from across the business.

At 31 December 2021	Total number of employees	% of male employees	% of female employees
Metro Rod Support Centre	100	39%	61%
B2C Support Centre	20	35%	65%
Willow Pumps	92	78%	22%
Metro Rod Direct Labour Organisations	69	90%	10%
Franchise Brands plc	10	90%	10%
Total:	**291**	**65%**	**35%**

EMPLOYEE WELL-BEING INITIATIVE

MENTAL HEALTH FIRST AIDERS TRAINING

In 2019 we launched mental health first aid training as part our employee well-being commitment and now have 30 mental health first aiders across the group.

The training is designed to help our people spot the signs and symptoms of mental ill health and provide help on a first aid basis. It is aimed at teaching people how to listen, reassure and respond and the practical two-day skills and awareness course is carried out via a combination of group activities, presentations and discussions.

MHFA England

Q What interested you in becoming a mental health first aider?

A "I have fought with mental health issues for many years. I understand the struggles people have with mental health. Often, I've had to go through my struggles alone, making my internal fight harder. I understand how important it is to have someone to talk to and how much it helps, especially talking to someone who understands from experience."
Martin Georgiev, Metro Rod

Q How would you describe the training?

A "I have attended many training courses in my career. However, I felt truly humbled when the trainer shared his personal experiences with such honesty. He empowered and encouraged the group to interact. This life-changing training has helped to support both my colleagues and a network of over 160 franchisees, which has been particularly important during the challenges of Covid-19".
Suzi Nicholson, Barking Mad and Ovenclean

Q How has being a mental health first aider helped you in your role and in the business?

A "Becoming a mental health first aider has been really valuable. Since the course I've used these skills twice. Both times I noticed early signs of stress and anxiety – keeping to themselves, lack of interaction, etc. I carried out welfare checks in private. What amazed me was how freely they talked. It seemed like a relief. Both had personal issues impacting their mental health. I was able to show empathy without judging and assist them to seek professional help."
Simon Kings, ChipsAway

Working Responsibly continued
Social

I first arrived with Chips Away in 1998 as an admin temp for one week and had no idea what I was walking in to! I jumped in at the deep end, with all manner of general office work and franchisee enquiries and found the process fascinating. ChipsAway was much smaller then but after three weeks I really felt like this was something I could do.

I quickly became involved in some of the UK accounts, office management, and then PA roles. When Franchise Brands acquired ChipsAway in 2008, working with the Directors and others gave me a more detailed understanding of the legal issues around franchising.

Examining the legal language and detail behind our processes really fascinates me. You're not just thinking on behalf of Franchise Brands, but also on behalf of the franchisee. Pulling together different strands – ie, the franchise agreement, the system, trademark, brand protection, health and safety, GDPR – and understanding how they sit together is something I've found real enthusiasm for.

After asking the Directors about completing a law degree, they gave me their full support to balance a 4-year part time course with my role. I followed this up with a 2-year Masters in Commercial Law, which included a dissertation in franchise trademarks.

The Masters equipped me well to be involved in the IPO. It was such an interesting process, with external people needing to understand and verify the information on the business.

MELANIE HALL
Group Contracts Manager

We dealt with very detailed questioning to provide the level of information required. Following that, I started a group role taking responsibility for franchise agreements and national contracts.

> "When I first started as a temp, I never imagined I would one day help to float the company. I've had 24 years working with and learning from people who saw potential in me that I didn't see myself, always giving me fantastic opportunities for professional and personal development."

METRO ROD IN THE COMMUNITY

METRO ROD WALKING BUS SPONSORSHIP

Metro Rod has supported school walking buses across the UK as part of our commitment to supporting local schools and the communities in which we operate.

Our support will see hi-vis jackets provided to over 900 children encouraging them to "**Be Bright, Be Green, Be Seen**" and continue to walk to school to help reduce carbon emissions.

By walking to school or work and making other small but impactful everyday lifestyle changes, everyone can help reduce climate change and the adverse weather events it causes as well as having health benefits.

Metro Rod has also produced an interactive education leaflet for distribution to schools, to help build a child's understanding of how small changes can help reduce their carbon footprint.

METRO ROD SUPPORTING FOODCYCLE

Metro Rod is supporting FoodCycle – a national charity that provides hungry and lonely people in our communities with delicious meals and great conversation, using food that would otherwise go to waste.

Our mission to support FoodCycle will help areas of the charity with the greatest need, such as recruitment and training of volunteers, or purchasing kitchen equipment to create community meals. Metro Rod has provided 3,496 meals to FoodCycle guests.

Food poverty and loneliness are growing issues which have been heightened by the recent pandemic. FoodCycle works to tackle these by offering welcoming, safe spaces and a free meal. The charity has volunteers across the country, bringing together people from all backgrounds, improving mental wellbeing, strengthening community spirit and reducing loneliness, as well as reducing environmentally harmful food waste.

Working Responsibly continued
Environmental

APPROACH AND PERFORMANCE

We acknowledge the significant environmental risk posed by climate change and are committed to reducing our environmental impact. This is the second year we have reported scope 1, 2 and 3 GHG emissions and we have identified measures to help tackle our top three high emitting areas of liquid fuels, fuel used within road travel, and electricity use.

ACTIONS TAKEN IN 2021

Willow Pumps acquired four electric vans and three hybrid company cars to replace diesel vehicles. We are in the process of installing electric charging points at our Support Centres and making electric pool cars available to our people. Metro Rod developed a vehicle emissions tracking tool for company vehicles.

ACTIVITIES PLANNED FOR 2022

We plan to further develop the fuel consumption and mileage tool. The scheduling analysis and development work that the IT team will be carrying out will generate important feedback and solutions to reduce mileage and fuel consumption. We have explored options for fleet electrification building on Willow Pumps initiatives and have ordered further electric vans to trial.

FRANCHISE BRANDS PLC. STREAMLINED ENERGY AND CARBON REPORTING 2021

This SECR report reflects the period 1st January 2021 – 31st December 2021. This is Franchise Brands plc's second reporting year, the first being 1st January 2020 – 31st December 2020. The 2020 data points have also been included in this report to allow for direct year-on-year comparison.

METHODOLOGY

Responsibilities of Franchise Brands plc and Compare Your Footprint
Franchise Brands plc was responsible for the internal management controls governing the data collection process. Compare Your Footprint and Green Element were responsible for the data aggregation, any estimations and extrapolations applied (as required), the GHG calculations and the resultant emissions statements.

Greenhouse gas emissions were calculated according to the Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard. This standard is internationally accepted as best practice. The figures were calculated using UK government 2021 conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO_2e).

SCOPE AND SUBJECT MATTER:

The report includes sources of environmental impacts under the operational control of Franchise Brands plc. This includes the following:

- Metro Rod, Ashwood Court
- Metro Rod, Peel Ports
- Kemac, Maltings
- MRE Drainage, Exeter
- MRB Drainage, Crawley
- Willow Pumps, Aylesford
- Willow Pumps, Wetherby
- ChipsAway, Edwin Avenue
- Car Care Centre, Edwin Avenue
- Oven Clean, Edwin Avenue
- Barking Mad, Edwin Avenue
- Azura, Crusader Business Park
- Franchise Brands plc, Ashwood Court

GREENHOUSE GAS SOURCES INCLUDED IN THE PROCESS:

GHG Protocol Category	Data Source
Scope 1: Fuel used in company vehicles, natural gas (boilers), diesel for electricity generation, other fuels	Companies reported their annual natural gas consumption in pounds which Compare Your Footprint converted, using the average price per kWh in the UK in 2021, into kWh. Companies reported their fuels used in company vehicles either in a spend format or in litres. The average fuel price (Diesel and Unleaded) per litre in 2021 was used to convert the data points given as spend into litres. In 2021 the average price per litre of: - Diesel: 135.04p - Unleaded: 131.4p Litres were converted in kWh using 2021 conversion factors calculated by DEFRA.
Scope 2: Purchased electricity (location-based method)	Companies provided their 2021 annual electricity consumption in kWh. Only one company (Azura) did not provide a kWh and only provided a total spend. To convert the spend into kWh, the average cost per kWh in the UK in 2021 was used. According to the Department for Business, Energy & Industrial Strategy (BEIS) the average cost for standard electricity in the UK in 2021 was 18.9 p/kWh
Scope 3: Fuel used for business travel in employee owned or hired vehicles	Many of Franchise Brands' companies utilise leased or employee-owned vehicles for business travel. Expensed mileage in employee-owned vehicles was reported in a spend format rather than by consumption (e.g. litres of fuel or distance). Therefore, to convert the fuel expenses into distance, the standard estimate of 45p per mile was utilised. Once the distance was calculated for employee-owned vehicles, it was converted into kWh using 2021 conversion factors calculated by DEFRAw Companies reported their fuels used in their leased vehicles either in a spend format or in litres. When the data was only provided in a spend format, the average fuel price (Diesel and Unleaded) per litre in 2021 was used to convert the spend into litres. In 2021 the average price per litre of: - Diesel: 135.04p - Unleaded: 131.4p Litres were converted in kWh using 2021 conversion factors calculated by DEFRA.

** Types of GHGs included, as applicable: CO2, N2O, CH4, HFCs, PFCs, SF6, and NF3. The greenhouse gas emissions were calculated using UK government 2021 conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO2e).

Working Responsibly continued
Environmental

FRANCHISE BRANDS' 2021 ENERGY AND GREENHOUSE GAS STATEMENT

Location	2020	2021	Year-on-Year % Change
Energy consumption: (kWh)			
- Electricity	460,927.1*	335,859	(27.1%)
- Gas	133,507.1*	189,632	42.0%
- Transport fuel	5,045,390.0	5,952,495	18.0%
- Other fuels	39,609.0	40,199	1.5%
Total energy consumption	5,679,433.2	6,518,185	14.8%
Emissions (tCO_2e)			
Scope 1			
Emissions from combustion of gas in buildings	24.5	34.7	41.6%
Emissions from heating oil	9.7	9.9	2.1%
Emissions from combustion of fuel for transport purposes	895.7	1,138.2	27.1%
Scope 2			
Emissions from purchased electricity (location based method*)	107.5	71.3	(33.7%)
Scope 1 & 2			
Total Scope 1+2 emissions	1,037.4	1,254.1	20.9%
Scope 3			
Category 6: Business travel (Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel)	118.4	271.3	129.1%
Emissions from upstream transport and distribution losses and excavation and transport of fuels not included in scope 1 (location-based method**)	274.1	378.5	38.7%
Total emissions for mandatory reporting	1,419.1	1,903.9	33.2%
Intensity (tCO_2e / £ million EBITDA)			
EBITDA £m	6.640	8.474	27.6%
Intensity ratio: tCO_2e / £m	215.3	224.7	4.3%
Methodology	GHG Protocol Corporate Accounting and Reporting Standard		
Certification and external verification	Calculated and verified as accurate by Green Element Limited and Compare Your Footprint Limited, UK.		

ENERGY EFFICIENCY ACTIONS

Over the financial year 1st January 2021 to 31st December 2021, Franchise Brands has implemented or continued with several energy efficiency measures across all of its companies. These include:

Metro Rod:
- Installed LED lights with times and sensors throughout the office, therefore they switch off automatically when a space/room is not being utilised.
- Switched to a green energy provider.
- Utilise video conferencing technology as a substitute for face-to-face meetings to avoid travelling where possible. This not only saves energy and greenhouse emissions, but helps faciilitate flexible working.
- Ordered electric charging points for Macclesfield Support Centre and an electric pool car for staff.

Willow Pumps:
- In 2021 Willow leased 4 electric vans to replace their diesel vans and bought 3 hybrid company cars to replace their diesel company cars.
- Installed LED lights with times and sensors throughout the office, therefore they switch off automatically when a space/room is not being utilised.
- Utilise video conferencing technology as a substitute for face-to-face meetings to minimise travelling where possible.

B2C:
- Electric charging point installed at our Kiddermister Support Centre and electric pool car made availalble to our people.

Notes on the Data:

* Some figures from Franchise Brand's 2020 SECR report have been updated. This is owing to the 2020 data being re-calculated to ensure method consistency (e.g. Gas and Electricity). This has resulted in a marginal increase to Franchise Brands overall 2020 footprint (increased from 1404.5 to 1419.1 tCO2e).

** Location based electricity (Scope 2) emissions use the average grid fuel mix in the region or country where the electricity was purchased and consumed. For SECR, location based is mandatory.

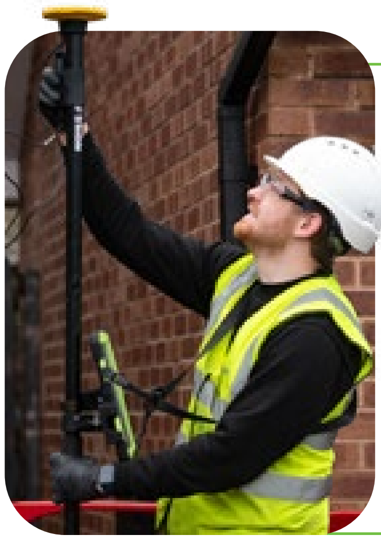
Working Responsibly continued

Environmental

HELPING OUR CUSTOMERS UNDERSTAND THEIR ENVIRONMENTAL OBLIGATIONS

TECHNOLOGY AT WORK

Our commitment to innovation and technology means we can supply CCTV surveys and mapping services with minimal disruption to sites through the use of a cutting-edge GPS system, providing accuracy up to 2cm. We also work with coordinates, using OSGM15. The data collected is supplied to customers in the form of an in-depth report including schematic drawings, an asset register, images of access points and an interactive Google Maps overlay. Our professional service ultimately empowers our clients to understand their assets and accurately identify any potential risk their drainage system may pose on the environment.



DRAIN MAPPING

Drainage systems can quickly transport pollutants off site and into the environment, so drain mapping is a vital tool for reducing the risk of environmental damage. Knowing the exact position of pipework and assets safeguards against upsetting any existing drainage systems, prevents pollution and allows for management of flood risk.

This is why drain mapping is an essential part of compliance for regulated sites. Our expertise allows us to support site owners in ensuring that they dispose of waste correctly and safely, fulfilling a responsibility to support and protect the local environment.

HELPING OUR FRANCHISEES AND EMPLOYEES WORK MORE RESPONSIBLY

ENVIRONMENT AND SAFETY

To help Metro Rod franchisees give a higher priority of environmental issues in the planning, implementation and monitoring of their activities we launched an Environmental Manual and updated Pollution Prevention Guides. We also run continued training programmes for ChipsAway franchisees in electric and hybrid vehicles.

COMMUNITY ENGAGEMENT INITIATIVES

During the year we launched new Metro Rod community engagement initiatives, the Walking Bus Sponsorship – "Be bright, be green, be seen" – and Food Cycle initiatives which our franchisees have actively supported.

OVERHAUL OF ALL GROUP POLICIES

We reviewed and updated all our group policies during the year, not only with regulatory and legal compliance in mind but to ensure they reflected our position as a responsible business.

INTRODUCTION OF CHECKED SAFE APP

The Checked Safe App that we rolled out to Metro Rod franchisees to help ensure effective vehicle compliance is paperless.

FB SUSTAIN

To give our people a voice in putting forward their ESG views, feedback and suggestions, and helping drive progress we are in the process of setting up a new group from across all our brands - FB Sustain.

Financial Review

UNDERLYING STRENGTH

CHRIS DENT
Chief Financial Officer

"The strength of the deleveraged balance sheet and high level of liquidity puts the Group in a strong position to support a progressive dividend policy."

