FRANCHISE BRANDS

Delivering on our ambitions

Franchise Brands plc
Annual Report and Accounts 2023

Our purpose

If they grow, we grow.

We are focused on building, developing and growing market-leading franchise businesses.

Build
Our purpose is to build market-leading businesses primarily via a franchise model.

Develop
We support our franchisees to successfully develop their businesses and achieve their goals.

Grow
This provides unity behind our purpose and theirs – if they grow, we grow.

Scan to view the investor section on our website

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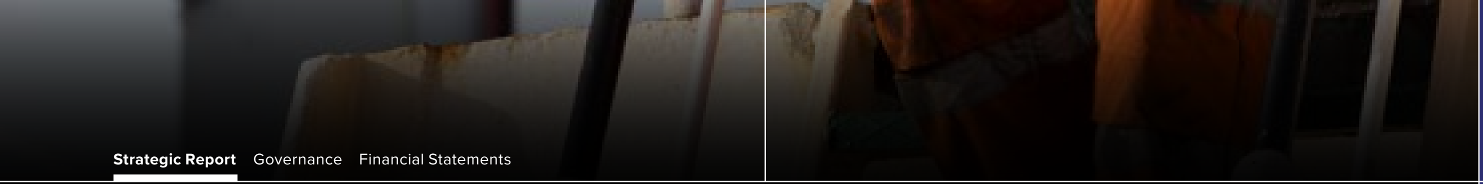


Financial Highlights

£350.1m
System sales ●
+88% 2022: £186.4m ●●

£121.3m
Revenue
+74% 2022: £69.8m ●●

£74.7m
Net debt***
2022: Net cash £9.8m ●●

£30.1m
Adjusted EBITDA* ●
+97% 2022: £15.3m ●●

£5.0m
Profit before tax
-50% 2022: £10.0m ●●

2.20p
Dividend per share
+10% 2022: 2.00p

8.42p
Adjusted basic earnings per share** ●
+1% 2022: 8.34p ●●

1.75p
Basic earnings per share
-74% 2022: 6.65p ●●

8.31p
Adjusted diluted earnings per share** ●
+1% 2022: 8.20p ●●

1.73p
Diluted earnings per share
-74% 2022: 6.54p ●●

● Alternative Performance Measures (see Note 2)
●● Prior Year Adjustment

Note: The results include, for the first time, several prior year adjustments which are set out in Note 1. These impact all of the above measures with the exception of dividends.

* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exchange differences, share-based payment expense and non-recurring items.
** Adjusted EPS is earnings per share before amortisation of acquired intangibles, share-based payment expense, exchange differences and non-recurring items.
*** Adjusted net debt excludes debt on right-of-use assets and is the debt measure used for testing bank covenants.

Operational Highlights

+ Another year of momentous change for the business with the acquisition of Pirtek which has again doubled the size of the Group.
+ The enlarged Group performed strongly in the period generating both the profitability and the cash flow required to service and reduce the debt taken on to fund the Pirtek acquisition.
+ During just over eight months of ownership in 2023, Pirtek traded at record levels, contributing as expected to the Group's results.
+ The integration of Pirtek is progressing well, with an immediate focus on optimising the effectiveness of the business through utilising shared resources, in particular technology.
+ In the newly named Water & Waste Services division, system sales grew by over 18.2% to £106.7m (statutory revenue: £48.9m), with Metro Rod and Metro Plumb being the main drivers of this increase.
+ Creation of new centralised international IT function that will manage every aspect of the digital landscape for the whole business.

At a Glance

Building our businesses

We are a multi-brand franchisor, focused on B2B van-based service, with a presence in ten countries across the UK, North America and Europe. We are focused on building market-leading businesses primarily via a franchise model and have over 625 franchisees across seven franchise brands and System sales of £350m, of which 88% is as a franchisor.

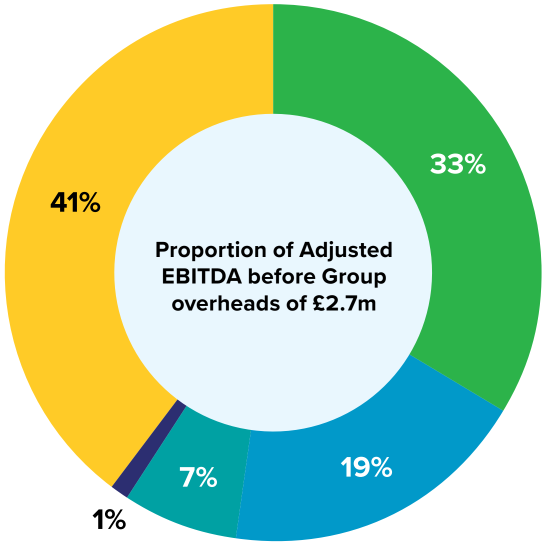
The underlying demand for our mostly essential services is resilient. Our strategy is to grow our franchisees' businesses as we believe "if they grow, we grow".

Group total

£30.1m
Adjusted EBITDA**

£5.0m
Profit before tax

644
Total franchisees



See our Business Building Strategy for more detail on pages 12 and 13.

Our leading brands

Pirtek*

Leading European provider of on-site hydraulic hose replacement services.

See our divisional review on pages 20-25.

£13.3m
Adjusted EBITDA**

73
Total franchisees

Water & Waste Services

Drainage, plumbing, pump maintenance and installation, and services to commercial kitchens.

See our divisional review on pages 26-29.

£10.9m
Adjusted EBITDA**

85
Total franchisees

Filta International

Cooking oil filtration, biodiesel recycling, bulk new oil delivery and cleaning services for commercial kitchens.

See our divisional review on pages 30-33.

£6.1m
Adjusted EBITDA**

159
Total franchisees

B2C

Leading home service brands.

See our divisional review on pages 34 and 35.

£2.3m
Adjusted EBITDA**

327
Total franchisees

Azura

Leading franchise software systems developer with over 30 franchise customers.

£0.2m
Adjusted EBITDA**

* Contribution in period of ownership from 21 April 2023.
** Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exchange differences, share-based payment expense, non-recurring items.

At a Glance continued

Increasing geographical footprint

North America

How the services are delivered

The Filta International services of cooking oil filtration, biodiesel recycling, bulk new oil delivery and cleaning services for commercial kitchens are provided by 127 franchisees.

Filta has 124 franchisees in the US and three franchisees in Canada.

£87m
System sales*

£26.5m
Revenue**

£6.3m
Adjusted EBITDA***

127
Franchisees

United Kingdom & Ireland

How the services are delivered

The Water & Waste division's range of services are delivered by a combination of franchisees and direct labour. 85 franchisees across Metro Rod, Metro Plumb and Filta Environmental provide drainage, plumbing, fryer management and related services. Willow Pumps is a direct labour organisation ("DLO").

The Pirtek services in the UK and Ireland are delivered by 40 franchisees.

The B2C division's services are delivered by 327 franchisees.

£189m
System sales*

£68.3m
Revenue**

£17.9m
Adjusted EBITDA***

452
Franchisees

Continental Europe

How the services are delivered

Pirtek's services in Germany, Austria, the Netherlands and Belgium are mostly delivered by a total of 33 franchisees. Six centres in Benelux are corporately owned.

Pirtek's operations in the start-up markets of France and Sweden are DLOs.

The FiltaFry service is delivered by 32 franchisees.

£74m
System sales*

£26.4m
Revenue**

£5.9m
Adjusted EBITDA***

65
Franchisees

* Sales to customers by franchisees, corporate and DLOs.
** Revenue is before intercompany eliminations.
*** Earnings before interest, tax, depreciation, amortisation, exchange differences, share-based payment expense and non-recurring items.

Investment Case

We build market-leading businesses

We have a strong track record of growth and have built market leading franchise businesses where the underlying demand for our services is highly resilient. We have a small share of large, fragmented markets with significant opportunities for growth.