INCREASE IN FULL YEAR DIVIDEND

36%

Financial Review continued

SUMMARY STATEMENT OF INCOME

	2021 £'000	2020 £'000	Change £'000	Change %
Revenue	**57,690**	**49,287**	**8,403**	**17%**
Cost of sales	(35,764)	(30,307)	(5,457)	18%
Gross profit	**21,926**	**18,980**	**2,946**	**16%**
Administrative expenses	(13,452)	(12,341)	(1,112)	9%
Adjusted EBITDA	**8,474**	**6,640**	**1,834**	**28%**
Depreciation & amortisation of software	(1,717)	(1,357)	(360)	26%
Finance expense	(292)	(446)	154	(34%)
Adjusted profit before tax	**6,465**	**4,836**	**1,629**	**34%**
Tax expense	(1,154)	(899)	(255)	28%
Adjusted profit after tax	**5,311**	**3,937**	**1,374**	**35%**
Amortisation of acquired intangibles	(393)	(393)	–	
Share-based payment expense	(334)	(205)	(129)	
Non-recurring costs	(187)	(706)	520	
Other gains and losses	223	151	72	
Tax on adjusting items	(387)	9	(397)	
Statutory profit after tax	**4,233**	**2,793**	**1,440**	**52%**

Overall, consolidated Group revenue has increased by 17% to £57.7m in the period (2020: £49.9m). This has been driven by the increase in demand for the Group's services following the continued lifting of COVID-19 lockdown restrictions. Gross profit has increased by 16% to £21.9m (2020: £18.9m), reflecting a slight decrease in the gross margin from 39% to 38%. This resulted from the strong growth in revenues at Metro Rod, which has a gross margin of 31%. Overheads increased by only 9%, resulting in a 28% increase in Group EBITDA to a record £8.5m (2020: £6.6m).

DIVISIONAL TRADING RESULTS

The adjusted EBITDA of the operational business divisions of the Group may be analysed as follows:

	Metro Rod £'000	Willow Pumps £'000	B2C £'000	Total 2021 £'000	Metro Rod £'000	Willow Pumps £'000	B2C £'000	Total 2020 £'000
Statutory revenue	**36,201**	**15,061**	**6,428**	**57,690**	**29,324**	**14,128**	**5,835**	**49,287**
Cost of sales	(25,027)	(9,369)	(1,368)	(35,764)	(20,326)	(8,636)	(1,345)	(30,307)
Gross profit	**11,174**	**5,692**	**5,060**	**21,926**	**8,998**	**5,492**	**4,490**	**18,980**
GM%	31%	38%	79%	38%	31%	39%	77%	39%
Admin expenses	(5,790)	(4,007)	(2,422)	(12,218)	(5,276)	(3,648)	(2,359)	(11,283)
Divisional EBITDA	**5,385**	**1,686**	**2,638**	**9,708**	**3,722**	**1,844**	**2,131**	**7,697**
Group overheads				(1,234)				(1,058)
Adjusted EBITDA				**8,474**				**6,640**

Financial Review continued

METRO ROD

Metro Rod comprises the franchise activities of Metro Rod and Metro Plumb, the direct labour contract at Peel Ports and Kemac, the London-based plumbing business operated as a DLO. The results of the division may be summarised as follows:

	2021 £'000	2020 £'000	Change £'000	Change %
Revenue	**36,201**	**29,324**	**6,876**	**23%**
Cost of sales	(25,027)	(20,326)	(4,700)	23%
Gross profit	**11,174**	**8,998**	**2,176**	**24%**
GM%	31%	31%		
Admin expenses	(5,790)	(5,276)	(514)	10%
Adjusted EBITDA	**5,385**	**3,722**	**1,662**	**45%**

The statutory revenue of Metro Rod does not reflect the underlying system sales generated by the franchisees as national sales are accounted for on a gross basis, as are the sales of Kemac and the direct labour activities, whereas in respect of the local sales generated by franchisees, only the management service fee ("MSF") revenue is reflected. Therefore, it is re-analysed below to reconcile system sales to gross profit.

	2021 £'000	2020 £'000	Change £'000	Change %
System sales	**50,361**	**40,631**	**9,730**	**24%**
MSF income	9,411	7,807	1,604	21%
Effective MSF %	18.7%	19.2%		
Other gross profit	1,763	1,192	572	48%
Gross profit	**11,174**	**8,998**	**2,176**	**24%**

Overall, system sales at Metro Rod and Metro Plumb increased by 24% to a record £50.4m in the period (2020: £40.6m). Our net MSF income at Metro Rod increased by 21% to £9.4m (2020: £7.8m), which represented an effective MSF of 18.7% (2020: 19.2%). We continue to incentivise Metro Rod's franchisees to grow their businesses through a series of MSF discount schemes designed to encourage sales growth and investment in a broader range of equipment and people. In line with this strategy, as system sales have grown, especially in tanker and pump work, the effective MSF percentage rate has fallen.

Other gross profit represents the gross profit from Metro Rod's DLOs. This profit increased 48% to £1.8m (2020: £1.2m) due to a good performance by Kemac and the contribution from Metro Rod's centrally managed contract with Peel Ports.

The 45% increase in the adjusted EBITDA to £5.4m (2020: £3.7m) has been driven by the increase in system sales and the strong performance by direct labour operations. In addition, the division continues to benefit from some permanent cost savings through the efficiencies developed during lockdowns and the growing benefits resulting from the investment in IT systems.

WILLOW PUMPS

Willow Pumps comprises the core DLO pump business and the Metro Rod corporate franchises in Kent & Sussex and Exeter. The results of the division may be summarised as follows:

	2021 £'000	2020 £'000	Change £'000	Change %
Revenue	**15,061**	**14,128**	**934**	**7%**
Cost of sales	(9,369)	(8,636)	(733)	8%
Gross profit	**5,692**	**5,492**	**201**	**4%**
GM%	38%	39%	(1%)	
Admin expenses	(4,007)	(3,648)	(359)	10%
Adjusted EBITDA	**1,686**	**1,844**	**(158)**	**(9%)**

The Willow Pumps core business has two distinct types of revenue: Service revenue and S&I. Service revenue is generated from the reactive and planned maintenance of pumps and drains. S&I revenue is generated from the design, supply and installation of pump stations, which are typically projects that are performed in discrete phases over a number of accounting periods. As a result, revenue is recognised over time based on the proportion of the contract which has been completed in the accounting period. The gross profit generated on S&I projects is lower than Service work due to the significant proportion of the total cost being the supply of the pumps.

Whilst total revenue increased by 7%, the components have performed differently, with Service seeing 33% revenue growth, the corporate franchises growing by 13%, but S&I being 30% lower than last year. In addition, the S&I work performed during the year has been weighted towards the supply element of the work, meaning that the S&I revenue only generated a gross margin of 16% compared to 30% during 2020. This weighting has resulted in the overall gross margin of the business falling to 38%.

By their nature, DLOs have less operational gearing than franchise businesses, as the increase in income needs to be matched by increased labour costs. As a result, there was a 10% increase in administrative expenses when compared with the prior period, as the temporary cost savings achieved during the 2020 Spring lock-down reversed.

Financial Review continued

Overall, this meant that whilst adjusted EBITDA increased on the Service work and at the corporate franchises, the reduced gross profit and fixed administrative costs relating to the S&I work weighed heavily on the profitability of this business, resulting in a 9% decrease in the divisional EBITDA to £1.7m (2020: £1.8m).

B2C DIVISION

The B2C division comprises the ChipsAway, Ovenclean and Barking Mad franchise businesses. The results of the division may be summarised as follows:

	2021 £'000	2020 £'000	Change £'000	Change %
Revenue	**6,428**	**5,835**	**592**	**10%**
Cost of sales	(1,368)	(1,345)	(23)	2%
Gross profit	**5,060**	**4,490**	**570**	**13%**
GM%	79%	77%	2%	
Admin expenses	(2,422)	(2,359)	(63)	3%
Adjusted EBITDA	**2,638**	**2,131**	**507**	**24%**

The key revenue streams are MSF and Area Sales income. MSF income is mostly made up of fixed monthly fees as this remains the most effective method of generating income from a large number of franchisees with lower individual sales. Area Sales are the fees generated from the sale (or resale) of franchise territories.

The B2C division was the most impacted by the 2020 Spring lockdown as the franchisees were unable to trade. To help ensure their survival, the majority of fees charged to the networks were suspended or greatly reduced during this period. During 2021, franchisees were back to paying full monthly fees and, as a result, revenue increased by 10%.

The cost base of this business was very strictly controlled particularly when compared with a significant reduction in salary costs in H1 2020 resulting from the furlough scheme. In the current period we have seen the benefit of our decision to close the Barking Mad head office and consolidate all B2C operations in Kidderminster.

Overall, the 13% increase in gross profit, together with a stable cost base, resulted in a 24% increase in adjusted EBITDA to £2.6m (2020: £2.1m).

Adjusted & statutory profit

	2021 £'000	2020 £'000	Change £'000	Change %
Adjusted EBITDA	**8,474**	**6,640**	**1,834**	**28%**
Depreciation & amortisation of software	(1,716)	(1,357)	(359)	26%
Finance expense	(292)	(446)	154	(34%)
Adjusted profit before tax	**6,465**	**4,836**	**1,629**	**34%**
Tax expense	(1,154)	(899)	(255)	28%
Adjusted profit after tax	**5,311**	**3,937**	**1,374**	**35%**
Amortisation of acquired intangibles	(393)	(393)	–	
Share-based payment expense	(334)	(205)	(129)	
Non-recurring costs	(187)	(706)	520	
Other gains and losses	223	151	72	
Tax on adjusting items	(387)	9	(397)	
Statutory profit after tax	**4,233**	**2,793**	**1,440**	**52%**

Depreciation and amortisation of software increased 26% to £1.7m (2020: £1.4m) as a result of the increase in the amortisation charge in respect of software development and the purchase of £0.8m of tangible assets to support the Peel Ports contract at Metro Rod.

The finance charge has reduced by 34% due to the lower net debt position over the year as bank facilities have been paid back, leaving the Group free of bank debt at the end of the year. The finance charge also includes interest on capitalised leases as required by IRFS 16.

During the year the Group had £0.2m of non-recurring charges, which include the professional fees related to the purchase of Azura (£47,000), professional fees related to an aborted acquisition (£67,000), and the write-off of capitalised bank fees following the early repayment of our term loan (£66,000).

During 2020 we increased our bad debt provision by £0.5m as we believed it was prudent to anticipate that a number of customers would fail as the various Government support schemes begin to unwind. During the period the level of actual credit losses were £0.3m, with a further £0.2m being provided for within underlying results taking the provision to £0.7m (2020: £0.8m).

The other gain of £0.2m (2020: £0.2m) represents the movement in the fair value of the deferred consideration in relation to the acquisition of Willow Pumps which is provided in accordance with IFRS9.

Financial Review continued

The tax charge for the period at 27% (2020: 24%) was higher than the statutory rate of 19% due to the revaluation of the deferred tax liability on acquired intangibles resulting from the increase in the future corporation tax rate to 25% in 2023.

As a result, the statutory profit after tax increased by 52% to £4.2m (2020: £2.8m).

EARNINGS PER SHARE

During the year the Group issued 107,139 new Ordinary Shares as part of the purchase consideration for Azura, meaning that the total number of Ordinary Shares at the end of the period was 95,865,609 (31 December 2020: 95,758,470), with the average number of Ordinary Shares being 95,767,863.

On 30 April 2020 the Group completed a Placing of 15,555,556 new Ordinary Shares. Although this represented a 20% dilution, the basic weighted average number of Ordinary Shares in issue in 2020 was 90,462,594, resulting in 6% effective dilution in the current period.

	2021 £'000	EPS p	2020 £'000	EPS p
Adjusted profit after tax / Adjusted EPS	**5,311**	**5.55**	**3,937**	**4.35**
Amortisation of acquired intangibles	(393)	(0.41)	(393)	(0.43)
Share-based payment expense	(334)	(0.35)	(205)	(0.23)
Non-recurring costs	(187)	(0.19)	(706)	(0.78)
Other gains and losses	223	0.23	151	0.17
Tax on adjusting items	(387)	(0.40)	9	0.01
Statutory profit after tax / Basic EPS	**4,233**	**4.42**	**2,793**	**3.09**

As a result, whilst adjusted profit after tax grew by 37% to £5.3m (2020: £3.9m), adjusted earnings per share increased by 27% to 5.55p (2020: 4.35p). Basic earnings per share increased by 43% to 4.42p (2020: 3.09p).

FINANCING AND CASH FLOW

The strong cash generative nature of the Group's business has allowed the early full repayment of its term loan. At the year-end, the Group had cash of £9m and an additional £5m unutilised Revolving Credit Facility ("RCF") giving the Group £14m of cash and available facilities. Overall, the Group continues to be substantially ungeared, being in a net cash position of £6.5m (2020: £4.9m).Other lease debt represents the current value of future operating lease payments, as required to be recognised by IFRS 16.

	31 Dec 2021 £'000	31 Dec 2020 £'000	Change £'000	Change %
Cash	9,054	13,203	(4,149)	(31%)
Term loan	–	(5,225)	5,225	(100%)
RCF	–	–	–	–
Loan fee	–	96	(96)	(100%)
Hire purchase debt	(821)	(1,408)	587	(42%)
Adjusted net cash	**8,233**	**6,666**	**1,567**	**24%**
Other lease debt	(1,713)	(1,729)	16	1%
Net cash	**6,520**	**4,937**	**1,583**	**32%**

The Group generated cash from operating activities of £8.2m (2020: £5.9m) resulting in a cash conversion rate from adjusted EBITDA of 97% (2020: 90%). The cash generated in the period has been partially absorbed by the investment required in plant and machinery needed for the Peel Ports contract and our continued investment in our IT infrastructure to enable our digital journey.

DIVIDEND

The strength of the deleveraged balance sheet and high level of liquidity puts the Group in a strong position to support a progressive dividend policy. Therefore, the Board is pleased to propose a final dividend of 0.9 pence per share (2020: 0.8 pence per share). This takes the total dividend for the year to 1.5 pence per share (2020: 1.1 pence per share), an increase of 36%, which is covered 3.0 times by statutory profit after tax, and 3.7 times by adjusted profit after tax.

Subject to shareholder approval at the AGM on 26 April 2022, the final dividend will be paid on 27 May 2022 to shareholders on the register at the close of business on 13 May 2022.

CHRIS DENT
Chief Financial Officer

Risk Management

A PROACTIVE APPROACH TO RISK MANAGEMENT

We proactively consider the effect risks could have on our business model and strategy. At Franchise Brands, the Board is ultimately responsible for risk management. The Board meets regularly and reviews the process for identifying, assessing and mitigating significant risks faced by the Group, and the potential impact of these on our ability to meet our strategic objectives.

Our approach is to embed risk management principles within our businesses and the key implementation tool we use is the risk management framework we have developed for significant risks. This incorporates a top down approach, which includes determining our risk appetite and identifying our strategic risks and a bottom-up process to identify individual risks. Our risk appetite is influenced by the nature of the risk and how it might affect the business.

IDENTIFYING RISKS

We identify risks and potential risks by reviewing the key performance indicators and key success factors for each business and the contribution they make to delivering the strategic and financial objectives. Our risk management framework has identified potential strategic, operational, financial and compliance risks.

- **Strategic risks** include those relating to franchisees, customers, demand for the Group's services and our ability to convert profits into cash and liquidity.
- **Operational risks** include changes in legislation, dependence on key personnel, health and safety, and information technology.
- **Financial risks** include credit, liquidity, interest rate and exchange rate risk.
- **Compliance risks** include changes in regulation.

KEY ROLES AND RESPONSIBILITIES

IMPLEMENTATION AND COMPLIANCE RESPONSIBILITY

BOARD	SENIOR MANAGEMENT	AUDIT COMMITTEE
Reviews the process for identifying, assessing and mitigating significant risks. Sets risk appetite and profile.	Regularly reviews top down and bottom up risks from both a business unit and functional perspective.	Monitors the quality of accounting and internal controls.
Challenges the formulation and implementation of strategies and controls.	Assess impact on strategic and financial objectives.	Ensures the Group's financial performance is properly measured and reported on.
Ongoing monitoring and development.	Discuss and agree mitigation strategies and include in Board reporting.	The Audit Committee meets at least twice a year and has unrestricted access to the Group's auditors.

MONITORING AND REPORTING RESPONSIBILITY

Risk Management continued

PRINCIPAL RISKS

PRINCIPAL RISKS

ANALYSING RISKS

In evaluating risks, we review the likelihood and potential impact of the risk, the ability of the business to withstand it and our tolerance to both take on and bear the risk. We carry out structured reviews of risk and traffic light each risk in order to identify those areas of particular concern.

MANAGING RISK

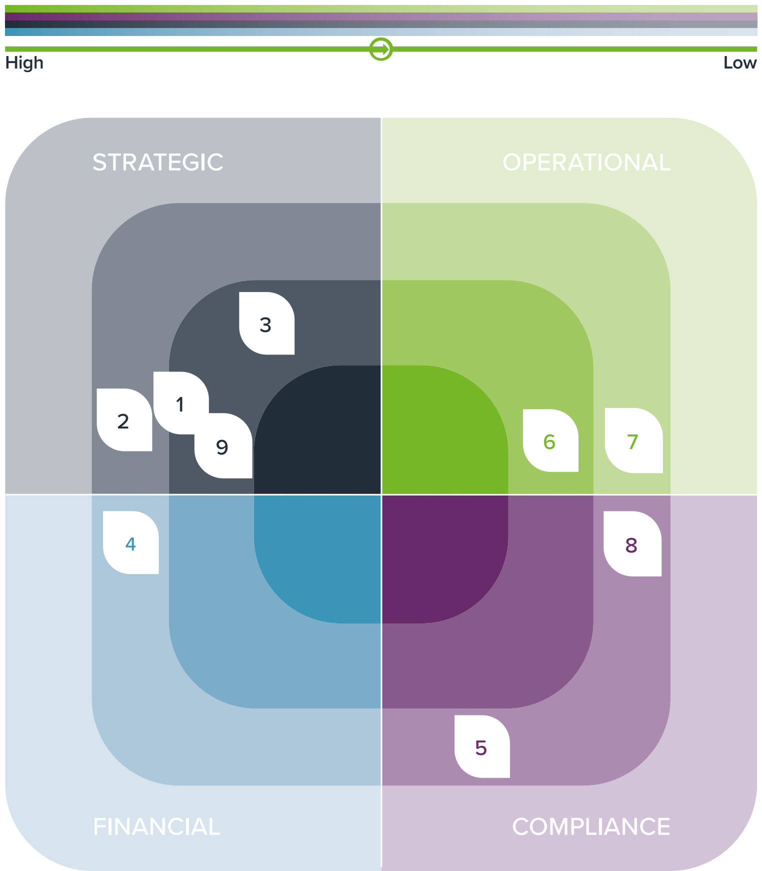
Once risks have been appropriately identified and evaluated, we formulate strategies and identify actions to mitigate and contain them. These are then reported on and reviewed as part of the ongoing monitoring process which also includes the identification of new potential risks.

PRINCIPAL RISKS

1. Ability to grow our businesses
2. Ability to recruit and retain quality franchisees
3. Ability to attract and retain customers, particularly in B2B businesses
4. Ability to convert profits to cash and liquidity
5. Impact of changing legislation and regulation
6. Dependence on key personnel
7. Health and Safety, particularly in B2B businesses
8. Technology and key system dependence
9. Ability to make earnings-enhancing acquisitions

RISK HEAT MAP

To help visualise our potential risks we have plotted them on the heat map below.



Board of Directors

STEPHEN HEMSLEY
Executive Chairman

Stephen co-founded Franchise Brands in 2008 and has led the development of the business, including the IPO and external growth. He is a Chartered Accountant by training and spent nearly ten years with 3i as Investment Director. He then joined Domino's Pizza as Finance Director progressing to CEO , Executive Chairman and Non-executive Chairman. During this time, he took Domino's from private ownership to a market capitalisation of almost £1.5bn. He retired from Domino's in 2019 after 21 years with the business to focus exclusively on Franchise Brands. Stephen was appointed as a Director of the Company on 15 July 2016.

CHRIS DENT
Chief Financial Officer

Chris has substantial accounting and financial experience from his time in the profession and as a Finance Director of private and publicly quoted companies. Chris began his career at Deloitte LLP where he spent ten years within audit, corporate finance and transactional accounting services. He was appointed as Chief Financial Officer of the Company on 17 July 2017. On 7 December, Chris informed the Board of his intention to leave the Company following the announcement of the Group's final results for the year ending 31 December 2021, in order to take up the role of Chief Financial Officer at UP Global Sourcing Holdings PLC.

PETER MOLLOY
Managing Director, Metro Rod and Metro Plumb

Peter has over 35 years of management and commercial experience. Peter joined Metro Rod in 2003 and was promoted to Commercial Director in 2005 and to Managing Director in 2017. Prior to joining Metro Rod, he was Managing Director of Solaglas Replacement Glazing, part of the Saint-Gobain Group, with national responsibility for the network branches, field engineers, call centre and sales and marketing. Peter was appointed a Director of the Company on 21 March 2018.

Board of Directors continued

TIM HARRIS
Managing Director, B2C Division

Tim is a seasoned franchise professional with over 25 years' experience of successfully developing automotive, commercial and domestic franchise businesses in both international and UK markets. Tim joined the Group in 2008. He led the brands through a period of increased profitability and international reach and is now Managing Director of the B2C Division. Prior to joining the Group, Tim held senior sales positions at a number of franchisor companies. He was appointed as a Director of the Company on 15 July 2016.

JULIA CHOUDHURY
Corporate Development Director

Julia has over 30 years of commercial, finance and investment experience. Julia joined the Group in 2008 and has a particular focus on corporate development, which includes acquisitions. Between 1997 and 2005, Julia held a number of senior management roles at AXA Investment Managers including Managing Director of the UK operation. Her early career was spent in corporate finance and investment management with BZW. She was appointed as a Director of the Company on 15 July 2016.

COLIN REES
Chief Information Officer

Colin is a highly experienced IT professional. He was appointed to the new position of Chief Information Officer in April 2017. Colin was previously Director of IT at Domino's Pizza where he was responsible for all IT systems. He previously held a number of senior IT roles at EasyJet including Head of Software Delivery. Colin started his career at Argos plc and held a number of positions over a ten-year period. He was appointed a Director of the Company on 21 March 2018.

Board of Directors continued

COMMITTEE MEMBERSHIP

A Audit Committee
R Remuneration Committee
AR AIM Rules Compliance Committee
Denotes Committee Chair

NIGEL WRAY
Non-executive Director

Nigel co-founded Franchise Brands in 2008. He is an entrepreneurial investor in both public and private companies. Currently he is a substantial shareholder and Director at Chapel Down Group plc and is a significant investor in a wideranging number of AIM quoted companies, as well as a number of private companies, including Saracens Rugby Club. He is a former Director and was a significant shareholder in Domino's Pizza. He was appointed as a Director of the Company on 15 July 2016.

A R AR

DAVID POUTNEY
Independent Non-executive Director

David is CEO of Dowgate Capital Limited and has over 45 years of finance and investment experience. From 2001 to 2016 he was Director and Head of Corporate Broking at Numis Securities Limited. Between 2014 and 2016, he was an Executive Director of Numis Corporation plc. In his 25 years as a corporate broker, David has been involved in the listings of over 40 companies and advised many through extended periods of growth, most recently Belluscura PLC where he is also a non-executive director. He was appointed as a Director of the Company on 15 July 2016.

A R AR

ROB BELLHOUSE
Independent Non-executive Director

Rob is an experienced Company Secretary with commercial experience gained over 30 years in listed companies, with a strong focus on governance, compliance and risk management activities. Rob has been Company Secretary of a number of listed companies including Domino's Pizza (on an interim basis), Lonmin and Greene King and was voted 2014 ICS A Company Secretary of the Year. He is currently Deputy Company Secretary at DeLaRue plc. He was appointed as a Director of the Company on 15 July 2016.

MARK PETERS
Company Secretary

Mark spent over 30 years in the legal profession, which included 17 years with Sherrards Solicitors LLP where he was Senior Partner. Mark has particular expertise in real estate, investment, business development and management and has performed company secretarial duties for Franchise Brands since 2008.

Senior Leadership Team

IAN LAWRENCE
Managing Director, Willow Pumps

Ian founded Willow Pumps in 1992. Over the past 28 years he has built it into a leading pump design, installation and servicing business with a below-ground and aboveground capability. Franchise Brands acquired Willow Pumps in 2019 to help expand Metro Rod and Metro Plumb's range of services.

RACHEL STEWART
Managing Director, Barking Mad

Rachel was appointed as Managing Director of Barking Mad in 2019. She was previously a Business Development Consultant with the company for almost 4 years. Rachel comes from a commercial background, and previously Commercial Director at Trinity Mirror Plc and held a Board position at Clear Channel Outdoor.

ROBIN AULD
Group Marketing Director

Robin oversees consumer, trade and franchise recruitment marketing activity ensuring continual evolution of strategy and best practice in execution. He joined Franchise Brands in 2010 and has a successful track record of marketing success over 25 years. He is best known for his work at Domino's Pizza as Sales & Marketing Director.

ANDREW MALLOWS
Group Commercial Director

Andrew has spent his career in the consumer sector and has particular experience in franchising. Andrew joined Franchise Brands in 2016 and works as Commercial Director for all the Group's brands. He was Finance Director of Domino's Pizza during the period 2001 to 2004, before being appointed Business Development Director.

OUR GOVERNANCE FRAMEWORK

OUR BOARD

Key Reponsibilities

- Setting strategy and budgets, oversight of the Group's businesses, performance and governance.
- Establishment and oversight of risk management and internal controls.
- Supporting and challenging management to deliver long-term sustainable success.
- Promoting our guiding principles and ensuring they underpin our strategy.
- Generating value for all stakeholders.

BOARD COMMITTEES

Key Reponsibilities

- Monitor the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on.
- Review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment.
- Make recommendations to the Board on proposals for the granting of share awards and equity incentives.
- Ensure that the Company has in place sufficient procedures, resources and controls to enable it to comply with the AIM Rules for Companies.

AUDIT COMMITTEE

Key Reponsibilities

- Monitors the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on.
- Maintains an appropriate relationship with the external auditors and monitors the internal controls.

REMUNERATION COMMITTEE

Key Reponsibilities

- Ensures remuneration policy and practices of the Group support the strategy and reward fairly and responsibly having regard to statutory and regulatory requirements and ESG.
- Reviews the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. Makes recommendations to the Board on proposals for the granting of share awards.

AIM COMPLIANCE COMMITTEE

Key Reponsibilities

- Ensures that the Company has in place sufficient procedures, resources and controls to enable it to comply with the AIM Rules for Companies.
- Makes recommendations to the Board and proactively liaises with the Company's nominated adviser on compliance with the AIM Rules for Companies.

Board activities in 2021

Q1

Establishment of an inaugural 3 year strategic target to underpin our ambitions.

Review of strategic, operational, financial and compliance risks.

Strategic review of marketing to build sustainable long term brands.

Q2

Strategic review of technology and decision to invest £1.5m in the Accelerate Programme.

Review of votes against AGM special resolutions 15 and 16 and engagement with shareholders.

Inaugural strategic review of HR including diversity, inclusion and succession planning.

Q3

Strategic reviews of our B2B and B2C divisions.

Focus on acquisition opportunity and decision not to proceed.

Engagement with our largest shareholders on ESG.

Q4

Acquisition of Azura Group Ltd.

Review of 2022 strategy and budget.

Review of strategic, operational, financial and compliance risks.

Chairman's Introduction to Governance

SUPPORTING SHAREHOLDER VALUE

STEPHEN HEMSLEY
Executive Chairman

"We believe that good corporate governance is vital in supporting our Company's growth strategy and in turn its long-term success. As an AIM-quoted company, the Board has chosen to follow the QCA Corporate Governance Code as it believes that this provides an appropriate governance framework for a group of our size and should help support our growth and success."

Corporate Governance

Set out below is how we currently comply with the key principles set out in the QCA code.

QCA PRINCIPLE	COMPLIANT	EXPLANATION	FURTHER READING
1 ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS.	✓	Focused on building market-leading businesses using primarily a franchise model. Focus is on established brands which can benefit from our shared support services and Group expertise and resources.	See pages 8 to 22. See www.franchisebrands.co.uk
2 SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS.	✓	The Executive Chairman, Chief Financial Officer and Corporate Development Director meet regularly with institutional shareholders and provide feedback. Retail shareholders benefit from presentations and website updates.	See pages 24 and 42. See www.franchisebrands.co.uk
3 TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS.	✓	The Board has a clear understanding of the factors important to all its stakeholders and maintains strong relationships, solicits feedback and fosters responsible working practices.	See page 45. See www.franchisebrands.co.uk
4 EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION.	✓	The Board reviews its risk management framework biannually to detail the key risks, their potential impact and mitigation and embeds risk management principles to drive proactive management.	See pages 35 and 36. See www.franchisebrands.co.uk
5 MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR.	✓	The Board comprises six Executive Directors, two of which are the Managing Directors of the two largest businesses, and three Non-executive Directors of which two are considered to be independent.	See pages 35, 37 to 39. See www.franchisebrands.co.uk
6 ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES.	✓	Directors are drawn from a range of backgrounds, skills and experiences. New appointments will be considered against objective, merit-based criteria and with due regard for the benefits of diversity.	See pages 37 to 39. See www.franchisebrands.co.uk
7 EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT.	✓	A performance self-evaluation was undertaken in December 2020 led by an independent Non-executive Director, the results of which were implemented by the Board in 2021. The review will be repeated bi-annually.	See page 42. See www.franchisebrands.co.uk
8 PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS.	✓	Franchise Brands has five well established guiding principles that inform the way we work with each other, support our franchisees and serve our customers and communities.	See pages 22, 23, 25 and 26. See www.franchisebrands.co.uk
9 MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD.	✓	Franchise Brands has properly constituted Audit, Remuneration and AIM Compliance committees of the Board with formally delegated duties and responsibilities, comprised of independent Directors.	See pages 35 to 39. See www.franchisebrands.co.uk
10 COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS.	✓	Regular shareholder communications on performance via interim and annual financial reports, trading updates issued via RNS, investor presentations, retail digital platforms including Proactive Investors and shareholder meetings.	See pages 4 to 7 and 30 to 34. See www.franchisebrands.co.uk

Corporate Governance continued

Set out below is our commitment to Section 172.

In making decisions, the Company's Directors are cognisant of all their legal duties, including their duty under Section 172(1) of the Companies Act 2006 to act in the way that is most likely to promote the success of the Company for the benefit of its members as a whole and to have regard (among other matters) to the factors set out in Section 172(1)(a) to (f) of the Companies Act 2006.

Examples of some of the principal decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out in the table below.

KEY OF FACTORS CONSIDERED:

- Financial impact
- Long-term impact
- Reputation
- Employees
- Acting fairly between members
- Fostering business relationships

BOARD DECISION-MAKING

BOARD DECISIONS	KEY	DIRECTORS' CONSIDERATION OF FACTORS IN ACCORDANCE WITH S.172(1)
£1.5M IT ACCELERATE PROGRAMME	Financial impact, Long-term impact, Fostering business relationships	A key part of the Group's strategy for developing all our brands, particularly Metro Rod and Metro Plumb, is the automation of as many of our processes and interactions as possible. The Board decided to increase the investment the Group is making in the digital transformation of our business by an additional £1.5m over the next three years. This additional investment will accelerate development and will lead to increased sales, overhead savings and operational efficiencies that will enhance run-rate EBITDA.
ACQUISITION OF AZURA GROUP	Financial impact, Long-term impact, Fostering business relationships	Azura has played an important in the development of our "Vision" works management system at Metro Rod and Metro Plumb, and the acquisition consolidates and secures our software development and key IP. We also see an opportunity to develop and grow Azura to enhance sales to other franchise businesses both in the UK and overseas.
LIMIT OF 10% ON DISAPPLICATION OF PRE-EMPTION RIGHTS	Financial impact, Long-term impact, Reputation, Acting fairly between members	In view of the shareholder reaction to Special Resolutions 15 and 16 at the 2020 AGM in relation to the disapplication of pre-emption rights, having first consulted with shareholders the Board agreed to limit its powers to allot equity securities or to allow Treasury shares, to 10% of the current share capital unless and until otherwise decided.
RECOMMENDATION OF FINAL DIVIDEND	Financial impact, Long-term impact, Reputation, Fostering business relationships, Employees	In discussing the recommendation of the 2020 final dividend, the Board was mindful of its S.172 responsibilities, and discussed whether or not there might be a potential issue in paying the dividend where furlough grants had been accepted in 2020 and concluded that this would not be the case.
EARLY TERM LOAN REPAYMENT	Financial impact, Acting fairly between members	It was decided to repay early the term loan originally taken out for the acquisition of Metro Rod and which was due to expire in April 2023. The strong cash generation of the Group resulted in a significant cash cushion and while this was beneficial during the Covid crisis and gave us flexibility to finance acquisitions, these benefits became smaller as the loan neared the end of its term. The Board agreed to retain the £5m unutilised RCF to retain some flexibility.