> Our ambition is to build a market leading international B2B multi-brand franchisor that generates its income equally from the UK, North America and Continental Europe."

Stephen Hemsley
Executive Chairman

Investment Case continued

Provider of essential reactive services

Provider of B2B van-based essential reactive services, with resilient underlying demand. Diversification through seven market leading franchise businesses in 10 countries. Long-established brands with a successful trading history.

7

Franchise brands in ten countries

→ For further reading, see pages 14, 15 and 20-35

Significant opportunities for growth

Small share of all key markets with "manageable" competition. Our Maximum Potential Model shows the potential for system sales of £1.8bn for Pirtek, Metro Rod and Filta International compared to current System sales of £332m for these businesses (on an annualised basis).

£1.8bn

The Group's Maximum Potential Model

→ For further reading, see pages 16 & 17

Experienced team, strong track record

Proven track record of successfully acquiring and integrating businesses to unlock growth. Management team and Board are substantial shareholders, with an over 30% shareholding.

>30%

Shareholding of Management & Board

→ For further reading, see pages 7-11, 18-23

Highly cash generative business

Capital light as franchisees make investments to expand their capacity and grow system sales. Cash generation supports deleveraging. Anticipate a net cash position in 2027 through only organic growth.

97%

Average cash conversion* 2021-2023

→ For further reading, see pages 62-75

Operational gearing

Operational gearing is a significant driver of organic growth in franchise businesses. Accelerated by the continued consolidation of functions which are common to all businesses.

13%

Sales per head, Water & Waste Services division franchise Support Centre staff CAGR 2017-2023

Progressive dividend policy

The cash generative nature of the business supports deleveraging and a progressive dividend policy.

47%

Dividend growth 2021-2023

→ For further reading, see pages 10, 62-75

* Cash from operations + costs of acquisition and re-organisation / Adjusted EBITDA.

Chairman's Statement

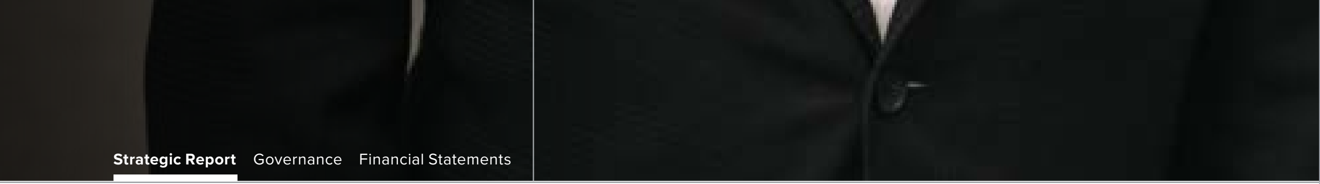
Scan to see what Stephen has to say on our website

Strong performance in another year of momentous change

£30.1m

Adjusted EBITDA

* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exchange differences, share-based payment expense and non-recurring items.



Chairman's Statement continued

> The enlarged Group performed strongly in the period, generating both the anticipated profitability and the cash flow required to service and reduce the debt taken on to fund the Pirtek acquisition."

Introduction

2023 has been another year of momentous change for the business with the acquisition of Pirtek, which has again doubled the size of the Group, following the doubling in size in 2022 as a result of the acquisition of Filta Group Holdings plc. The expanded Group now operates seven brands in ten countries in the UK, Continental Europe and North America, giving it a more diversified international footprint and a broader range of resilient business services. The Group generated System sales of £350m in 2023 (statutory revenue: £121.3m).

The enlarged Group performed strongly in the period, generating both the anticipated profitability and the cashflow required to service and reduce the debt taken on to fund the Pirtek acquisition. The Group will use the cash flow from its highly cash-generative, mainly franchised businesses to de-gear and anticipates being in a net cash position in 2027, with this enhanced value accruing to shareholders.

Pirtek Europe

On 20 April 2023, we acquired the entire share capital of Hydraulic Authority I Limited and its subsidiaries, (together "Pirtek"). Pirtek is an established provider of on-site hydraulic hose replacement and associated services. The service is provided via 73 franchises that operate through 217 service centres with over 850 mobile service units ("MSUs"). Its revenues are primarily derived from franchising.

Pirtek operates in eight European countries: the UK, Germany, the Netherlands, Belgium, France, Sweden, Austria and the Republic of Ireland. In the UK, Germany, the Netherlands, Belgium and the Republic of Ireland, the business is mostly franchised, whereas the operations in the start-up markets of France and Sweden are corporately operated. Pirtek has a significant opportunity to expand into eight additional European countries under the terms of its master licence agreement, which gives it perpetual, royalty-free use of the brand in 16 European countries. However, our priority is to achieve profitability in all existing countries before venturing into new markets.

Maximum Potential Model and medium-term target

We have applied our Maximum Potential Model to the Group as a whole, including Pirtek for the first time, and have updated the model for Metro Rod. This shows the maximum potential for System sales based on our current range of services is £1.8bn compared to £332m currently for the businesses that have been modelled.

We have incorporated this methodology into a medium-term strategic model potential for the Group as we integrate our portfolio of businesses and grow them organically. The model shows the potential for Adjusted EBITDA to reach £60m in 2027.

→ The Group's Maximum Potential Model analysis is on pages 16 and 17

£60m

Medium-term target of adjusted EBITDA in 2027

Financial targets set out herein are the aspirations of the Group and are not provided as forecasts or formal guidance. Actual results may differ.

Chairman's Statement continued

The Pirtek division generated total System sales of £126.0m (statutory revenue: £42.0m). The more developed franchise markets have national coverage and are highly profitable, whereas the start-up corporate markets in France and Sweden and the small Austrian operation have yet to reach scale and only make a small profit.

The resilient underlying demand for Pirtek's essential reactive services resulted in the division trading at record levels during our eight months of ownership in 2023, despite some softening in demand in the second half of the year in the construction and hire-fleet customer sectors that particularly impacted Pirtek in the UK and Germany. These sectors have remained subdued in the year to date, but other Pirtek customer sectors are growing strongly, including waste management, logistics and rail.

Following the completion of the acquisition, we reviewed Pirtek's management structure and concluded that the previous holding company management structure, which was needed as an independent private equity-owned business, was unnecessary as part of a larger group. The objective was to integrate the Pirtek business into Franchise Brands and share as many resources as possible. This integration is being led by Chris Stuckey, previously Managing Director of Pirtek UK, who was promoted to CEO of Pirtek Europe.

An area of particular focus is IT, where Pirtek has a variety of both works management and financial systems, and we have the objective of unifying these, and other systems around the Group, onto common platforms.

With only a modest amount of adaptation, our in-house works management system, Vision, will be an ideal replacement for the Pirtek works management system, and thereby save third party licensing costs. This will result in improved functionality, cost savings and sharing of information for both the franchisees and at corporate level.

We are also working on the closer integration of the Pirtek businesses in the various countries, which, under previous private equity ownership, have historically operated on a more stand-alone basis. We also see a significant opportunity for co-operation with the Metro Rod and Filta businesses at both the franchisee and corporate levels. By sharing resources, knowledge and particularly customers, we believe that growth in System sales for the whole Group will be accelerated and overhead costs reduced.

The Pirtek business has a significant opportunity to continue growing in its existing more developed markets through the expansion of its reactive business and by extending the range of services offered. The earlier-stage markets of France, Sweden, and Austria also have huge potential to reach scale and national coverage, particularly where the competition is fragmented. In addition, Pirtek has the opportunity to expand into eight more European markets, which will be developed when the existing early-stage markets become more mature and profitable.

Water & Waste Services division

As most of the Group's businesses now operate in the B2B environment, we have renamed the B2B division the Water & Waste Services division, which more accurately describes its activities.