Directors' Remuneration Report

REMUNERATION POLICY

The objective of the Company's remuneration policy is to facilitate the recruitment and retention of executives of an appropriate calibre. In addition, we ensure that the senior executives of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

STRATEGIC ALIGNMENT

The Remuneration Committee is satisfied that the pay that can be earned is appropriate for a company of comparable size and complexity, at each level of performance. All of the Executive Directors have significant exposure to the Company's share price: Stephen Hemsley has a significant personal shareholding in the Company and the other Executive Directors have material personal investments in our shares, supplemented by options granted under our LTIP. The vesting of LTIP options is subject to a performance condition requiring a pre-determined and challenging rate of compound annual growth in adjusted earnings per share, which the Board regards as the key performance metric. As a result, there is a clear incentive to drive earnings per share growth over the longer term and also to mitigate downside risks that could affect the Company's profitability. Reputational risks could reasonably be expected to affect the share price, which means the Executive Directors are further incentivised to mitigate these exposures to maximise the potential value of their options.

REMUNERATION IN PRACTICE

The remuneration that the Company offers to its Executive Directors has three principal components:

1. **Basic salaries and benefits in kind** – Basic salaries are determined by the Remuneration Committee bearing in mind the salaries paid in AIM-quoted companies of similar size and complexity. Benefits in kind may include a car allowance and health care.
2. **Pensions** – The Company operates a defined contribution scheme available for all Executive Directors and employees. Only basic salaries are pensionable.
3. **Variable pay** – The Company operates a share option scheme covering permanent employees (including the Executive Directors, other than Stephen Hemsley). Subject to achieving compound EPS growth targets, options can vest no earlier than the third anniversary of the date of grant and, once vested, may be exercised until the tenth anniversary. The exercise price of the options is generally set at the market value of the Company's shares at the time of grant, so that the individual only benefits if there has been share price growth. The exception to this is for matching schemes, where director are required to purchase an equal number of shares to those being granted and are awarded nil paid shares if performance targets are met. The share option scheme is overseen by the Remuneration Committee which determines the terms under which eligible individuals may be invited to participate, including the level of awards. The scheme utilises HMRC-approved options to the extent possible.

We believe that the mix between fixed and variable pay creates a powerful, but appropriate, incentive and that our approach ensures that pay and corporate performance are directly linked.

DIRECTORS' SERVICE CONTRACTS

All Executive Directors are employed under service contracts. The services of the Executive Directors may be terminated by the Company, on the expiry of six months' notice (nine months, in the case of Tim Harris).

The Non-executive Directors are retained under letters of engagement which may be terminated by the Company (i) giving three months' notice or (ii) immediately, in the event that the Director is not re-elected by shareholders at an AGM.

Directors' remuneration (audited)

The aggregate remuneration payable to the Directors for the year ended 31 December 2021 was as follows:

Director	Salary or fees (£)	Benefits in kind (£)	Pension contributions (£)	Total (£)	2020 comparison (£)
Stephen Hemsley	140,000	6,750	—	146,750	110,000
Chris Dent	112,500	8,700	3,375	124,575	114,994
Julia Choudhury	111,250	3,750	—	115,000	100,000
Tim Harris	125,533	8,850	3,753	138,136	135,854
Peter Molloy	135,625	19,453	4,069	159,146	151,077
Colin Rees	110,522	3,750	3,316	117,587	99,164
Nigel Wray	29,375	—	—	29,375	27,500
David Poutney	29,375	—	—	29,375	27,500
Rob Bellhouse	29,375	—	—	29,375	27,500
Total	**823,555**	**51,253**	**14,513**	**889,320**	**793,589**

No Director received any remuneration from a third party in respect of their service as a Director of the Company.

As seen from the table above, four Directors are currently accruing retirement benefits, and do so through defined contribution schemes. The Company has never operated a defined benefits scheme. No Director or former Director received any benefits from a retirement benefits scheme that were not otherwise available to all members of the scheme.

Directors' Remuneration Report continued

DIRECTORS' SHARE OPTIONS (AUDITED)

Details of options held under the Company's LTIP by the Directors who served during the year are as follows:

Director	Date of grant	Exercise price (pence)	Performance condition	2020 Number of shares	Changes in the year: Granted	Changes in the year: Exercised	Changes in the year: Lapsed	2021 Number of shares	Exercisable from	Exercisable to
Chris Dent	12-Dec-17	49.5	EPS growth	303,030	—	—	—	303,030	12-Dec-20	12-Dec-27
	11-Dec-18	69	EPS growth	21,970	—	—	—	21,970	11-Dec-21	11-Dec-28
	15-Sept-20	88	EPS growth	34,091	—	—	—	34,091	15-Sept-23	15-Sept-30
	15-Sept-20	0.5	EPS growth	17,045	—	—	—	17,045	15-Sept-23	15-Sept-30
Julia Choudhury	11-Dec-18	69	EPS growth	71,970	—	—	—	71,970	11-Dec-21	11-Dec-28
	15-Sept-20	88	EPS growth	34,091	—	—	—	34,091	15-Sept-23	15-Sept-30
Tim Harris	11-Dec-18	69	EPS growth	71,970	—	—	—	71,970	11-Dec-21	11-Dec-28
	15-Sept-20	88	EPS growth	34,091	—	—	—	34,091	15-Sept-23	15-Sept-30
Peter Molloy	11-Apr-17	67	EPS growth	150,000	—	—	—	150,000	11-Apr-20	11-Apr-27
	12-Dec-17	49.5	EPS growth	153,030	—	—	—	153,030	12-Dec-20	12-Dec-27
	11-Dec-18	69	EPS growth	106,000	—	—	—	106,000	11-Dec-21	11-Dec-28
	15-Sept-20	88	EPS growth	34,091	—	—	—	34,091	15-Sept-23	15-Sept-30
	15-Sept-20	0.5	EPS growth	28,409	—	—	—	28,409	15-Sept-23	15-Sept-30
Colin Rees	12-Dec-17	49.5	EPS growth	303,030	—	—	—	303,030	12-Dec-20	12-Dec-27
	11-Dec-18	69	EPS growth	71,970	—	—	—	71,970	11-Dec-21	11-Dec-28
	15-Sept-20	88	EPS growth	34,091	—	—	—	34,091	15-Sept-23	15-Sept-30
	15-Sept-20	0.5	EPS growth	39,773	—	—	—	39,773	15-Sept-23	15-Sept-30

During 2021 the closing mid-market quote for the Company's shares ranged from a low of 83.5p to a high of 151.5p. No Director exercised an option over the Company's shares during the year.

COMPANY SHARE OPTION PLAN

During 2020 the Company established a CSOP for employees and Directors, which will enable them to acquire new Ordinary Shares of 0.5 pence each in the Company subject to certain Company performance criteria being met. Similar to the Company's existing share option schemes, employees and directors are only able to exercise their options under the CSOP as follows:

1) 20% after reported adjusted EPS achieves compound annual growth of 8% over each of the next three financial years;
2) 100% after reported adjusted EPS achieves compound annual growth of 15% over each of the next three financial years; and
3) between 20% to 100% of their options on a sliding scale basis on EPS growth between the targets in 1) and 2) above.

In respect of the Directors and certain members of the senior leadership team, this plan is a matching plan, requiring these participants to purchase shares in the Company at the prevailing market price before the grant is effective.

MANAGEMENT SHARE OPTION SCHEME

In addition to the above, the Company has an unapproved "nil cost" Management Scheme, which will enable them to acquire new Ordinary Shares at their nominal value of 0.5 pence each based on the number of Ordinary Shares they have purchased in the Company. The number of matching shares options granted to each Director under the Management Scheme has been determined as being equal to the number of Ordinary Shares they have purchased in the Company, at the then prevailing share price. Options granted under the Management Scheme have the same EPS conditions of exercise as the CSOP as set out above.

SCOPE OF THIS REPORT

The Directors' biographies on pages 37 to 39, the discussion of corporate governance matters on pages 43 to 45 and the Remuneration Report on pages 46 and 47 are hereby incorporated by reference to form part of this Directors' Report.

As permitted under the Companies Act 2006, certain matters which would otherwise need to be included in this Directors' Report have instead been discussed in the Strategic Report. These matters are the discussion of the performance and likely future developments in the business of the Company and its subsidiaries. Disclosures relating to financial risk management are included in Note 3 to the financial statements.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activity of the Group is building market-leading businesses in selected customer segments, primarily via a franchise model. Our focus is on established brands which can benefit from our shared support services, specialist sector expertise, management experience and Group resources. The principal activity of the Company is to act as a holding company and to provide management services to its subsidiary companies.

DIRECTORS

Names, biographical details and appointment dates of the Directors of the Company at the date of this report are shown on pages 37 to 39.

DIRECTORS' INTERESTS

The following table shows the interests of the Directors (and their spouses and minor children) in the shares of the Company.

Director	At 31 December 2021	At 31 December 2020
Stephen Hemsley[1]	**22,179,844**	22,156,644
Chris Dent[2]	**61,602**	60,603
Julia Choudhury[3]	**1,546,701**	1,544,671
Tim Harris[4]	**1,385,365**	1,385,365
Peter Molloy[5]	**71,956**	71,965
Colin Rees	**403,009**	403,009
Nigel Wray[6]	**22,366,303**	22,366,303
David Poutney[7]	**3,696,495**	3,696,495
Rob Bellhouse	**111,260**	111,260

Notes:

1. Included in the holding of Stephen Hemsley are 1,626,875 Ordinary Shares held by his wife, 8,946,989 Ordinary Shares held by CTG Investment Limited, a company owned by a discretionary trust of which Mr Hemsley and his family are potential beneficiaries, and 1,613,292 Ordinary Shares held by his Self-Invested Personal Pension ("SIPP").
2. Included in the holding of Chris Dent are 61,602 Ordinary Shares held by his SIPP.
3. Included in the holding of Julia Choudhury are 384,286 Ordinary Shares held jointly with her husband, 423,170 Ordinary Shares held by her SIPP and 37,554 Ordinary Shares held by Winsham Capital Partners Ltd, a Company controlled by Julia Choudhury and her husband.
4. Included in the holding of Tim Harris are 74,156 Ordinary Shares held by his SIPP.
5. Included in the holding of Peter Molloy are 38,095 Ordinary Shares held by his SIPP.
6. Included in the holding of Nigel Wray are 1,815,763 Ordinary Shares held by Vidacos Nominees Limited, acting as nominee for RBC Trustees (Jersey) Limited as trustee of Nigel Wray's family trust. Also included are 11,631,782 Ordinary Shares and 8,085,248 Ordinary Shares held by Euroblue Investments Limited and Glengrace Limited, respectively, companies wholly owned by Nigel Wray. Also included in Nigel Wray's interest are 223,880 Ordinary Shares owned by The Priory Foundation, a charitable trust of which he is the settlor and a trustee. Nigel Wray is not the beneficial owner of these shares.
7. Included in the holding of David Poutney are 2,800,109 Ordinary Shares held by his SIPP and an interest in 761,386 Ordinary Shares held by his wife and adult daughters. David Poutney controls the interest held by his wife and adult daughters but is not the beneficial owner of these shares.

In addition, Chris Dent, Julia Choudhury, Tim Harris, Peter Molloy and Colin Rees hold options over shares of the Company through their participation in the Company's LTIP, which are detailed in the Remuneration Report on pages 46 and 47.

RESEARCH AND DEVELOPMENT

The Group continues to invest in the development of its IT platforms, particularly at Metro Rod. In the current year, the Group claimed £nil of qualifying R&D expenditure (2020: £371,655).

MAJOR SHAREHOLDERS

Insofar as is known to the Company and in addition to the holdings of the Directors above, the following persons hold, as at the date of this document, and are expected (based on the information available as at the date of this document), to hold directly or indirectly 3% or more of the share capital:

	Current	
Shareholder	Number of Ordinary Shares	Percentage of existing share capital
Slater Investments Limited	6,870,505	7.2%
Canaccord Genuity Group Inc	6,728,524	7.0%
Gresham House Asset Management Limited	5,479,878	5.7%

GOING CONCERN

The Group has generated significant profits both during the years covered by these financial statements, and in previous years. The Group has sufficient current financial assets to meet its current liabilities as they fall due. The Group has budgeted its anticipated financial performance over the balance of 2022, and throughout the whole of 2023. These financial forecasts include detailed income statement and cash flow budgets. These forecasts have been subject to review by the Board of Directors. These forecasts have been subject to sensitivity analysis and reverse stress testing. On 16 February the Group announced a recommended all-share offer for Filta Group Holdings plc. The Group has modelled the cash flow of the Group on both the scenarios of the offer being accepted, and the offer being declined. Given the fact that the Group and the Company continues to be profitable, continues to have net assets and has access to cash and funding, the Directors have made appropriate enquiries and consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors' Report continued

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFICATION OF DIRECTORS

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity provisions (as defined in Section 324 of the Companies Act 2006) have been given in favour of all Directors on the Board. These indemnities remain in force and relate to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

DIRECTORS' OBLIGATIONS TO THE AUDITORS

The Directors confirm that:

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

BRANCHES

There are no branches of the Company outside the UK.

DIVIDENDS

A final dividend of 0.8 pence per share was paid on 28 May 2021 in respect of the 2020 financial year. An interim dividend of 0.60 pence per share in respect of the 2021 financial year was paid on 17 September 2021. The Directors are recommending a final dividend of 0.9 pence per share which, subject to shareholders' approval at the AGM, will be paid on 27 May 2022 to shareholders on the register at the close of business on 13 May 2022.

SHARE CAPITAL

The Company's entire issued share capital comprises Ordinary Shares of 0.5 pence each. Note 24 to the financial statements summarises the number in issue during 2021.

VOTING RIGHTS

On a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative and is entitled to vote shall,upon a show of hands, have one vote and on a poll every member who is present in person or by proxy or corporate representative and entitled to vote shall have one vote for every share of which he is the holder.

Where a registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 793 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

STATUTORY DISCLOSURES

In accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the Directors disclose the following information:

- The Company's capital structure and voting rights are detailed on page 84. There are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- Details of the substantial shareholders and their shareholdings in the Company are detailed on page 48;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the period.

AUDITOR

A resolution to reappoint BDO LLP as auditor will be proposed at the AGM. A tender in respect of the external audit of the Company and Group was last conducted in 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's use of financial instruments and its financial risk management objectives and policies are set out in Note 3 of the financial statements.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of the Company will be held on 26 April 2022, the business of which is set out in the Notice of Meeting. A circular containing the Notice of Meeting and an explanatory letter from the Chairman is being posted to shareholders and is also available on the Company's website.

CHRIS DENT
Chief Financial Officer
2 March 2022

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the Group's profit or loss for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board.

CHRIS DENT
Chief Financial Officer
2 March 2022

Independent auditor's report

to the members of Franchise Brands plc

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

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

We have audited the financial statements of Franchise Brands plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

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

INDEPENDENCE

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- reviewing and challenging the going concern paper prepared by the Directors by verifying the numerical inputs such as opening cash, accuracy of calculations and obtaining evidence to support the Directors' estimates and assumptions;
- a comparison of the historical forecasts prepared by the Directors to the actual results in the financial period being audited in order to assess the accuracy of the Directors forecasting ability along with an assessment of the reasonableness of the assumptions used to substantiate the potential impact of Covid-19;
- reviewing the forecasts prepared by the Directors, challenging the assumptions used within these models (such as growth in income, inflationary increases). This challenge included review of external market data and trends as well as corroborating known information such as current inflation rates. We also compared these key assumptions to actual post year end results to determine the reasonability thereof;
- We have challenged the assumptions within the stress test scenarios and performed sensitivity analysis to understand the impact of reductions in revenue, EBITDA and profit, and any delays in receipts of cash from customers on the available headroom on all financing facilities, cash and loan covenants; and
- confirming the accuracy of the directors forward looking covenant calculations on the banking facilities based on the forecast figures.

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

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

Independent auditor's report continued

to the members of Franchise Brands plc

OVERVIEW

Coverage	94% (2020: 99%) of Group profit before tax 94% (2020:99%) of Group revenue 98% (2020: 99%) of Group total assets		
Key audit matters		**2021**	**2020**
	Impairment of goodwill and intangible assets		
	Recoverability of trade receivables	–	
	In the prior year, the risk in the recoverability of trade receivables was heightened as a result of the impact of Covid-19 on the customers of the Group. However, due to the lifting of restrictions and the recovery of wider consumer activity / developments in the current year and the resulting impact on the Group's trade receivables, this is no longer considered to be a key audit matter.		
Materiality	Group financial statements as a whole		
	£280,000 (2020: £180,000) based on 5% (2020: 5%) of profit before tax.		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

The Group operates solely in the United Kingdom through a number of legal entities, which form reporting components. Significant components were defined as those reporting components contributing more than 15% towards Group profit before tax, or if judgementally considered to be significant by nature. The financial information relating to the Parent Company and all other significant components of the Group were subject to full scope audits by the Group audit team. The Group audit team also performed full scope statutory audits on the trading non-significant components.

KEY AUDIT MATTERS

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

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment of goodwill and intangible assets Refer to the accounting policies in note 2 and Note 13	The Group has goodwill and indefinite life intangible assets, which require management to test these annually for impairment. There is a high degree of management judgement in assessing the value in use of the Cash Generating Unit ("CGU") to which the Goodwill and Intangible Assets are allocated and therefore determining any potential impairments. There is therefore a significant risk that impairment of these assets is not appropriately recognised in accordance with applicable financial reporting standards.	We challenged management's impairment analysis performed for each CGU and considered the reasonableness of management's key judgements. Our work included; • We assessed whether the CGU as presented by management was reasonable and in line with the definition in the applicable financial reporting standards. • Challenging the future trading projections by reference to current performance and the accuracy of prior year forecasting; • Determining whether the forecasts adopted in the impairment review were approved by the Board and consistent with those used in the going concern assessment; • Using our internal valuations experts to determine the appropriateness of the discount rate applied and challenging the discount rate applied using a range of sensitivities; • Checking the impairment analysis for logical and arithmetic accuracy and that it has been undertaken in accordance with the requirements of the applicable financial reporting standards; • Verifying the reasonableness of the budgeted long term growth rate by comparing to historical performance; • Performing sensitivity analysis to understand the relative impact of changes in the key assumptions within the impairment models, as well as to confirm the appropriateness of management's disclosure of sensitivities in respect of the impairment review. **Key observations:** Based on our procedures we found management's key assumptions underlying the impairment analysis to be appropriate.

Independent auditor's report continued

to the members of Franchise Brands plc

OUR APPLICATION OF MATERIALITY

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

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

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

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	280,000	180,000	112,000	110,000
Basis for determining materiality	5% of Profit Before Tax		40% (2020: 60%) of group materiality	
Rationale for the benchmark applied	Profit Before Tax is one of the principal considerations for users of the financial statements in assessing the financial performance of the business.		Capped at 40% (2020: 60%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	210,000	135,000	84,000	82,500
Basis for determining performance materiality	75% of materiality based on the expected low level of misstatements and the relatively low number of accounts that are subject to management estimation.			

COMPONENT MATERIALITY

We set materiality for each component of the Group between £70,000 and £182,000 (2020: £70,000 and £145,000) dependent on the size and our assessment of the risk of material misstatement of that component. In the audit of each component, we further applied performance materiality levels of 75% (2020:75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £8,400 (2020: £3,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

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

We have nothing to report in this regard.

Independent auditor's report continued

to the members of Franchise Brands plc

OTHER COMPANIES ACT 2006 REPORTING

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

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

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

We obtained an understanding of the legal and regulatory framework applicable to the Group and Parent Company and the sector in which it operates. We considered the significant laws and regulations to be the applicable accounting framework, the UK Companies Act 2006, Value Added Tax Act 1994, Income Tax Act 2007 and those that relate to the payment of employees.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off.

Independent auditor's report continued

to the members of Franchise Brands plc

Our audit procedures included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to goodwill and intangible asset impairment (refer to the key audit matters section above), right of use assets and valuation and completeness of accruals and other provisions;
- We have assessed the revenue recognised for a defined period around the year end and post year end through selection of revenue items and assessing if these have been reflected in the correct period in line with when the performance obligation was met.
- Identifying and testing journal entries to supporting documentation, in particular any journal entries posted with specific unusual narrative, manual journals to revenue and cash, and review of journals posted to least used accounts;
- We have made enquiries of management, those charged with governance and those responsible for legal and compliance procedures regarding known or suspected instances of non-compliance with laws and regulation and fraud. We corroborated our enquiries through our review of board minutes for the year and other evidence gathered during the course of the audit; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GARY HARDING (SENIOR STATUTORY AUDITOR)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, United Kingdom
02 March 2021

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Revenue	6	**57,690**	49,287
Cost of sales		**(35,764)**	(28,362)
Gross profit		**21,926**	20,925
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items ("Adjusted EBITDA")		**8,474**	6,640
Depreciation	7,14,15	**(1,377)**	(1,149)
Amortisation of software	7,13	**(339)**	(209)
Amortisation of acquired intangibles	7,13	**(393)**	(393)
Share-based payment expense	7,9	**(334)**	(205)
Non-recurring items	5,7	**(187)**	(707)
Total administrative expenses		**(16,082)**	(16,948)
Operating profit		**5,844**	3,977
Other gains and losses	20	**223**	151
Finance expense	10	**(292)**	(446)
Profit before tax		**5,775**	3,682
Tax expense	11	**(1,542)**	(889)
Profit for the year and total comprehensive income attributable to equity holders of the Parent Company		**4,233**	2,793
All amounts relate to continuing operations			
Earnings per share			
Basic	12	**4.42**	3.09
Diluted	12	**4.30**	3.03

The notes on pages 65 to 84 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	13	**35,278**	34,754
Property, plant and equipment	14	**2,609**	1,274
Right-of-use assets	15	**2,723**	3,377
Trade and other receivables	17	**182**	155
Total non-current assets		**40,792**	39,560
Current assets			
Inventories	16	**908**	712
Trade and other receivables	17	**16,514**	15,072
Cash and cash equivalents		**9,054**	13,203
Total current assets		**26,476**	28,987
Total assets		**67,268**	68,547
Liabilities			
Current liabilities			
Trade and other payables	18	**12,144**	10,808
Loans and borrowings	19	**—**	1,908
Obligations under leases	21	**754**	897
Current tax liability		**213**	445
Contingent consideration	20	**345**	320
Total current liabilities		**13,456**	14,378
Non-current liabilities			
Loans and borrowings	19	**—**	3,200
Obligations under leases	21	**1,780**	2,240
Contingent consideration	20	**2,567**	3,136
Deferred tax liability	22	**2,139**	1,752
Total non-current liabilities		**6,487**	10,328
Total liabilities		**19,943**	24,706
Total net assets		**47,325**	43,841
Issued capital and reserves attributable to owners of the Company			
Share capital	24	**480**	479
Share premium	24	**36,966**	36,817
Share-based payment reserve	24	**789**	455
Merger reserve	24	**1,390**	1,390
Treasury reserve	24	**—**	—
EBT reserve	24	**(504)**	(149)
Retained earnings		**8,204**	4,849
Total equity attributable to equity holders		**47,325**	43,841

The consolidated financial statements of Franchise Brands plc (Company number: 10281033) on pages 56 to 84 were approved and authorised for issue by the Board of Directors on 2 March 2022 and were signed on its behalf by:

CHRIS DENT
Director

Company Statement of Financial Position

At 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Fixed asset investments	23	**42,153**	41,049
Total non-current assets		**42,153**	41,049
Current assets			
Trade and other receivables	17	**859**	2,242
Cash and cash equivalents		**3,958**	8,997
Total current assets		**4,817**	11,239
Total assets		**46,970**	52,288
Liabilities			
Current liabilities			
Trade and other payables	18	**511**	292
Loans and borrowings	19	**—**	1,908
Contingent consideration	20	**344**	320
Total current liabilities		**855**	2,520
Non-current liabilities			
Loans and borrowings	19	**—**	3,200
Contingent consideration	20	**2,568**	3,136
Total non-current liabilities		**2,568**	6,336
Total liabilities		**3,423**	8,856
Net assets		**43,547**	43,432
Issued capital and reserves attributable to owners of the Company			
Share capital	24	**480**	479
Share premium	24	**36,966**	36,817
Share-based payment reserve	24	**789**	455
Merger reserve	24	**1,270**	1,270
Treasury reserve	24	**—**	—
EBT reserve	24	**(504)**	(149)
Retained earnings		**4,546**	4,560
Total equity attributable to equity holders		**43,547**	43,432

No statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act. Franchise Brands plc reported a profit and total comprehensive income for the financial period ended 31 December 2021 of £1.19m (2020: £2.97m).

The Company financial statements of Franchise Brands plc (Company number: 10281033) on pages 56 to 84 were approved and authorised for issue by the Board of Directors on 2 March 2022 and were signed on its behalf by:

CHRIS DENT
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the year		**4,233**	2,793
Adjustments for:			
Depreciation of property, plant and equipment	14	**499**	327
Depreciation of right-of-use assets	15	**879**	822
Amortisation of software	13	**339**	209
Amortisation of acquired intangibles	13	**393**	393
Non-recurring costs		**187**	707
Share-based payment expense	9	**334**	205
Other gains and losses	20	**(223)**	(151)
Finance expense	10	**292**	446
Tax expense	11	**1,542**	889
Operating cash flow before movements in working capital		**8,474**	6,640
(Increase)/decrease in trade and other receivables	17	**(1,392)**	1,345
(Increase) in inventories	16	**(195)**	(119)
Increase/(decrease) in trade and other payables	18	**1,311**	(1,878)
Cash generated from operations		**8,198**	5,988
Corporation taxes paid		**(924)**	(745)
Net cash generated from operating activities		**7,273**	5,243
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(1,723)**	(460)
Purchase of software	13	**(433)**	(319)
Acquisition of subsidiaries including costs, net of cash acquired (including deferred consideration)	5	**(861)**	—
Net cash used in investing activities		**(3,017)**	(779)
Cash flows from financing activities			
Bank loans – repaid		**(5,309)**	(4,200)
Bank loans – received		**—**	—
Other loans – made		**2**	(163)
Capital element of lease liability repaid		**(1,106)**	(1,100)
Interest paid – bank and other loan		**(107)**	(257)
Interest paid – leases		**(189)**	(189)
Proceed from issue of shares		**—**	13,696
Funds Supplied to Employee Benefit Trust		**(355)**	(214)
Dividends paid	26	**(1,341)**	(516)

Consolidated Statement of Cash Flows continued

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash generated from financing activities		**(8,404)**	7,057
Net increase in cash and cash equivalents		**(4,148)**	11,521
Cash and cash equivalents at beginning of year		**13,203**	1,682
Cash and cash equivalents at end of year		**9,054**	13,203

RECONCILIATION OF CASH FLOW TO THE GROUP NET DEBT POSITION

Group	Term Loan £'000	Revolving credit facility £'000	Loan fees £'000	Lease liabilities £'000	Total liabilities from financing activities £'000	Cash £'000	Total net cash/ (net debt) £'000
At 1 January 2020	(6,401)	(3,002)	129	(3,487)	(12,761)	1,682	(11,079)
Financing cash flows	1,200	3,000	—	1,258	5,458	—	5,458
Other cash flows	—	—	—	—	—	11,521	11,521
Other changes	(24)	2	(13)	(908)	(943)	—	(943)
At 31 December 2020	**(5,225)**	**—**	**117**	**(3,137)**	**(8247)**	**13,203**	**4,957**
Financing cash flows	**5,309**	**—**	**—**	**1,295**	**6,604**	**—**	**6,604**
Other cash flows	**—**	**—**	**—**	**—**	**—**	**(4,149)**	**(4,149)**
Other changes	**(84)**	**—**	**(117)**	**(692)**	**(893)**	**—**	**(893)**
At 31 December 2021	**—**	**—**	**—**	**(2,534)**	**(2534)**	**9,054**	**6,520**

Company Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the year		**1,199**	2,973
Adjustments for:			
Non-recurring costs		**181**	—
Other gains and losses		**84**	(151)
Finance expenses		**(223)**	242
Tax expense		**132**	(89)
Share-based payment expense		**(107)**	53
Operating cash flow before movements in working capital		**1,267**	3,027
Decrease/(increase) in trade and other receivables	17	**2,459**	(1,998)
Increase/(decrease) in trade and other payables	18	**561**	(394)
Cash generated from operations		**4,287**	635
Corporation taxes paid		**(924)**	(172)
Net cash generated from operating activities		**3,362**	463
Cash flows from investing activities			
Acquisition of subsidiaries including costs (including deferred consideration)		**(1,290)**	—
Net cash used in investing activities		**(1,290)**	—
Cash flows from financing activities			
Bank loans – repaid		**(5,309)**	(4,200)
Bank loans – received		**—**	—
Interest paid – bank and other loans		**(107)**	(257)
Proceed from issue of shares		**—**	13,696
Funds supplied to Employee Benefit Trust		**(355)**	(214)
Dividends paid	26	**(1,341)**	(516)
Net cash flows (used)/generated by financing activities		**(7,112)**	8,509
Net (decrease)/increase in cash and cash equivalents		**(5,039)**	8,972
Cash and cash equivalents at beginning of year		**8,997**	25
Cash and cash equivalents at end of year		**3,958**	8,997

Company Statement of Cash Flows continued

For the year ended 31 December 2021

RECONCILIATION OF CASH FLOW TO THE COMPANY NET DEBT POSITION

Group	Term Loan £'000	Revolving credit facility £'000	Loan fees £'000	Total liabilities from financing activities £'000	Cash £'000	Total net cash/ (net debt) £'000
At 1 January 2020	(6,401)	(3,002)	129	(9,275)	25	(9,250)
Financing cash flows	1,200	3,000	—	4,200	—	4,200
Other cash flows	—	—	—	—	8,972	8,972
Other changes	(24)	2	(13)	(33)	—	(33)
At 1 January 2021	**(5,225)**	**—**	**117**	**(5,108)**	**8,997**	**3,889**
Financing cash flows	**5,309**	**—**	**—**	**5,309**	**—**	**5,309**
Other cash flows	**—**	**—**	**—**	**—**	**(5,039)**	**(5,039)**
Other changes	**(84)**	**—**	**(117)**	**(201)**	**—**	**(201)**
At 31 December 2021	**—**	**—**	**—**	**—**	**3,958**	**3,958**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Group	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Treasury shares £'000	EBT reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	398	22,806	316	1,390	(21)	—	2,970	27,859
Profit for the year and total comprehensive income	—	—	—	—	—	—	2,793	2,793
Contributions by and distributions to owners								
Shares issued	79	13,623	(66)	—	12	65	66	13,779
Dividend paid	2	389	—	—	—	—	(906)	(515)
Treasury shares	—	—	—	—	9	—	(9)	—
Contributions to Employee Benefit Trust	—	—	—	—	—	(214)	(65)	(279)
Share-based payment	—	—	205	—	—	—	—	205
At 1 January 2021	**479**	**36,817**	**455**	**1,390**	**—**	**(149)**	**4,849**	**43,841**
Profit for the year and total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**4,233**	**4,233**
Contributions by and distributions to owners								**—**
Shares issued	**1**	**149**	**—**	**—**	**—**	**—**	**—**	**150**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**(1,341)**	**(1,341)**
Contributions to Employee Benefit Trust	**—**	**—**	**—**	**—**	**—**	**(355)**	**—**	**(355)**
Share-based payment	**—**	**—**	**334**	**—**	**—**	**—**	**462**	**796**
At 31 December 2021	**480**	**36,966**	**789**	**1,390**	**—**	**(504)**	**8,204**	**47,325**

Company Statement of Changes in Equity

For the year ended 31 December 2021

Company	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Treasury shares £'000	EBT reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	398	22,806	316	1,270	(21)	—	2,502	27,271
Profit for the year and total comprehensive income	—	—	—	—	—	—	2,972	2,972
Contributions by and distributions to owners								
Shares issued	79	13,623	(66)	—	12	65	66	13,779
Dividend paid	2	389	—	—	—	—	(906)	(515)
Treasury shares	—	—	—	—	9	—	(9)	—
Contributions to Employee Benefit Trust	—	—	—	—	—	(214)	(65)	(279)
Share-based payment	—	—	205	—	—	—	—	205
At 1 January 2021	**479**	**36,817**	**455**	**1,270**	**—**	**(149)**	**4,560**	**43,432**
Profit for the year and total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**1,199**	**1,199**
Contributions by and distributions to owners								
Shares issued	**1**	**149**	**—**	**—**	**—**	**—**	**—**	**150**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**(1,341)**	**(1,341)**
Contributions to Employee Benefit Trust	**—**	**—**	**—**	**—**	**—**	**(355)**	**—**	**(355)**
Share-based payment	**—**	**—**	**334**	**—**	**—**	**—**	**127**	**461**
At 31 December 2021	**480**	**36,966**	**789**	**1,270**	**—**	**(504)**	**4,545**	**43,547**

Notes forming part of the Financial Statements

For the year ended 31 December 2021

1 SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Franchise Brands plc (the "Company", and together with its subsidiaries, the "Group"), is a public company incorporated in England and Wales under the Companies Act 2006 with Company Number 10281033. The principal activity of the Group is focused on building market-leading businesses in selected customer segments, using primarily a franchise model. Our focus is on established brands which can benefit from our shared support services, specialist sector expertise, management experience and Group resources. The principal activity of the Company is that of a holding company of a group of companies engaged in franchising and related activities.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date control ceases. All inter-company transactions and balances between Group entities are eliminated upon consolidation.

BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 as they apply to the financial statements of the Group for the year ended 31 December 2021. The Group's consolidated financial statements are prepared under the historical cost convention. The principal accounting policies adopted are set out below and have been consistently applied to all the years presented. The Group's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000s) except where indicated.

The Group's financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. Please refer to the Directors' Report for further details.

SEGMENTAL REPORTING

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Executive Chairman, with support from the Board of Directors, as the function primarily responsible for the allocation of resources to segments and assessment of performance of the segments. The business is organised along the lines of our B2B and B2C brands. Within the B2B division there are two different principal activities: Franchisor – management of franchisees who trade with businesses and consumers; and Direct labour organisations – trading directly with businesses and consumers.

Therefore, the Board has determined that we have three different operating segments:

- B2B- Franchisor (a.k.a. Metro Rod), which is made up of Metro Rod and Metro Plumb ;
- B2B- DLO (a.k.a. Willow Pumps), which is made up of Willow Pumps, and other B2B DLOs; and
- B2C, which is made up of ChipsAway, Ovenclean and Barking Mad.

On 26 November the group purchased Azura Group Limited. As its operations are primarily concerned with Metro Rod, its result for the one month of the year has been included within Metro Rod.

BUSINESS COMBINATIONS

The consideration of the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity issued by the Group, plus if the business combination is acquired in stages the fair value of the existing interest in the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement (see Note 2). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Investments in subsidiaries are measured at cost in the Parent Company.

INTANGIBLE ASSETS

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships, and capitalised computer software not integral to a related item of hardware. Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years, based on the latest approved budgets, for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Corporate brand names, trademarks, customer relationships and other intangibles acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Certain corporate brands and trademarks of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the Group's commitment to develop and enhance their value.

The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required. Recoverable amount is the higher of fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and written down to its recoverable amount. Any impairment is charged to the profit and loss in the period concerned.

Amortisation is provided at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows. Customer-related intangibles have a useful life of 10 years. Others (including capitalised computer software) have a useful life of 3-10 years.

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, net of returns, rebates and value-added taxes. There have been no changes to the accounting for revenue in the year. The following criteria must also be met before revenue is recognised:

- Management service fees ("MSF"): MSF is charged for the continuing use of the rights and continuing services provided during the franchise agreements term. They are recognised as the service is provided and the rights are used. These are charged on a monthly basis and the values recognised are based on the performance obligations in the relevant contracts with our franchisees. For ChipsAway and Ovenclean a set monthly fee is charged. For Metro Rod and Barking Mad a variable percentage is charged based on the invoiced revenue of the franchisees.
- Sales of franchise territories: Sales of franchise territories represent the charges for packages which include training, other start-up support and equipment. No element of these charges relate to subsequent services. Revenue from franchise fees is recognised when a franchisee completes the relevant training, as this is when we have delivered our performance obligation under the franchise contract. Where deferred payment terms are offered the revenue is recognised to the extent that there is not considered to be significant doubt over the eventual recovery (see Note 2).
- Product sales: Revenue from sales of products is recognised on delivery to customers, as this is when control is deemed to have transferred.
- Direct labour income: Revenue from our direct labour organisations is recognised when our performance obligations are met in relation to an individual job. Where performance obligations are met over a number of accounting periods, revenue is recognised over time and is based on the proportion of the level of service performed (see Note 2). The performance obligations are defined in our underlying contracts with customers. At Willow Pumps this will be the supply and install of a pump.
- National Advertising Funds: National Advertising Funds are collected from franchisees under their agreements and then spent on their behalf on advertising which benefits the underlying franchise networks. 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. The Directors have concluded that the Group will recognise the costs expended by the funds in the year, 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. This is because it is the Group which controls the expenditure of the funds, rather than the franchisees. Overall, there is no effect on profit.

FINANCIAL LIABILITIES

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

FINANCIAL ASSETS

All of the Group's financial assets are classified and held at amortised cost. These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

INVENTORIES

Inventories are stated at the lower of cost and net realisable valye. At the end of each reporting period inventories are assessed for impaiment, Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed based on customer type, history of payment as well as by the number of days that debt is past due. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Cash and cash equivalents includes cash in hand.

Contract assets primarily relate to balances which Metro Rod franchisees have been paid in advance of the related revenue being taken. These balances are at all times less than the overall balances that are owed to the franchise network. The contractual right of set-off exists on amounts owed from our franchisees. Therefore, they do not present an impairment risk.

Contract assets include outlays incurred on behalf of clients, including third-party costs that have not yet been billed and are considered receivables under IFRS 15 Revenue from Contracts with Customers.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes cost directly attributable to making the asset capable of operating as intended. Depreciation is provided to write-off the cost, less the estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property improvements	–	over period of lease
Short-term leasehold improvements	–	over period of lease
Motor vehicles	–	10%-25% straight line
Plant & equipment	–	10% straight line
Fixtures & fittings	–	33% straight line
Computer equipment	–	33% straight line

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate on an annual basis. Any gain or loss arising on derecognition of an asset is included in the statement of comprehensive income in the year that the asset is derecognised.

SHARE-BASED PAYMENT

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. When the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period. Where share options vesting is contingent on a future event a charge is recognised only if the future event is considered probable.

Fair value is measured by the use of an appropriate valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The volatility in the model is calculated by reference to an implied volatility of a group of listed entities that have similar characteristics and are in the same industry sector.

CORPORATION TAX

Current tax assets and liabilities are measured at the amount expected to be received or paid to the taxation authorities. Corporation tax is charged or credited to the income statement, except when it relates to items charged directly to other comprehensive income or to equity, in which case the corporation tax is also dealt with in other comprehensive income or equity respectively. Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on the initial recognition of goodwill. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities.

LEASES

Where a contract meets IFRS 16's definition of a lease, 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 recognised in the form of depreciation of the right to use asset and interest on the lease liability.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFIT TRUST

In order to facilitate its employee share option scheme, on 1 July 2021 the Group established an onshore discretionary employee benefit trust (the "EBT"), which is expected to conduct market purchases of Ordinary Shares to satisfy potential future option exercises by employees (but not Directors). When the Group funds the EBT the cash value is debited to a separate EBT reserve of the Parent Company. The EBT's assets are consolidated into the Group.

GOVERNMENT GRANTS

Government Grants are set against the relevant cost. In the current year the Group made use of two different Government Grants: R&D tax credits and the Coronavirus Job Retention Scheme.

ADJUSTED PERFORMANCE MEASURES ("APMS")

APMs are utilised as key performance indicators by the Group and are calculated by adjusting the relevant IFRS measurement by acquisition related costs, amortisation of acquired intangibles, share-based payments and non-recurring items. The two main APMs which are used are Adjusted EBITDA and Adjusted EPS. The reconciliation of these items to IFRS measurements can be found in the Chief Financial Officer's Review on page 31. APMs are non-GAAP measures and are not intended to replace those measurements, but are the measures used by the Directors in their management of the business, and are, therefore, important key performance indicators ("KPIs").

SYSTEM SALES

System Sales are the total aggregate sales of our franchisees of services to third-party customers. It is a measure used by management to understand the underlying health and size of our individual brands. For some, but not all, of our brands it is an amount which directly drives our turnover, with the Group collecting a percentage of System Sales as our MSF. System Sales are not, therefore, a component of the financial performance of the Group, but are a KPI used by management, and it is therefore disclosed to provide more insight into the franchise networks which we operate.

ADOPTION OF NEW STANDARDS

The new amended standards and interpretations issued by the IASB that apply to the financial statements do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Each of the following items contain judgements and significant estimates and have the most significant effect on amounts recognised in the financial statements.

REVENUE RECOGNITION

Deferred payments

The Group offers deferred payment terms in relation to some of the franchise fees payable. The Group assesses the level of doubt over the ultimate recovery of the deferred fees based on historic experience. If there is significant doubt over the recovery of the franchise fee the balance is not recognised until the level of risk associated reduces to an acceptable level. The deferred payment terms do not include any financing impact due to their short-term nature. As at 31 December 2021 £178,000 (2020: £206,000) had been recognised as a debtor, and £168,000 (2020: £151,000) was not recognised.

Metro Rod revenue recognition

In line with our other networks Metro Rod charges its franchisees a management service fee at the rate of up to 22.5% of their underlying system sales. The incentive schemes designed to increase system sales will reduce the headline rate down from the contractual rate of 22.5%. The franchise network has two types of system sales: National and Local accounts. In the case of National accounts Metro Rod bears the credit risk, whereas for Local the franchisee bears the risk. Therefore, for National accounts, the Directors believe that we are acting as a principal and recognise the whole of the system sales as revenue, with a cost of at least 77.5% to leave a gross margin of up to 22.5%. In relation to Local account sales the Directors believe that we are acting as an agent, and we only recognise our 22.5% management fee as revenue.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Willow Pumps revenue recognition

As part of its range of services, Willow Pumps undertakes the supply and install of pumps in adoptable pump stations. These are typically projects which are performed over a number of accounting periods. Revenue recognised over time is based on the proportion of the contract completed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most contractual fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance. Judgement is required regarding the timing of recognition, particularly in assessing progress on performance obligations where revenue is recognised over time. At the end of the year there were £6.3m (2020: £6.0m) of supply and install contracts in progress, on which £4.1m (2020: £3.7m) of revenue has been taken.

BUSINESS COMBINATIONS

Determining a value for consideration paid

Determining the fair value of the consideration paid in business combinations requires the use of estimates regarding the expected future payments of deferred consideration. The values are determined using discounted cash flows and based upon latest approved budgets and longer-term forecasts which include estimates concerning factors which affect the level of deferred consideration to be paid including revenues expected to be generated, and profits forecast to be earned. The level of deferred consideration expected to be paid is re-evaluated at each balance sheet date, with any change being taken to the income statement. The current provision is a discounted value of the expected cash payments, and the unwind of the discount on the deferred contingent consideration is included within other gains and losses. More details of these estimates can be found in Notes 5 and 20.

Determining a value and life for assets acquired

Determining the fair value, and the life, of acquired intangible assets and goodwill acquired in business combinations requires the use of estimates regarding the value of intangible assets. The values are determined using discounted cash flows and based upon latest approved budgets which include estimates concerning factors such as new franchise sales and timing of such sales. Management has determined that acquired brands and trademarks acquired are to be treated as an indefinite life asset. Management has determined that there is nothing to suggest the future economic benefits will have a finite life. As with all tangible and intangible assets, the brands and trademarks will be reviewed at the end of each reporting period to determine whether there is any indication that they have suffered an impairment loss. More details of these estimates can be found in Note 5.

Performing impairment tests

Subsequent impairment reviews also require the use of estimates to value the cash generating units to which goodwill and indefinite life intangibles have been allocated. The value in use calculations, which are run on an annual basis for goodwill and indefinite life intangibles, or when there is an indicator of impairment for tangible and finite life intangible fixed assets, determine whether there is any impairment to the carrying value of assets arising from business combinations. More details of these estimates can be found in Note 13.

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to meet their financial obligations as they arise while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings, and long and medium-term debt facilities. Term loans are used to finance long-term investment such as acquisitions. Revolving credit facilities and overdrafts are used to manage short-term cash requirements and minimise interest costs. The Group's financing facilities contain the usual financial covenants including maximum gearing, minimum interest cover and minimum operating cash flow. The Group met these requirements throughout the year.

The Group's dividend policy is to provide sustainable dividends to shareholders, consistent with the Group's earnings growth and debt gearing levels, to attract long-term investors and to enable shareholders to enjoy returns on their investment in tandem with the Group's growth. The payment and amount of any dividends or distributions to shareholders is at the discretion of the Board, and subject to shareholder approval.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENTS

Group	2021 £'000	2020 £'000
Financial assets at amortised cost		
Cash and cash equivalents	**9,054**	13,203
Trade and other receivables	**16,395**	14,499
Financial liabilities at amortised cost		
Trade and other payables	**(10,951)**	(9,642)
Loans and borrowings	**(2,534)**	(8,245)
Financial liabilities at fair value through profit and loss ("FVTPL")	**2,913**	3,456

Company	2021 £'000	2020 £'000
Financial assets at amortised cost		
Cash and cash equivalents	**3,958**	8,997
Trade and other receivables	**—**	1,998
Financial liabilities at amortised cost		
Trade and other payables	**(472)**	(249)
Loans and borrowings	**—**	(5,108)
Financial liabilities at fair value through profit and loss ("FVTPL")	**2,913**	3,456

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates to their fair value. The only financial liability at FVTPL is the provision in relation to the contingent deferred consideration. For details in relation to this, please see Note 20.

FINANCIAL AND MARKET RISK MANAGEMENT OBJECTIVES

It is the Group's policy not to use or trade in derivative financial instruments. The Group's financial instruments comprise its cash and cash equivalents and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial assets and liabilities is to provide finance for the Group's operations in the year. The Group is exposed to interest rate risk as the Group borrows funds at variable interest rates.

INTEREST RATE SENSITIVITY

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, is shown in the table below.

	Sensitivity income 2021 £'000	Sensitivity equity 2021 £'000	Sensitivity income 2020 £'000	Sensitivity equity 2020 £'000
0.25% increase in interest rates	—	—	(13)	(13)
0.25% decrease in interest rates	—	—	13	13

CREDIT RISK MANAGEMENT

The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities after assessing credit quality using independent rating agencies and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits.

Ongoing credit evaluation is performed on the financial condition of accounts receivable. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, which is net of expected credit risk losses, represents the Group's maximum exposure to credit risk.