This division includes the UK-based businesses Metro Rod, Metro Plumb, Kemac, Willow Pumps, the Filta UK direct labour operations ("DLO") and the Filta Environmental franchise network. The Filta businesses are included for the full 12 months in this period compared with ten months in 2022 following the acquisition in March 2022. Overall, System sales grew by 18.2% to £106.7m (statutory revenue: £48.9m), with Metro Rod and Metro Plumb being the main drivers of this increase.

Metro Rod, Metro Plumb and Kemac

Metro Rod and Metro Plumb delivered continued strong momentum, with System sales growing by 19.7% in the period to £71.6m (statutory revenue: £15.2m). The rate of growth, however, slowed in H2 to 16% compared with 24% in H1. This resulted from a planned reduction in our dependency on fixed price, high volume, emergency work that provides no potential upside for further work. The valuable labour resources that have been freed up are driving our average order value, which increased by 12% during the year on a 7% increase in jobs completed.

This growth was spread throughout almost the entire network, with 86% of our 42 Metro Rod franchisees growing their businesses in the period (2022: 91%) and 48% growing by more than 20% year-on-year (2022: 61%).

Metro Plumb continued to expand with 18 stand-alone and 19 combined Metro Plumb/Metro Rod franchisees, and six territories operated by Kemac. This results from seven new stand-alone franchisees and two leavers over the previous 12 months. Metro Plumb System sales grew by 22% and now represent 9.6% of total Metro Rod and Metro Plumb System sales in 2023. We continue to focus on increasing the number of stand-alone franchisees and broadening the customer base in both the commercial and domestic plumbing sectors.

Kemac, the London-based DLO plumbing business that operates Metro Plumb corporate franchises and provides specialist services to several water utilities increased its revenues by 10.5% in 2023.

Willow Pumps

Willow Pumps revenue grew by 2.7% to £18.7m (2022: £18.2m), following a significant slowdown in H2. However, this can be attributed to the new management team, which assumed control of the business towards the end of H1, and shifted it away from activities that produced significant sales but little profit, such as above-ground installations and adoptable pump stations. A "special projects" division was also launched during the year focused on work that would be beyond the scope of the Metro Rod franchise network. We expect this new activity to make a significant contribution in future years.

The Metro Rod corporate franchises in Kent & Sussex operated by Willow Pumps were successfully split up and sold to two neighbouring Metro Rod franchisees in H2.

Chairman's Statement continued

Filta UK

Filta UK has undergone a period of considerable change since being acquired in March 2022. Following the initial management reorganisation, which returned the business to profitability, we have continued to review how best to deliver the wide range of services offered by this business, which was made up of the original and much-neglected Filta Environmental franchise network and two acquisitions that had not been effectively integrated. Some of these services duplicated Metro Rod and Willow Pumps services or could be more efficiently serviced by a re-invigorated Filta Environmental franchise network. As a result of our review, the following further actions have been taken:

- The servicing of Grease Recovery Units ("GRUs") previously undertaken by direct labour has been largely transferred to the Filta Environmental franchise network. This has significantly improved the economics of these franchisees' businesses and has allowed us to begin expanding this network. This transfer has reduced our corporate sales and profits but will allow us to build a more robust and sustainable long-term business model, which can be expanded nationally on a franchise basis.
- The previous distribution arrangement for the supply of the Cyclone GRU has been terminated, and we have acquired the intellectual property rights associated with this unit. We have sub-contracted manufacturing, and now have a reliable supply chain of one of the best-performing GRUs on the market. This will help ensure a consistent supply to our existing customers. It also provides us with the ability to push ahead with marketing to new customers in this rapidly growing market where the treatment of waste water to reduce fats, oil and grease being discharged into the public sewerage system has become a legal requirement.
- The FiltaSeal business, which provides a cost-effective service replacing fridge and freezer seals on-site for a wide range of customers, is being expanded as a DLO by recruiting more technicians and by additional marketing to the Group's expanded customer base.

Overall, Filta UK System sales increased by 35.0% to £12.3m (2022 ten months: £9.1m) and on a like-for-like basis by 13% despite the transfer of servicing business to the franchisees. Now that most of the necessary structural changes have been implemented, we expect further significant progress in 2024.

Filta International

Filta North America System sales increased 34% to $108.2m (statutory revenue: $33.0m) and by 12% on a like-for-like basis. In sterling, System sales increased by 30% to £87.0m (2022 ten months: £66.7m) and by 8% on a like-for-like basis. The management team in North America continued to develop the FiltaMax strategic growth initiatives based on the Maximum Potential Model and experienced robust activity across all key customer sectors. Our focus is now on over 50 metro areas where franchisees can build businesses of scale.

Used oil volumes, sold for recycling into biodiesel, increased by 25% to 6.2m gallons, and to accommodate this, more franchisees have been installing 6,000 gallon tanks. However, in local currency, this was more than offset by a fall in the average weighted selling price of 21% compared with 2022, resulting in a 1% year-on-year reduction in revenue. In sterling term, a decline in the average weighted price of 22% resulted in a decline in revenue of 3%. At the start of 2024, the price of used oil continued to decline but has now stabilised at a lower level, impacting revenue and margin in the current year for both us and our franchisees.

Excluding the revenue from used oil sales and on a like-for-like basis, System sales in North America increased by 19% in local currency and 12% in sterling. To reduce our reliance on used oil sales and to better align us with our franchisees we are transitioning towards an income model based on management service fee ("MSF"). This will be introduced as fast as possible but in some cases may have to wait until the renewal of the franchise agreement, which could be as long as nine years.

The range of services offered to our commercial kitchen customer base is also being expanded with the addition of new bulk virgin oil sales and a kitchen cleaning service, on which MSF will be immediately payable. The delivery of virgin oil (FiltaGold) has been developed with the roll-out of bulk oil handling equipment to franchisees. This will enable them to buy virgin oil in bulk, dispense it into reusable 17-litre "jugs", and profitably supply it to customers at a competitive price. An additional attraction to our customers is the ESG benefits arising from the reduction in the waste they generate from the use of reusable jugs, which will be reported to them in the monthly Environmental Statement that Filta provides.

Chairman's Statement continued

We have also strengthened the management team of the North American business by recruiting John Michals as Chief Operating Officer. John joined Filta as the franchisee for New Jersey just before the COVID lockdowns but has subsequently led one of the fastest-growing franchises in the network. He is well respected by his fellow franchisees, having previously been President of the Filta Franchise Association. We look forward to working with John and using his valuable experience to accelerate the growth of the Filta system in North America.

Filta's European markets are at an earlier stage and require more work to develop a compelling corporate and franchise model. A number of different strategies are being considered at present to grow this business and eliminate its small losses, including merging the overhead with the established Pirtek business in Europe.

Filta is an almost unique business, with virtually no direct competition and a huge potential market in the US, where customers can benefit from both the cost savings resulting from oil filtration and the environmental benefits arising from the responsible recycling of used oil and fats, oils and grease ("FOG") management. This business has real traction in the US and is poised for significantly accelerated expansion with the strengthening of the management team.

B2C division

The B2C division comprises the ChipsAway, Ovenclean and Barking Mad franchise businesses. The franchise recruitment and retention environment in the UK continues to be challenging. Record employment levels, high wages, high interest rates, and elevated inflation have made people more risk-averse and less attracted to self-employment, even in the relative safety of a franchise model.

Notwithstanding this backdrop, franchise recruitment in 2023 matched that for 2022, with 39 new franchisees joining our B2C brands, and the number of leavers declined from 69 to 59. Overall, we closed the year with 327 franchisees compared to 347 at the end of 2022. In a difficult market, we consider this to be a creditable performance.

In early 2023, we announced that we intended to seek a buyer for the B2C division. While offers were received, these did not meet our expectations, so we decided to suspend marketing activity until further notice. This remains the current position.

Digital transformation

In my 2020 statement, I announced a three-year journey to further develop our IT systems so that jobs could eventually be booked online, deployed to an engineer, reported to our customer, and billed with minimum human intervention. I anticipated that efficiency gains and enhanced sales opportunities would cover the additional cost of the more extensive digitisation of the business and thereby have very little effect on short-term profitability.

Most of the 2020 technical objectives have been met and are being rolled out across the business. The recent acquisitions of Filta and Pirtek have given us the opportunity to implement these developments on an international basis and further enhance them with the new tools available through AI. As an international group that is now more visible, we also need to be ever-more vigilant in cyber security.

We are now taking a further strategic step by creating a centralised international IT function. This function will manage every aspect of the digital landscape for the whole business, ensuring efficient day-to-day IT operations and accelerating new developments that can positively impact the Group. This move builds on the expertise we acquired with Azura, enhancing our systems and platforms. Our aim is to migrate most of our UK and European businesses onto a uniform platform based on our "Vision" works management system and a new accounting system, further streamlining our operations.

This will once again increase our IT expenditure in the short term, but as we replace third-party systems, on which we pay licence fees, with our own internally developed systems, the additional costs of the roll-out will decline.

Azura, already a SaaS supplier to around 30 non-group franchise businesses, is also growing as its work for the group enhances its software platforms, making them more attractive to larger third-party users. I anticipate this business becoming a more significant contributor to group profits over the coming years.

Corporate governance

In line with the expansion of the Group and our ambitions for the future, we have developed our corporate governance by introducing a two-tier Board structure. The plc Board now comprises two Executive Directors and three Non-executive Directors, two of whom are independent. I am pleased to welcome to the plc Board Mark Fryer, who joined us as Chief Financial Officer in August, and Peter Kear, who joined us as our Senior Independent Non-executive Director in October. I am also pleased to welcome Rob Bellhouse, previously an independent Non-executive Director, as Company Secretary.

The Management Board is made up of the Chairman, the Chief Financial Officer, the divisional CEOs, the Directors of the central support functions, and the Company Secretary. It is responsible for the day-to-day operational and financial management of the business and the delivery of the Group's strategic plan.

Corporate development and capital allocation

Following the acquisition of Filta and, more recently, Pirtek, our strategic focus is on integrating these businesses into the Group and repaying the acquisition debt facilities.

We will also seek to organically grow System sales by cross-selling all group services into our enlarged customer base, and expanding the range of services offered to deepen and widen this customer base. We will also seek to use our shared central services of finance, IT, and marketing to enhance the effectiveness of all our businesses while looking to reduce costs by sharing resources.

Chairman's Statement continued

Capital allocation decisions will balance debt reduction, a progressive dividend policy and organic investment in the Group. The Board does not expect to make any further acquisitions of scale until the Pirtek acquisition debt is substantially repaid.

Outlook

The acquisitions of Filta and Pirtek have significantly advanced our ambition of building a market-leading international B2B multi-brand franchisor that generates its income equally from the UK, North America and Continental Europe. The resilient underlying demand for the Group's essential reactive services means that the business continues to perform well and grow. Its key divisions all achieved record results in 2023, despite some softening in demand in the second half of the year in the construction and hire-fleet customer sectors which has continued into the current year.

The reduced pricing being received for used oil in the US also impacted profits in 2023, and whilst volumes continue to grow, the price continues to soften which will impact our income in 2024. The change in the accounting treatment of franchise recruitment income from taking revenue upfront to spreading it over the life of the franchise agreement may also impact profit in 2024.

Our short-term operational focus is integrating all the Group's businesses and repaying the Pirtek acquisition debt, which is progressing well. We are beginning to share resources internationally, particularly in IT, which will accelerate our operational gearing for both us and our franchisees in the coming years.

The Maximum Potential Model, which we use to estimate the size of the markets in which we operate, demonstrates the significant opportunity we have for all our B2B businesses. The Group's System sales in 2023 were £350m, but we estimate the maximum market potential for Metro Rod, Filta International, and Pirtek, based on just the existing range of services we offer, to be £1.8bn.

We have incorporated this methodology into a medium-term strategic model that we set out at our Capital Markets Day on 20 February 2024. The strategic model underscores the Group's medium-term ambitions of growing System sales at a compound rate of 11-12% to achieve c.£600m in 2027. Operational gearing, enabled by technology, will also be a significant driver of Adjusted EBITDA growth. Our operational gearing KPI is the ratio of Adjusted EBITDA to System sales which in 2023 was 8.6%. We aim to improve this by 30 basis points per annum, which, if achieved, would result in an Adjusted EBITDA of c.£60m in 2027.

As a franchised business, the Group is highly cash-generative, and we will use this cash flow to de-gear, with the modelling indicating that we will be in a net cash position by the end of 2027. Whilst this is not a forecast, it demonstrates the tremendous opportunity we have and gives me great confidence in our future prospects.

Conclusion

2023 has been another busy year as we build a Group with a truly international reach. I would like to welcome our new colleagues at Pirtek and look forward to working with them for many years to come. 2024 is bringing a changed focus as we work on integrating the recent acquisition and repaying our debt, but I am not expecting this to be any less exciting for the excellent corporate team we are building.

Of course, none of this would have been possible without our dedicated franchisees, so I would also like to thank them for their continued hard work and commitment to building our great business. We truly believe that if our franchisees grow, we grow.

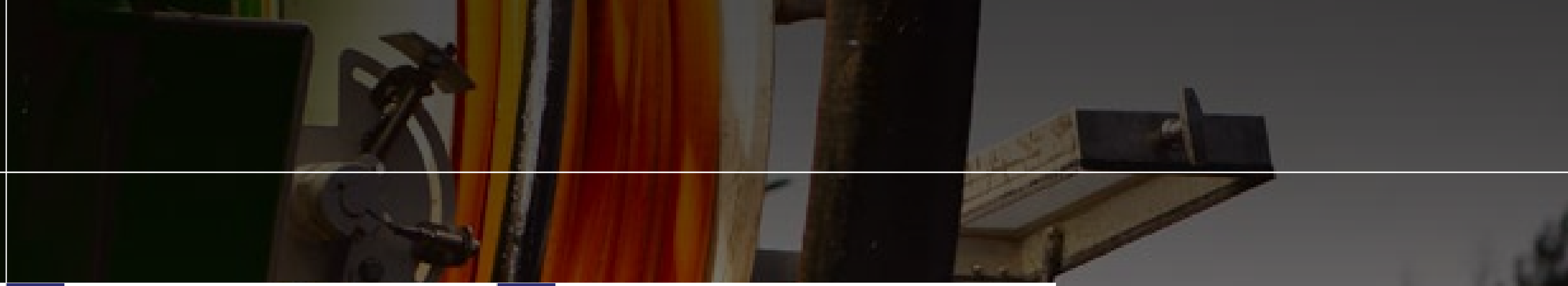
Stephen Hemsley
Executive Chairman
19 June 2024

Building the Board: Non-executive Director profile

Nigel Wray

While I have been a Director since well before the IPO in 2016, I am still as enthusiastic as ever about the opportunities ahead for all our businesses. All our brands currently have small market shares of relatively large addressable markets, so the potential for the business is real.

The Maximum Potential Model described on pages 16 and 17 gives us a toolkit to help drive growth throughout the Group. The beauty of the Maximum Potential Model is that it is entirely practical and realistic: it's simply a question of everyone aspiring to do what the best of their peers is already doing. I saw the model in action when I was a Director of Domino's Pizza Group, and look forward to seeing the results when applied to Franchise Brands' portfolio of businesses. We also have a team of really good, committed people, which is the starting point of any business.



Business building strategy

We build market-leading businesses primarily via a franchise model. Our business-building strategy has five engines of growth.

Expanding and developing our services

Widening and deepening our range of services enables us to drive penetration and revenue per customer. We have a small share of large, fragmented markets as illustrated by the Maximum Potential Model.