LIQUIDITY RISK MANAGEMENT

The Group's policy throughout the year has been to ensure continuity of funds. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

3 FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Group	Trade and other payables 2021 £'000	Loans and borrowings 2021 £'000	FVTPL 2021 £'000	Total 2021 £'000	Trade and other payables 2020 £'000	Loans and borrowings 2020 £'000	FVTPL 2020 £'000	Total 2020 £'000
On demand	—	—	—	—	—	—	—	—
Within one year	10,951	786	586	12,323	9,662	3,045	319	13,026
More than one year and less than two years	—	558	1,050	1,608	—	2,729	284	3,013
More than two years and less than five years	—	1,044	2,116	3,160	—	2,377	4,050	6,427
In more than five years	—	382	—	382	—	448	—	448
Total	**10,951**	**2,770**	**3,752**	**17,473**	9,662	8,599	4,653	22,914

Company	Trade and other payables 2021 £'000	Loans and borrowings 2021 £'000	FVTPL 2021 £'000	Total 2021 £'000	Trade and other payables 2020 £'000	Loans and borrowings 2020 £'000	FVTPL 2020 £'000	Total 2020 £'000
On demand	—	—	—	—	—	—	—	—
Within one year	472	—	586	1,058	249	2,099	319	2,667
More than one year and less than two years	—	—	1,050	1,050	—	2,035	284	2,319
More than two year and less than five years	—	—	2,116	2,116	—	1,204	4,050	5,254
In more than five years	—	—	—	—	—	—	—	—
Total	**472**	**—**	**3,752**	**4,224**	249	5,338	4,653	10,240

4 OPERATING SEGMENTS

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Executive Chairman, with support from the Board of Directors, as the function primarily responsible for the allocation of resources to segments and assessment of performance of the segments. The business is organised along the lines of our B2B and B2C brands. Within the B2B division there are two different principal activities: Franchisor – management of franchisees who trade with businesses and consumers; and Direct labour organisations – trading directly with businesses and consumers.

Therefore, the Board has determined that we have three different operating segments:

- B2B – Franchisor, which is made up of Metro Rod and Metro Plumb;
- B2B – DLO, which is made up of Willow Pumps, and other B2B DLOs; and
- B2C, which is made up of ChipsAway, Ovenclean and Barking Mad.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

4 OPERATING SEGMENTS CONTINUED

Other operations include central administration costs and non-trading companies.

The CODM uses Adjusted EBITDA, as reviewed at Board meetings and as part of the Managing Directors' and Chief Financial Officer's weekly report to the senior management team, as the key measure of segments' results as it reflects the underlying performance for the financial year under evaluation.

2021	B2B-Franchisor £'000	B2B-DLO £'000	B2C £'000	Other £'000	Total £'000
Continuing operations					
Revenue	36,201	15,061	6,428	—	57,690
Gross profit	11,174	5,692	5,060	—	21,926
Adjusted EBITDA	5,385	1,686	2,638	(1,234)	8,474
Depreciation & amortisation of software	(645)	(909)	(162)	—	(1,716)
Amortisation of acquired intangibles	—	—	—	(393)	(393)
Share based payment expense	(117)	(101)	(32)	(84)	(334)
Non-recurring costs	—	—	—	(187)	(187)
Finance expense	(16)	(134)	(10)	(132)	(292)
Other gains and losses				223	223
Profit before tax	4,606	541	2,434	(1,807)	5,775
Tax expense	(670)	(100)	(359)	(412)	(1,542)
Profit after tax	3,936	441	2,075	(2,219)	4,233

2020	B2B-Franchisor £'000	B2B-DLO £'000	B2C £'000	Other £'000	Total £'000
Continuing operations					
Revenue	29,324	14,128	5,835	—	49,287
Gross profit	8,998	7,437	4,490	—	20,925
Adjusted EBITDA	3,722	1,844	2,131	(1,058)	6,640
Depreciation & amortisation of software	(445)	(743)	(168)	—	(1,358)
Amortisation of acquired intangibles	—	—	—	(393)	(393)
Share based payment expense	(92)	(45)	(15)	(53)	(205)
Non-recurring costs	(599)	—	(108)	—	(707)
Finance expense	(34)	(159)	(11)	(242)	(446)
Other gains and losses	—	—	—	151	151
Profit before tax	2,552	897	1,829	(1,596)	3,682
Tax expense	(372)	(129)	(328)	(62)	(889)
Profit after tax	2,180	768	1,501	(1,656)	2,793

5 BUSINESS COMBINATION

ACQUISITION OF AZURA GROUP LIMITED

On 26 November 2021, the Group acquired the entire issued share capital of Azura Group Limited and its subsidiaries, (together, " Azura") for gross consideration of £1.1m, and net consideration of £0.8m (with £0.3m of net cash purchased).

	£'000
Cash	850
Consideration shares	150
Fair value of deferred consideration	98
Fair value of consideration	1,098

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

5 BUSINESS COMBINATION CONTINUED

The consideration paid was made up of £850,000 (gross of non-trading net cash of £324,000) in cash and £150,000 through the issue of 107,139 new Ordinary Shares of 0.5 p each in the Company at 140 pence per share. In addition £98,000 was payable on the basis of a completion accounts mechanism.

Acquisition costs relating to this transaction amounted to £48,000 and have been disclosed within the consolidated statement of comprehensive income.

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

	Book value £'000	Adjustments £'000	Fair value £'000
Intangible assets	—	—	—
Property, plant and equipment	10	—	10
Right of use assets	—	65	65
Inventories	—	—	—
Trade and other receivables	29	—	29
Cash	428	—	428
Trade and other payables	(80)	—	(80)
Loans and borrowings	(108)	(68)	(176)
Deferred tax liability	(1)	—	(1)
Total fair value of the identifiable assets and liabilities acquired	278	(3)	275
Fair value of consideration			1,098
Goodwill			824

An adjustment has been made to align with the requirements of IFRS 16.

Goodwill represents the value of the business that does not qualify for separate recognition. The goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, and the scale and the future growth opportunities that it provides to the Group's operations. If the acquisition had occurred on 1 January 2021 Group revenue would have been £58.3m and Group profit before tax would have been £5.9m.

6 REVENUE

	2021 £'000	2020 £'000
Management service fees	**36,738**	30,592
Sale of franchise territories	**1,504**	1,607
Product sales	**771**	758
Direct labour income	**17,680**	15,547
National advertising funds	**997**	783
	57,690	49,287

The table shows revenue from contracts disaggregated into major classes of revenue and reconciled to the Group revenue reported. All revenue was generated in the UK.

Contract assets	**2021 £'000**	2020 £'000
At 1 January	**377**	589
Change in the measurement of progress	**(324)**	(212)
At 31 December	**53**	377

Contract assets are included within trade and other receivables. They arise from payments made to our franchisees as per their contracts in advance of when we are able to recognise revenue under IFRS 15.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

7 OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2021 £'000	2020 £'000
Depreciation	1,377	1,149
Amortisation	732	602
Share-based payment expense	334	205
Receipts from Government Job Retention Scheme ("furlough")	(58)	(653)
Auditors' remuneration:		
Fees for audit of the Company	12	15
Fees for the audit of the Company's subsidiaries	90	80
Fees for non-audit services:		
Taxation services	20	25
Corporate finance services	23	—
Other assurance services	10	26

No non-audit services were provided on a contingent fee basis.

The following costs have been drawn to the attention of the users of the accounts due to their nature and materiality within the accounts.

	2021 £'000	2020 £'000
Acquisition related-costs	114	—
Early repayment of term loan	73	—
Expected credit loss provision (see note 17)	—	526
Reorganisation expense	—	181
	187	707

During the year, the Group incurred professional costs of £114,000 in relation to the acquisitions. In addition, the Group wrote-off £73k of capitalised loan fees following the early re-payment of the term loan.

In 2020 the Group took a £526,000 charge in respect of potential credit losses and a charge of £181,000 in relation to the closure of the Barking Mad office.

8 STAFF COSTS

	2021 £'000	2020 £'000
Wages and salaries	10,481	9,626
Social security costs	1,021	935
Defined contribution pension cost	215	212
Share-based payment expense	334	205
	12,051	10,978

The average monthly number of persons (including Directors) employed by the Group was:

	2021	2020
Administration	157	171
Sales	19	19
Operations	108	83
Directors	9	9
	293	282

DIRECTORS' REMUNERATION

	2021 £'000	2020 £'000
Directors' emoluments	889	794
Share-based payment expense	19	25
	908	819

The highest paid Director's remuneration was £159,000 (2020: £151,000). The Board of Directors are considered to be the key management personnel. Their cost to the Group is £991,000 (2020: £887,000), after including employer's National Insurance. The Company had two employees (other than the Directors) incurring staff costs of £218,000 (2020: £201,000). Directors' emoluments include £nil (2020: £7,000) paid to companies controlled by Directors (see Note 25).

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

9 SHARE-BASED PAYMENTS

The Company has established an LTIP in the form of an equity settled share option scheme. Awards are granted and approved at the discretion of the Remuneration Committee. Awards vest on or after the third anniversary of their issue, based on compound growth in the underlying earnings per share of the Group for the three-year period. If the compound annual growth rate is below 8%, then none of these options will vest; if the compound annual growth rate is above 15%, then all of these options will vest; between 8% and 15% then a proportion of these options will vest on a straight-line basis. Currently 201 (2020: 243) members of staff hold options for shares in the Company under the scheme. The share-based payments expense recognised in respect of employee services received during the year was £334,000 (2020: £205,000). This all arises on equity-settled share-based payment transactions.

	2021	**Weighted average exercise price**	2020	Weighted average exercise price
Outstanding at the beginning of the period	**5,714,302**	**70p**	4,501,317	64p
Granted during the period	**—**	**—**	1,807,955	81p
Lapsed during the period	**(164,273)**	**83p**	(178,349)	76p
Exercised during the period	**(330,653)**	**52p**	(416,621)	39p
Outstanding at the end of the period	**5,219,376**	**71p**	5,714,302	70p
Exercisable at the end of the period	**2,305,801**	**59p**	1,621,215	51p

The fair value of the options granted is estimated at the date of grant using a Black-Scholes model, after taking into account the terms and conditions upon which they were granted. For options outstanding at the end of the period the range of exercise prices was 33p- 88p (2020: 33p-88p), and the weighted average remaining contractual life was 7.4 years (2020: 8.3 years).

In order to facilitate the Programme, the Company established an onshore discretionary employee benefit trust (the "EBT"), which conducts market purchases of Ordinary Shares to satisfy potential future option exercises by employees (but not directors). The Black-Scholes pricing model is applied on the granting dates of options., as shown in the table below.

BLACK-SCHOLES OPTION PRICING MODEL

	14 September 2020	14 September 2020
Closing share price, £	0.88	0.88
Exercise price, £	0.005	0.88
Risk-free interest rate	0.13%	0.13%
Expected life of option (years)	6.5	6.5
Volatility	50.8%	50.8%
Dividend yield	1%	1%

10 FINANCE EXPENSE

	2021 £'000	2020 £'000
Interest element on lease agreements	**159**	189
Loan interest	**133**	257
	292	446

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

11 CORPORATION TAX

	2021 £'000	2020 £'000
Current tax expense		
Current tax on profits for the period	796	685
Adjustment for prior period	(103)	(4)
Deferred tax expense		
Origination and reversal (see Note 22)	849	208
Total tax expense	1,542	889
Accounting profit multiplied by the UK statutory rate of corporation tax	1,097	700
Income not taxable in determining taxable profits	(30)	(82)
Effect of Capital allowances	(120)	69
Effect of change in deferred tax rate	621	206
Adjustment for prior period	(29)	(4)
Total tax expense	1,542	889
Effective tax rate	27%	24%

During the current year, the Finance Act 2020, which was substantively enacted in June 2021, increased the rate of corporation tax from 19% to 25% from April 2023. Therefore, the future rate of UK corporation tax of 25% has been used when calculating deferred tax at the reporting date.

12 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to Ordinary equity holders of the Parent Company by the weighted average number of Ordinary Shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to Ordinary equity holders of the Parent Company 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 share options at the start of the period or, if later, the date of issue.

	2021 £'000	2020 £'000
Profit attributable to owners of the Parent Company	4,233	2,793
Non-recurring costs (Note 5,7)	187	707
Amortisation of acquired intangibles (Note 13)	393	393
Change in the fair value of deferred consideration (Note 20)	(223)	(151)
Share-based payment expense (Note 9)	334	205
Tax on adjusting items	387	(9)
Adjusted profit attributable to owners of the Parent Company	5,311	3,937

	Number	Number
Basic weighted average number of shares	95,767,863	90,462,594
Dilutive effect of share options	2,600,637	1,649,029
Diluted weighted average number of shares	98,368,500	92,111,623

	Pence	Pence
Basic earnings per share	4.42	3.09
Diluted earnings per share	4.30	3.03
Adjusted earnings per share	5.55	4.35
Adjusted diluted earnings per share	5.40	4.27

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

13 INTANGIBLE ASSETS

	Goodwill £'000	Brands, trademarks & other intangibles £'000	Customer relationships £'000	Software £'000	Total £'000
Cost					
At 1 January 2020	23,301	10,081	3,022	1,232	37,636
Additions	—	—	—	318	318
At 31 December 2020	23,301	10,081	3,022	1,550	37,954
Additions	824	—	—	430	1,253
At 31 December 2021	**24,125**	**10,081**	**3,022**	**1,980**	**39,208**
Amortisation					
At 1 January 2020	—	(1,791)	(632)	(157)	(2,580)
Impairment	—	—	—	(16)	(16)
Charge for year	—	—	(393)	(209)	(602)
At 31 December 2020	—	(1,791)	(1,025)	(382)	(3,198)
Impairment	—	—	—	—	—
Charge for year	—	—	(393)	(339)	(732)
At 31 December 2021	**—**	**(1,791)**	**(1,418)**	**(721)**	**(3,930)**
Net book value					
At 31 December 2021	**24,125**	**8,290**	**1,604**	**1,259**	**35,278**
At 31 December 2020	23,301	8,290	1,995	1,168	34,754
At 1 January 2020	23,301	8,290	2,390	1,076	35,057

CARRYING AMOUNT OF ASSETS WITH INDEFINITE USEFUL LIVES

	Goodwill £'000	Indefinite life intangibles £'000	2021 £'000	Goodwill £'000	Indefinite life intangibles £'000	2020 £'000
Metro Rod	**18,174**	**4,750**	**22,924**	18,174	4,750	22,924
Willow Pumps	**3,812**	**2,777**	**6,589**	3,812	2,777	6,589
B2C	**1,315**	**763**	**2,077**	1,315	763	2,077
Azura	**824**	**—**	**824**	—	—	—
	24,125	**8,290**	**32,415**	23,301	8,290	31,591

The key assumptions for the value-in-use calculations are those regarding the discount rates and expected changes to operating results and cash flows during the period of five years from the statement of financial position dates.

Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks in relation to the CGU. In the current year a rate of 11.1% (2020: 10.6%) was used. The Directors believe that the risk profiles of the divisions are broadly similar given their similar operational and geographic natures.

Changes in operating results and cash flows including the sales of franchises and the level of sales of the franchisees, are based on past results and expectations of future performance. The Group prepares cash flow forecasts for the next five years derived from the most recent budgets and long-term business plans which have been approved by the Board of Directors. The key assumptions used for estimating cash flow projections are those relating to revenue growth and operating margin.

For our B2B businesses revenue growth rates have been set at between 5% and 10%. For our B2C brands franchisee recruitment and churn is consistent with historical averages, with the revenue growth being driven by the net new franchisees being introduced to the networks. The operating margins are based on the current operational margins, with the exception of Metro Rod, where we have forecast changes in operating margins based on our rebate schemes. A 2% perpetual growth rate has been assumed when extrapolating cash flow projections beyond the five-year period used in the long-term business plans, on the basis that this is a reasonable long-term growth rate for the UK economy. Based on the calculations prepared the recoverable amount for all CGUs exceed their carrying amount.

The recoverable amounts are not considered to be sensitive to reasonably possible changes in the discount rate or growth rates. The Directors do not believe that there is currently a reasonably possible change of key assumptions that would cause the CGUs carrying amount to exceed its recoverable amount.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 January 2020	428	188	385	449	675	2,125
Reclassified (to)/from ROU	—	—	(65)	221	(107)	49
Additions	16	9	70	275	90	459
Disposals	(113)	(12)	—	(82)	(8)	(215)
At 31 December 2020	331	185	390	863	650	2,418
Reclassified (to)/from ROU	—	—	39	270	106	415
Additions on Acquisition	—	—	10	—	—	10
Additions	15	11	70	1,471	181	1,748
Disposals	—	—	—	(123)	(8)	(131)
At 31 December 2021	**346**	**196**	**509**	**2,481**	**929**	**4,460**
Depreciation						
At 1 January 2020	(249)	(151)	(233)	(51)	(199)	(883)
Reclassified (to)/from ROU	—	—	19	(199)	32	(148)
Charge for year	(28)	(16)	(56)	(104)	(122)	(327)
Disposals	114	8	2	82	8	214
At 31 December 2020	(163)	(159)	(268)	(272)	(282)	(1,144)
Reclassified (to)/from ROU	—	—	(32)	(222)	(63)	(317)
Charge for year	(30)	(17)	(61)	(239)	(151)	(499)
Disposals	—	—	—	103	6	109
At 31 December 2021	**(193)**	**(177)**	**(362)**	**(630)**	**(491)**	**(1,851)**
Net book value						
At 31 December 2021	**153**	**19**	**147**	**1,851**	**438**	**2,609**
At 31 December 2020	168	26	122	591	368	1,274
At 1 January 2020	179	37	152	398	476	1,242

The Company has no fixed assets at 31 December 2021 or 31 December 2020.