Progress in 2023

In our Water & Waste Services division, pump sales increased by 21% and tanker sales by 23%. Metro Plumb also experienced strong growth. Pirtek increased technical sales and Total Hose Management ("THM") in its main markets of Germany, the UK and Benelux. Filta International launched FiltaGold and FiltaClean, both royalty-based services.

Priorities for 2024

Continue to drive pump and tanker sales and grow Metro Plumb. Drive THM and technical sales at Pirtek. In Filta International, upsell FiltaGold and FiltaClean to existing customers and target new customers.

Developing a Group technology platform

Our Group-wide digital platform helps enhance the customer experience service and increase sales. It also helps improve retention, drive efficiency and productivity and assists people in doing their jobs, in particular our engineers.

Progress in 2023

We added further functionality to our core Vision works management system which included the start of the rollout of advanced scheduling to engineers. We continue to automate manual, repetitive processes, particularly in our Support Centres. We started the process to integrate Pirtek onto the Group's IT platform.

Priorities for 2024

Further strengthen cyber-security of the Group. Roll-out our Vision works management system across Pirtek's business. Commence establishment of a shared group-wide Customer Relationship Management ("CRM") system.

Strategy continued

Leveraging shared central services

Leverage the investment in technology and other central services such as marketing and finance to optimise the effectiveness of the business across functions and geographies.

Progress in 2023

Established centralised international IT structure guided by the "Star Chamber" to approve and prioritise major IT projects. Group marketing team formed which co-ordinates activity and shares ideas across the Group. A Group finance function is in the process of being developed.

Priorities for 2024

Complete formation of centralised IT function with further recruitment for prioritised projects. Strengthen the Group finance function to anticipate ever growing audit and compliance requirements, whilst still providing relevant management information to commercial managers.

Optimising our service delivery

Our objective is to grow our business with a franchise model. However, we will invest in DLOs where they accelerates the growth of our franchise businesses.

Progress in 2023

Willow Pumps continues to enhance the pump service provided by Metro Rod. The franchise channel of Filta UK is replacing the direct labour channel in the servicing of GRUs. Pirtek is strengthening its central team to support franchisees in offering higher value "technical" sales.

Priorities for 2024

Continue using Willow Pumps in the training and support of Metro Rod franchisees in the provision of pump services. Expand the Filta UK franchise system to allow the migration of more services from the DLO. Investigate how we can further support Pirtek franchisees in the expansion and diversification of the services they offer.

Developing our businesses

Ability to benefit from cross selling and upselling opportunities across our brands, and launch our brands into new markets.

Progress in 2023

We started to see the benefits of cross selling and upselling the complementary services within the Water & Waste Services division. Cross selling steering group between Pirtek and Water & Waste Services division formed post the Growth Summit.

Priorities for 2024

Target key customers for our range of services. Salespeople tasked with selling all Group's range of services. Developing the Group CRM will assist the cross selling.

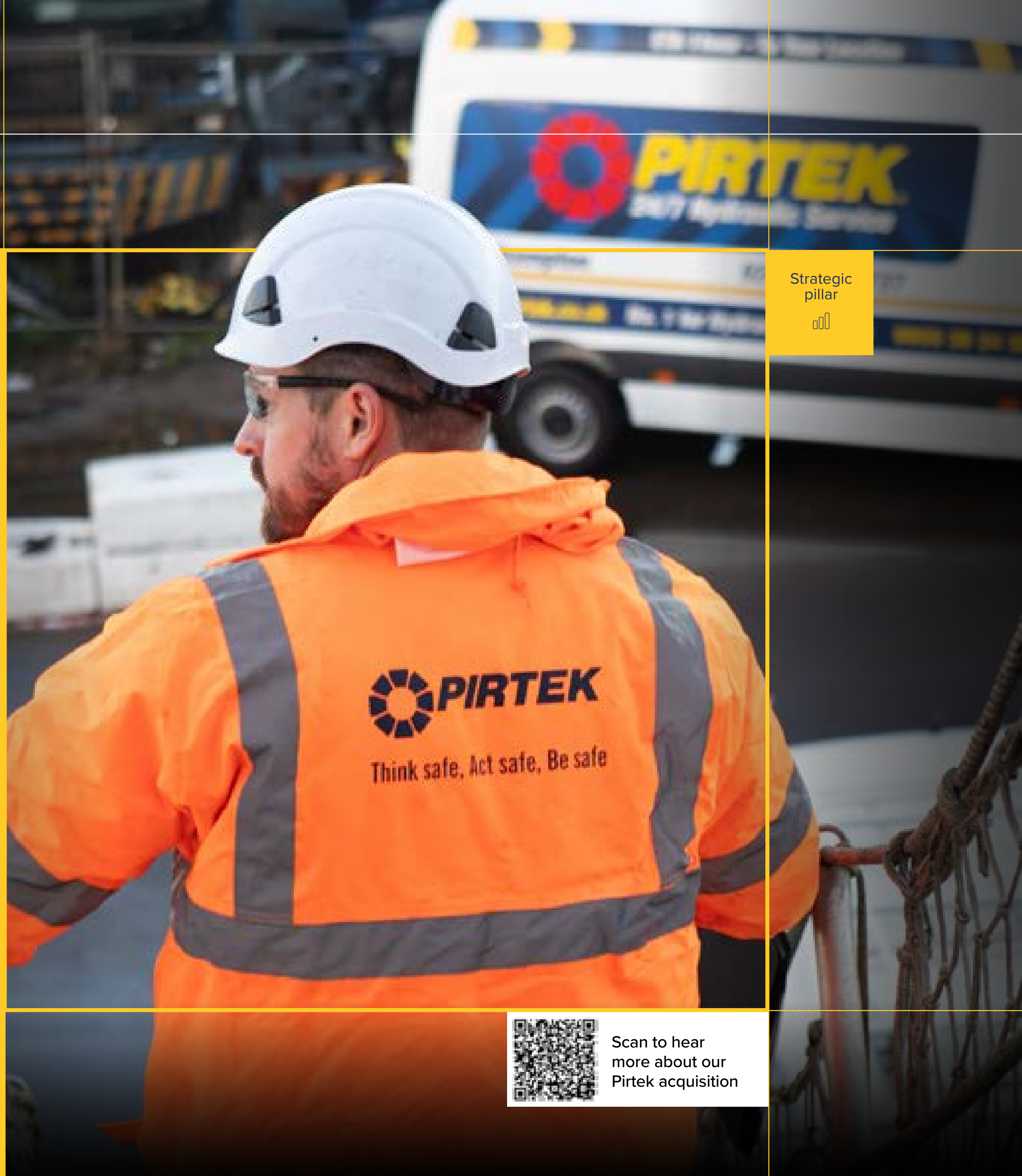
"We have a proven strategy of growing franchise businesses, including successfully unlocking and then growing businesses we have acquired."

Julia Choudhury
Corporate Development Director

Strategy in Action

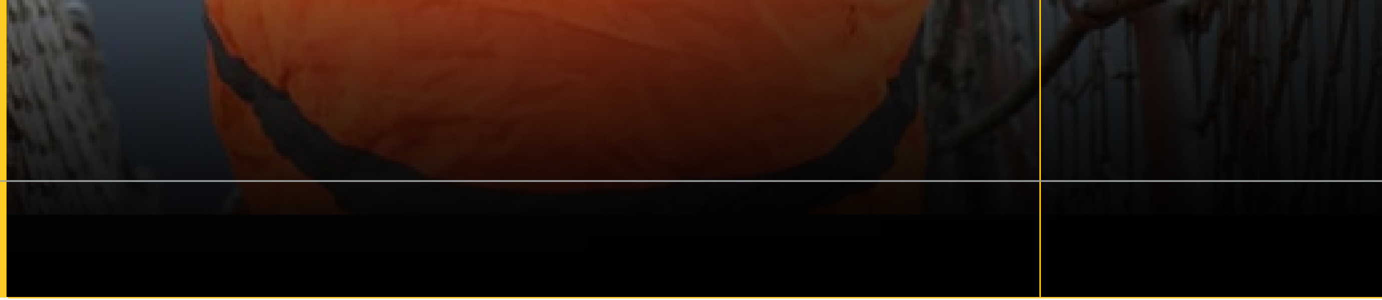
Pirtek acquisition

In April 2023 we acquired Pirtek, the market-leading European provider of on-site hydraulic hose replacement and associated services, operating in eight countries.



Strategic pillar

Scan to hear more about our Pirtek acquisition



Strategy in Action continued

Pirtek in numbers

£126m
System sales*

73
Franchisees

£42m
Statutory revenue*

217
centres

Pirtek is an established provider of on-site hydraulic hose replacement and associated services. The service is provided through 217 service centres with over 850 mobile service units ("MSUs"). 94% of System sales is derived from franchise channels.

The largest businesses are the UK and Germany which account for 81% of System sales. Pirtek operates nine corporate franchises and DLO operations in the early-stage markets of France and Sweden.

* Contribution in period of ownership from 21 April 2023.

"The Pirtek team is like a family with our people being the best in the business. They do the impossible every day and they do it within the hour."

Chris Stuckey
CEO Pirtek Europe

System sales are primarily generated by providing an emergency response service to a wide range of commercial customers who use hydraulic equipment in their operations. Typically, a hydraulic hose will fail when equipment is in use and needs replacing on site.

Pirtek targets a one-hour response time, 24/7/365, with the demand for this time-sensitive service being greatest in sectors with high labour costs, well evolved customer service standards and high downtime costs. In most cases, Pirtek's highly trained technicians can assemble and fit a replacement hose from the stock and equipment held on the MSU, enabling a first time fix.

Pirtek is expanding its range of services from the critical emergency response, allowing it to provide total solutions to customers. These expanded services include total hose management which involves the inspection and cataloguing of all hoses in a customer's premises which are then registered and tagged, allowing both the emergency and scheduled replacement. Technical engineering and full preventive maintenance programmes are also being developed.

Pirtek has a diverse portfolio of thousands of customers across a wide range of end markets including waste disposal, industrial, construction, plant rental, logistics, maritime and rail.

Key points

- High degree of resilience due to emergency reactive services. Targets a one-hour response time.
- Diverse portfolio of thousands of customers across a wide range of end markets. The largest customer accounts for <1% of revenues.
- Carries out approximately 500,000 jobs per annum.
- Supplies c.2,500 core products to franchisees.
- Management service fees range from 15% to 19.5%. Product sales charged at cost plus handling fee.

Range of services

- Emergency on-site hydraulic service
- Non-urgent hose replacement
- Trade counter service and support
- Planned maintenance and servicing
- Total hose management (THM)
- Hose flushing, testing and fluid analysis
- Ram repair and manufacture, oil spill products

Pirtek's perpetual, royalty-free master license agreement enables trade in a further eight European markets which will be developed when the existing early-stage markets become more mature and profitable.

→ Read the Pirtek divisional review on pages 20-25

Strategy in Action

Strategic pillar

System sales in 2023

System sales of the Group's main businesses of Metro Rod, Filta International and Pirtek* in 2023.

Metro Rod

£72m

Filta International

£90m

Pirtek

£170m*

Total

£332m

* Pirtek 2023 system sales of £170m are annualised figures for UK & Ireland, Germany & Austria, Benelux.

Maximum Potential Model

Our Maximum Potential Model allows us to estimate the potential System sales using our current data of how franchisees are performing in each territory.

The methodology is based on "best of the best" metrics being achieved by franchisees in each territory including market penetration and revenue per site or address. We multiply these metrics out against third party data for the total potential number of customers to establish maximum potential System sales for each business.

The model allows us to map the potential by franchise territory and optimise territories by developing plans for increasing penetration and spend.

Scan to read more about our maximum potential model

What's the potential?

Our modelling shows maximum potential System sales of £1.8bn for Metro Rod, Filta International and Pirtek compared to only £332m currently.

Metro Rod

£293m

Filta International

£752m

Pirtek

£746m

Total Group maximum potential System sales

£1.8bn

Maximum Potential Model Methodology

We map total potential customers through the most appropriate data measure for each brand.

A combination of third party data extracted using Standard Industrial Classification ("SIC") codes and existing customer data are used to estimate the total number of potential customers.

For Pirtek, we have made some modifications due to the non-fixed or mobile nature of its customer base. For example, a construction company has multiple sites and work is carried out across a number of franchise territories.

Using industry data, we have split Pirtek's UK market into mobile and technical sales. THM and technical sales are relatively new services and under-exploited sectors, hence their impact is under-represented in the data.

A number of the Group's businesses have been excluded from this analysis, for example, if the operation is sub-scale, as the data would not be meaningful. The following are excluded: Metro Plumb, Willow Pumps, Metro Rod B2B2C (Business to Business to Consumer) and domestic customers, Pirtek France, Pirtek Sweden, the B2C division and Azura. Hence the current market size of £332m is less than the Group's total System sales of £350m.

The Maximum Potential Model in action

Strategic drivers

These strategic drivers can be applied to all the Group's franchise brands:

- Map potential by franchise territory.
- Franchise territory development: "Hot spot" and "not spot" territory penetration.
- "Use it or lose it" to focus franchisees on developing under-exploited areas.
- Long-term territory development plan for increasing penetration and spend per customer.

Growth drivers

These drivers help grow sales for each of our businesses:

- Widen and deepen the range of services.
- Industry sector expansion based on margin expectations.
- Deepen custom relationships and grow share of wallet.
- Cross sell and upsell services across the Group's brands.
- Contact strategy for lapsed or low-spend businesses.
- Optimise franchise networks.

Strategy in Action continued

Strategic pillar

Growth Summit

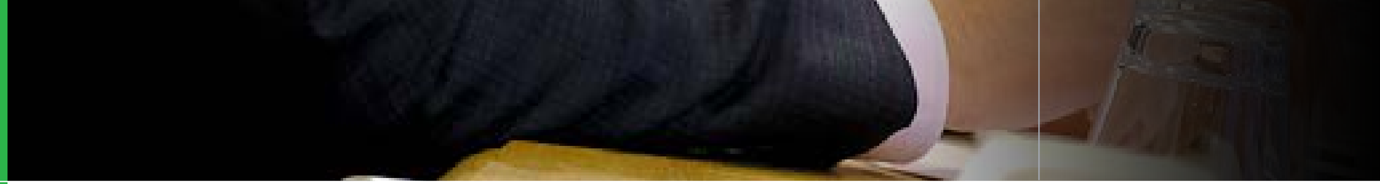
In November 2023, we held our inaugural Growth Summit in Amsterdam, bringing together some 65 leaders from ten countries. The main objective was to connect everyone across the Group and develop ideas to grow the business.

"If they grow, we grow".

Focus

- **Generating ideas to grow System sales**
- **Optimising and growing our franchise networks**
- **Identifying Group technology opportunities**
- **Integration and efficiencies to drive operational gearing**

Scan to read more about our growth summit



Strategy in Action continued

Live poll result for attendees

96%

felt more connected to each other, the Group, the strategy and our culture

> We have big ambitions and a clear growth strategy. This event was a great success and helped everyone connect with each other, our strategy and our culture."

Stephen Hemsley
Executive Chairman

Connecting with each other and developing growth ideas

We hosted an inaugural Growth Summit in November 2023 in Amsterdam. Some 65 leaders from across ten countries got together for two days joined by the plc Board. Given we have doubled in size twice over the past two years, and grown from 290 to more than 650 people in the Support Centres and DLOs, it was a great opportunity to get our leaders together face to face to develop relationships. We developed ideas to grow sales, accelerate the growth of the business, shared experiences and ideas.