"ROU" assets are those categorised as Right of Use. Please see Note 15.

15 RIGHT OF USE ASSETS

	Land and buildings £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2020	2,517	3,118	32	5,667
Reclassified (to)/from PPE	—	(221)	172	(49)
Additions	—	379	251	630
Disposals	(111)	(272)	—	(383)
At 31 December 2020	2,406	3,004	455	5,865
Reclassified (to)/from PPE	—	(270)	(145)	(415)
Additions on acquisition	104	—	—	104
Additions	199	204	200	603
Disposals	—	(486)	(118)	(604)
At 31 December 2021	**2,709**	**2,453**	**391**	**5,553**
Depreciation				
At 1 January 2020	(890)	(1,227)	(12)	(2,129)
Reclassified (to)/from PPE	—	199	(51)	148
Charge for year	(340)	(447)	(45)	(832)
Disposals	111	213	—	324
At 31 December 2020	(1,119)	(1,262)	(108)	(2,488)
Reclassified (to)/from PPE	—	222	95	317
Accumulation at acquisition	(39)	—	—	(39)
Charge for year	(329)	(472)	(77)	(879)
Disposals	—	239	17	256
At 31 December 2021	**(1,486)**	**(1,272)**	**(73)**	**(2,830)**
Net book value				
At 31 December 2021	**1,223**	**1,181**	**318**	**2,723**
At 31 December 2020	1,287	1,743	347	3,377
At 1 January 2020	1,627	1,891	20	3,538

"PPE" assets are those categorised as Property, Plant & Equipment. Please see Note 14.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

15 RIGHT OF USE ASSETS CONTINUED

Amounts recognised in profit and loss

	2021 £'000	2020 £'000
Depreciation expense on right-of-use assets	**879**	832
Interest expense on lease liabilities	**159**	189
Expense relating to short-term leases	**149**	92
Expense relating to leases of low value assets	**—**	—
Expense relating to variable lease payments not included in the measurement of the lease liability	**—**	—
Income from sub-leasing right of use assets	**—**	—

16 INVENTORIES

Group	2021 £'000	2020 £'000
Finished goods and goods for resale	**908**	712

All amounts are carried at cost and therefore no amounts are carried at fair value less costs to sell. There are no material stock provisions at either period end. No material amounts have been written-off in either year ended 31 December 2021 or 31 December 2020 within the income statement of the Group £6.9m of inventories were recognised as an expense within the year (2020: £6.1m).

17 TRADE AND OTHER RECEIVABLES

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped separately. Our contract assets represent assets with our franchise network, therefore the assets are reviewed on the basis of the health of individual franchisees.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The differing segmental risks to which the Group is exposed in respect of the customer base have been considered.

	2021 £'000	2021 %	2021 £'000	2021 £'000	2020 £'000	2020 %	2020 £'000	2020 £'000
	Gross		Provision	Net	Gross		Provision	Net
No provision	**12,109**	**0%**	**—**	**12,109**	5,956	0%	—	5,956
Low risk	**1,189**	**17%**	**(198)**	**991**	5,366	7%	(389)	4,977
Medium risk	**1,819**	**10%**	**(180)**	**1,639**	2,431	12%	(303)	2,128
High risk	**386**	**73%**	**(283)**	**103**	168	69%	(116)	52
Total	**15,503**	**4%**	**(661)**	**14,842**	13,920	6%	(807)	13,113

In relation to the Company, the credit risk for amounts owed by Group undertakings has not increased significantly since their initial recognition. No expected credit loss provision has been recognised on the basis of the significant net assets and positive cash flows of subsidiaries.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

17 TRADE AND OTHER RECEIVABLES CONTINUED

Group	2021 £'000	2020 £'000
Non-current other receivables	182	155
Trade receivables	15,503	13,920
Provision at the year end	(661)	(807)
Other receivables	1,371	1,231
Total financial assets other than cash and cash equivalents	16,213	14,344
Contract assets	53	377
Prepayments	248	351
Total current trade and other receivables	16,514	15,072
Total trade and other receivables	16,696	15,227

	2021 £'000	2020 £'000
Credit loss provision:		
Brought forward	(807)	(406)
Additions on acquisition	—	—
Provision for the year	(141)	(617)
Utilised	287	216
Carried forward	(661)	(807)

	2021 £'000	2020 £'000
The ageing of the trade receivables is as follows:		
Due	9,434	8,009
Past due		
0-30 days	1,335	1,400
31-60 days	787	729
61-90 days	292	326
91-120 days	210	335
121+ days	2,548	2,394
Past due and impaired		
Due	—	16
0-30 days	11	18
31-60 days	32	11
61-90 days	239	69
91-120 days	85	41
121+ days	530	574
Total	15,503	13,920

Company	2021 £'000	2020 £'000
Amounts owed by Group undertakings	—	1,998
Prepayments	10	2
Corporation tax	849	242
Total current trade and other receivables	859	2,242

Company amounts owed by Group undertakings are interest free and due on demand.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

18 TRADE AND OTHER PAYABLES

Group	2021 £'000	2020 £'000
Current		
Trade payables	**4,372**	4,870
Accruals	**5,622**	4,209
Other creditors	**957**	583
Social security and other taxes	**1,193**	1,146
Total trade and other payables	**12,144**	10,808

Company		
Trade payables	**84**	20
Accruals	**280**	229
Other creditors	**8**	—
Social security and other taxes	**39**	43
Amounts owed to Group undertakings	**100**	—
Total trade and other payables	**511**	292

Carrying values approximate to fair value. Included within other creditors is an amount of £162,000 (2020: £91,000) which represents the net payable in relation to the National Advertising Funds.

19 LOANS AND BORROWINGS

Group and Company	2021 £'000	2020 £'000
Current		
Revolving credit facility	**—**	—
Term loan	**—**	2,025
Amortised loan fees	**—**	(117)
Total current loans and borrowings	**—**	1,908
Non-current		
Term loan	**—**	3,200

The strong cash generative nature of the Group's business has allowed the early full repayment of its term loan. At the year end, the Group had cash of £9.0m and an unutlised £5m RCF, which runs until April 2024. The bank facilities are secured by a floating charge over the assets of the Group. The Group has set up an asset financing scheme with HSBC plc for the use of Metro Rod franchisees, primarily for the purchase of vans and tankers. The Group participates in this scheme, on a step-in basis, up to a total value of £1m. In the event of a default of a franchisee, the Group would step-in and have the rights of the financed asset, and the obligation of the liability. At the year end, £0.6m (2020: £0.7m) had been lent through this scheme. There are no expected credit losses to recognise in respect of the asset financing scheme.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

20 CONTINGENT CONSIDERATION

Group and Company	2021 £'000	2020 £'000
Contingent deferred consideration	**2,913**	3,456

Under IFRS 13 Fair Value, the fair value of the contingent consideration in a business combination falls as a Level 3 item in terms of the fair value hierarchy, as the inputs for calculating the fair value are unobservable. The initial deferred consideration was established at £3.58m at the time of the acquisition. During the current year this has been decreased to £2.91m based on the current long-term forecasts produced by management, and the payment of £320,000 which was made during the year. The change in value is a gain of £223,000 (2020: gain of £151,000) and has been taken to the income statement as an 'Other Gain or Loss'.

21 LEASE LIABILITIES

Group	2021 £'000	2020 £'000
Current	**754**	897
Non-current (between 1 and 5 years)	**1,780**	2,240
Total lease liabilities	**2,534**	3,137

	Land & Buildings £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
At 1 January 2020	1,665	1,728	94	3,487
Additions	—	343	252	595
Interest expense	44	140	6	189
Lease payments	(378)	(708)	(48)	(1,134)
At 31 December 2020	**1,330**	**1,503**	**304**	**3,137**
Additions on Acquisition	**68**	**—**	**—**	**68**
Additions	**199**	**184**	**200**	**583**
Interest expense	**41**	**93**	**17**	**152**
Lease payments	**(367)**	**(829)**	**(211)**	**(1,406)**
At 31 December 2021	**1,273**	**951**	**310**	**2,534**

The Company has no lease liabilities.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

22 DEFERRED TAX LIABILITY

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2020: 17%).

Group	Intangibles £'000	Accelerated allowances £'000	Provisions £'000	Share-based payment £'000	Total £'000
At 1 January 2020	(1,804)	186	13	59	(1,544)
Credit/(charge) in the year	(150)	(74)	(10)	26	(208)
At 31 December 2020	**(1,955)**	**112**	**3**	**88**	**(1,752)**
Acquired in the year	**—**	**(1)**	**—**	**—**	**(1)**
Recognised through the statement of changes in equity	**—**	**—**	**—**	**463**	**463**
Credit/(charge) in the year	**(519)**	**(425)**	**—**	**95**	**(849)**
At 31 December 2021	**(2,474)**	**(314)**	**3**	**646**	**(2,139)**

23 SUBSIDIARIES

The fixed asset investments held by the Company are as follows:

	£'000
Cost	
At 1 January 2020	41,049
Additions in year	—
At 31 December 2020	**41,049**
Additions in year	**1,104**
At 31 December 2021	**42,153**

The subsidiaries of the Company, all of which are 100% owned, which have been included in the consolidated financial statements, are as follows:

Name	Principal activity	2021 %	2020 %
Metro Rod Limited	Operation and management of a franchise business	**100**	100
ChipsAway International Limited	Operation and management of a franchise business	**100**	100
Oven Clean Domestic Limited	Operation and management of a franchise business	**100**	100
My HandymanVan Limited	Operation and management of a franchise business	**100**	100
Barking Mad Limited	Operation and management of a franchise business	**100**	100
Willow Pumps Limited	Operation and management of a pump services business	**100**	100
MRE Drainage Limited	Operator of drainage franchise	**100**	100
MRB Drainage Limited	Operator of drainage franchise	**100**	100
Azura Group Limited	Provider of IT solutions to franchise businesses	**100**	—
WPL Group Holdings Limited	Intermediate holding company	**100**	100
Oven Clean (Ontario) Limited	Dormant	**100**	100
Kemac Services Limited	Dormant	**100**	100
Metro Plumb Limtied	Dormant	**100**	—
FB Holdings Limited	Dormant	**100**	100
DentsAway Limited	Dormant	**100**	100
Edwin Investments Limited	Dormant	**100**	100
Willow Drainage Limited	Dormant	**100**	100
Azura Design Studio Limited	Dormant	**100**	—
Azura Business Solutions Limited	Dormant	**100**	—

The principal country and place of business of all the above companies is England and Wales. The registered office and principal place of business is Ashwood Court, Tytherington Business Park, Macclesfield, SK10 2XF.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2021

24 SHARE CAPITAL AND OTHER RESERVES

Allotted, called up and fully paid	2021 £'000	2020 £'000	2021 No. of shares	2020 No. of shares
At 1 January	**479**	398	**95,758,470**	79,513,787
Placing	**—**	78	**—**	15,555,556
Scrip dividend	**—**	2	**—**	388,199
Acquisition of Azura Group Limited	**1**	—	**107,139**	—
Exercise of share options	**—**	1	**—**	300,928
At 31 December	**480**	479	**95,865,609**	95,758,470

Share capital comprises the nominal value of the Company's Ordinary Shares of 0.5 pence each. During the year the Group issued 107,139 as part of the consideration for the acquisition of Azura group Limited.

Share premium: The share premium reserve is the premium paid on the Company's 0.5 pence Ordinary Shares.

Share-based payment reserve: The share-based payment reserve represents the movement in cost of equity-settled transactions in relation to the long-term incentive plan.

Merger reserve: The merger reserve represents the premium above the nominal value of the equity issued as part of the consideration in relation to acquisitions.

Treasury reserve: This represents the amount that the Company paid for its own shares held in Treasury. At the year end the Group held nil shares (2020: nil shares) in Treasury for the purpose of the future settlement of equity-settled share-based compensation.

EBT reserve: This represents the amount that the Company paid for its own shares held in the EBT. During the year, the EBT purchased 394,268 Ordinary Shares (2020: 264,848 Ordinary Shares) at an average price of 140 pence per share (2020: 96 pence per share). 330,653 Ordinary Shares (2020: 109,223 Ordinary Shares) have been used to satisfy the exercise of options. Accordingly, at the year end the EBT held 219,240 Ordinary Shares (2020: 155,625 Ordinary Shares) which represents 0.23% of the Company's current issued share capital.

Movements on these reserves are set out in the consolidated statement of changes in equity.

25 RELATED PARTY TRANSACTIONS

The following are payments to entities controlled by related parties of the Company.

		2021 £'000	2020 £'000
Mark Peters (Miserden Ltd)	Company Secretary fee	**6**	12
Nigel Wray (Brendon Street Investments Limited)	Director's fee	**—**	7
Related party transactions		**6**	19

During the year the Group employed a family member of one of the Directors. The total remuneration paid was the same as other employees at an equivalent level in the organisation. There were no outstanding balances in regards to related party transactions at the year end (2020: £nil).

26 DIVIDENDS

	2021 £'000	2020 £'000
Final 2020 dividend of 0.80p per Ordinary Share paid and declared (2020: Final 2019 dividend of 0.65p)	**766**	619
Interim dividend of 0.60p per Ordinary Share paid and declared (2020: 0.30p)	**575**	287
	1,341	906

A final dividend of 0.90 pence per share is proposed.

Five Year Financial Summary (Unaudited)

For the year ended 31 December 2021

Five year financial summary	2021 £'000	2020 £'000	2019 £'000	2018 Restated £'000	2017 Restated £'000
Statutory revenue	**57,690**	**49,940**	**44,013**	**35,470**	**24,867**
Adjusted EBITDA	**8,474**	**6,640**	**5,182**	**4,003**	**2,972**
Depreciation & Amortisation of software	(1,716)	(1,357)	(755)	(447)	(349)
Finance expense	(292)	(446)	(357)	(340)	(312)
Adjusted profit before tax	**6,465**	**4,836**	**4,069**	**3,216**	**2,311**
Tax expense	(1,154)	(899)	(687)	(603)	(426)
Adjusted profit after tax	**5,311**	**3,937**	**3,382**	**2,612**	**1,886**
Amortisation of acquired intangibles	(393)	(393)	(260)	(216)	(156)
Other gains & losses	223	151	(26)	—	—
Share-based payment	(334)	(205)	(238)	(138)	(58)
Non-recurring items	(187)	(707)	(270)	—	(2,194)
Tax on adjusting items	(387)	9	121	67	383
Statutory profit	**4,233**	**2,793**	**2,710**	**2,325**	**(140)**
Basic EPS	4.42p	3.09p	3.48p	2.99p	(0.20p)
Adjusted basic EPS	5.55p	4.35p	4.34p	3.36p	2.71p
Dividend	1.50p	1.10p	0.95p	0.67p	0.50p

Company Information

DIRECTORS AND COMPANY SECRETARY

Stephen Glen Hemsley	Executive Chairman
John Christopher ("Chris") Stewart Dent	Chief Financial Officer
Peter John Molloy	Managing Director, Metro Rod and Metro Plumb
Timothy ("Tim") John Harris	Managing Director, B2C
Julia Rosalind Choudhury	Corporate Development Director
Colin David Rees	Chief Information Officer
Nigel William Wray	Non-executive Director
David John Poutney	Non-executive Director
Robin ("Rob") Christian Bellhouse	Non-executive Director
Mark Andrew Peters	Company Secretary

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Notes

Notes

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