The format was highly participatory and interactive with breakout groups and presentations by the team on their best growth ideas with prizes given out for the best ones. We hosted panel discussions with the leadership team to discuss the growth opportunities for each division, our development which included our guiding principles, and how we bring these to life.

Above all it was energetic and fun and a number of the growth ideas the team generated are already being implemented.

The feedback

> What an inspirational event we had. Great to meet a lot of new colleagues and establish relationships to share ideas and cooperate to grow the business further!"

Peter de Ru
Operations Director,
Pirtek Benelux

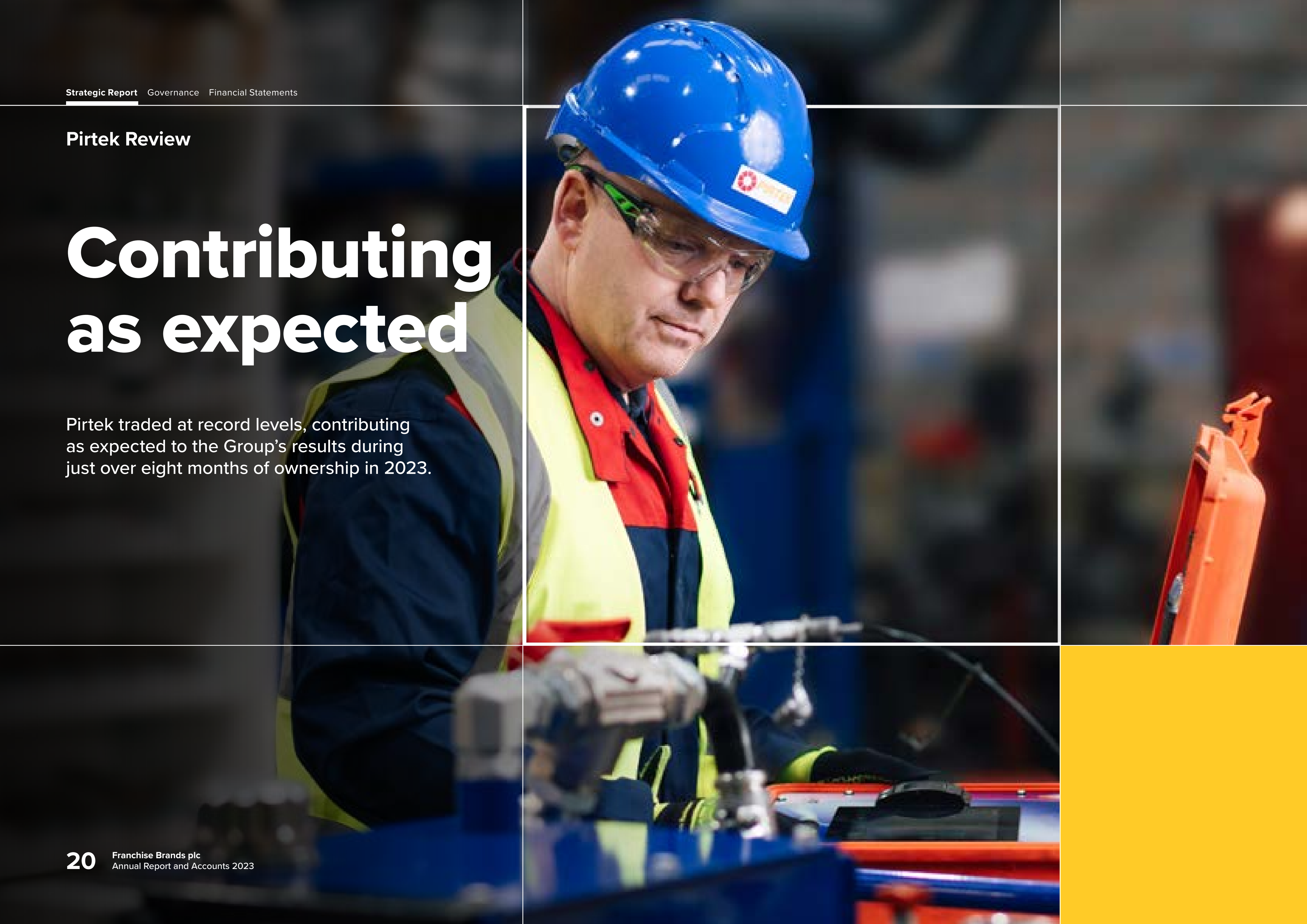
> A fantastic, thought-provoking event. It was great to see everyone and meet the wider Franchise Brands team."

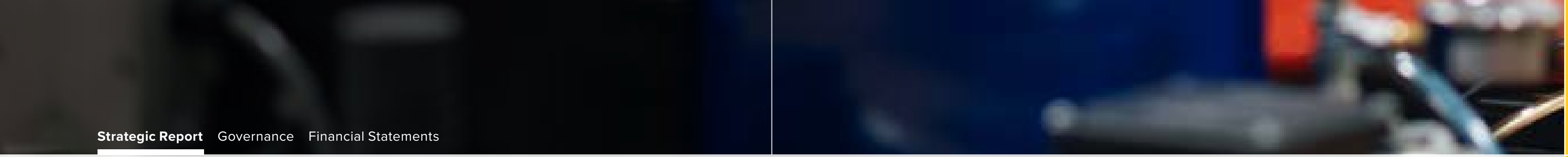
Abigail Smith
Group Marketing Manager,
Water & Waste Services

Pirtek Review

Contributing as expected

Pirtek traded at record levels, contributing as expected to the Group's results during just over eight months of ownership in 2023.





Pirtek Review continued

Priorities in 2024

+ **Integration within the Group, in particular consolidation of technology**
+ **Leverage best practice within Pirtek, develop cross selling**
+ **Implement the Maximum Potential Model**

"The integration of Pirtek is progressing well, and the Maximum Potential Model has shown significant opportunities for growth. With Franchise Brands as permanent owners of the business, we are optimistic that these opportunities can be realised."

Chris Stuckey, CEO Pirtek Europe

Pirtek traded at record levels

During just over eight months of ownership in 2023, Pirtek traded at record levels, contributing as expected at the time of the acquisition. The Pirtek division generated total System sales of £126m, statutory revenue of £42m and Adjusted EBITDA of £13.3m in this period.

The largest businesses of the UK & Ireland, Germany & Austria and Benelux which have national coverage and are substantially franchised, performed well and contributed 94% of System sales. The start-up markets of Sweden and France, which are DLOs, contributed 6% of System sales. They have regional coverage and make a small profit.

New management and integration

During the year, Chris Stuckey, previously Managing Director of Pirtek UK, was promoted to CEO of Pirtek Europe. Adam Burrows, previously Sales Director of Pirtek UK, was promoted to Managing Director of Pirtek UK.

The Pirtek businesses have historically operated on a more stand-alone basis. Following the senior management changes, we are integrating Pirtek more closely and encouraging the sharing of resources, systems, knowledge and customers. An area of particular focus is IT and we are customising our Vision works management system to replace outdated Pirtek third party systems. We expect this will result in improved functionality and cost savings for both the franchisees and corporate.

Significant opportunities for growth

The Maximum Potential Model has shown that Pirtek has a significant opportunity to grow its developed markets through the expansion of its reactive business and by broadening the range of services offered in existing and adjacent markets. The earlier-stage markets also have huge potential to reach critical mass, particularly as competition is fragmented.

Cross selling opportunities

We also see a significant opportunity for co-operation with the Metro Rod and Filta businesses at both the franchisee and corporate levels. We believe this will lead to an acceleration of System sales growth for the Group and efficiencies will lead to a reduction in overheads and drive operational gearing.

£126.0m
system sales*

£41.9m
revenue*

£13.3m
adjusted EBITDA*

* Contribution in period of ownership from 21 April 2023.

Pirtek Review continued

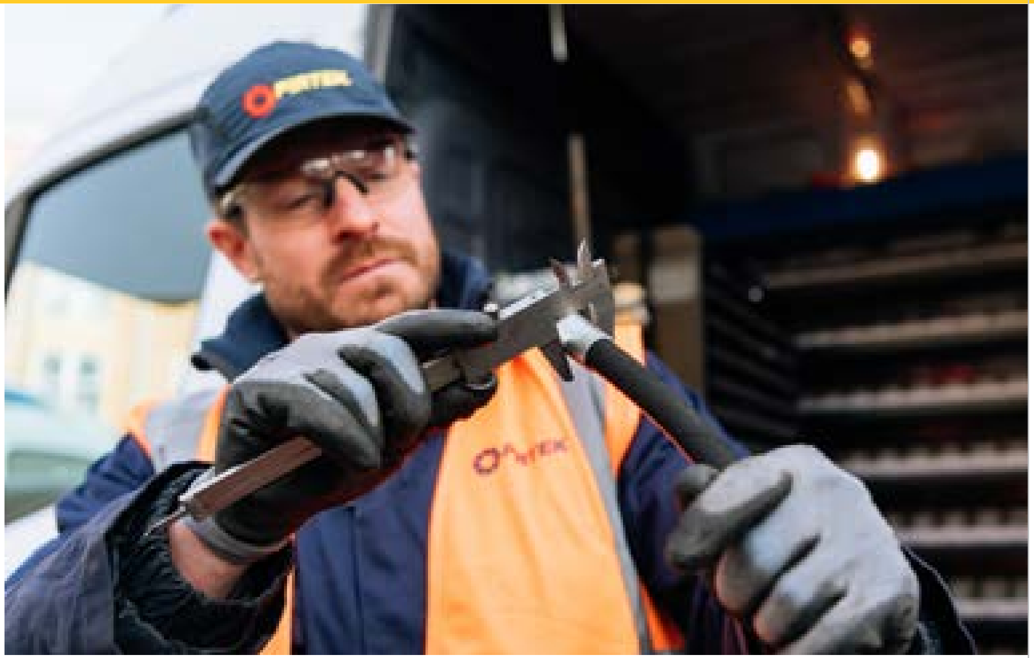
UK & Ireland

The UK & Ireland business generated System sales of £56m and statutory revenue of £16m in the period of ownership. Established in 1988, it is the largest business in the Pirtek division with 86 service centres and 40 franchisees providing full national coverage operating with 333 mobile service vehicles.

Pirtek is the market leader in reactive hose replacement and repair, and is actively expanding its range of services to grow planned work including THM and technical sales which currently account for less than 10% of total sales. The top three sectors are plant and rental (13%), waste management (12%) and transport and logistics (10%).

The business renewed and won a number of important contracts during the year, in sectors such as rail and waste management. A number of these contracts diversified the sector focus away from construction and plant hire, a key area of focus. We also carried out large scale (>£50k) project work for customers in the aerospace, food and beverage, engineering and metals and recycling industries.

The ethos of Pirtek is to build relationships, create opportunities and increase sales. A key area of focus in 2023 was rolling out the Growth Tools, originally developed in the UK to grow national accounts,



to franchisees to grow their local customer base. The tools help franchisees drive opportunities in their local markets.

The growth tools include CRM sales calls, local marketing, promotion of the customer portal, technical sales and THM. The customer portal has proved very popular, with 50% of our national account customers now using it and 45% of portal customers having placed orders on the platform.

70 service centres now offer technical sales which increased 30% in 2023. 41 service centres offer THM and the number of hose lines recorded increased 50%.

Three service centres were sold by franchisees to centre managers, and Pirtek bought back one underperforming franchise which is now managed corporately. Fee income is generated on each of these resales. Pirtek UK has two franchise territories that are managed corporately.

Priorities in 2024

Pirtek UK & Ireland

- **Implement Maximum Potential Model**
- **Continued focus on technical sales and THM**
- **Sales growth initiatives including further development of the customer portal and local sales**
- **Cross selling to Metro Rod customers**

£56m
system sales*

£16m
revenue*

40
franchisees

* Contribution in period of ownership from 21 April 2023.

Pirtek Review continued

Germany & Austria

The German and Austrian business generated System sales of £47m and statutory revenue of £11m in the period of ownership. It is the second largest business in the Pirtek division with 98 service centres and 22 franchisees providing full national coverage in Germany operating with 350 mobile service vehicles.

The German business accounted for 36% of the Pirtek division's System sales. The top three sectors are construction (36%), industrial (20%) and logistics (12%).

THM accounts for 18% of sales and grew strongly by 20% in 2023. We expanded the range of THM customers carrying out some large scale works. For example, we replaced all outdated and defective hydraulic hose lines on a number of injection moulding machines and recorded those in the THM database. We also retrofitted safety components. In another project, we are replacing outdated and defective hoses on tooling machines for a global market leader in rail components. We expanded our range of THM services with a pressure accumulator management service. We also carried out a number of larger (>£50k) projects for an industrial equipment manufacturer, and rail and construction customers.

We opened a new centre in Trier, near the Luxembourg border, which gained tremendous traction during the year. We also rolled out initiatives to help franchisees buy vans and open new centres. The concentration of physical Pirtek locations in Germany has yet to reach the critical mass achieved in the UK and Ireland. We therefore continue to work with franchisees to expand the number of physical locations to optimise service delivery. We are supporting franchisees to split their existing territories and add additional centres and vans which will continue to drive System sales going forward.

In response to demand, we expanded our central billing of national account customers, This reduces the administrative burden for customers, making it easier for them to transact with Pirtek. This will be further developed in 2024.

Our Austrian operation is sub-scale, with three franchisees operating in the five largest cities in Austria. This includes two service centres in Vienna and an owned centre in Graz.

Priorities in 2024

Pirtek Germany and Austria

- **Drive further geographic expansion of service centres and vans**
- **Continued expansion of THM and technical sales through additional sales resource**
- **Use the Maximum Potential Model to help optimise the franchise network**

£47m
system sales*

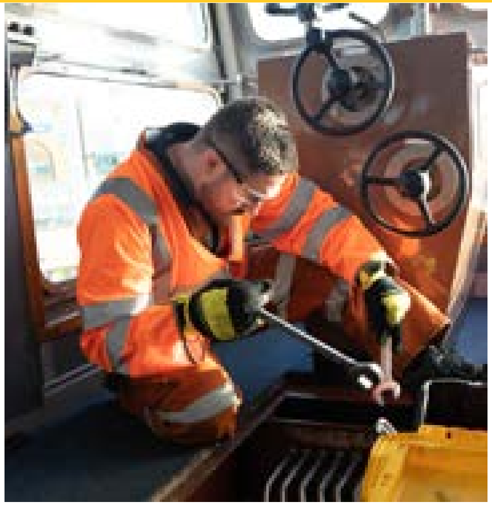
£11m
revenue*

22
franchisees

* Contribution in period of ownership from 21 April 2023.

Pirtek Review continued

Benelux



The Pirtek business in the Netherlands and Belgium generated System sales of £16m and statutory revenue of £8m in the period of ownership. It has 11 franchisees, 24 service centres and 108 vans.

Pirtek Benelux traded well in 2023 driven by strong sales growth which was assisted by a substantial increase in project work. The business operates six service centres corporately, two in Rotterdam and four in Belgium. The Dutch owned service centres performed well, in particular the Europoort centre.

Pirtek Benelux has a diversified client base with the top 15 customers accounting for 14% of total sales. The business carried out a number of major (>£100k) projects for a range of customers in the engineering, maritime, offshore contracting, aerospace and defence, elevator & escalator and equipment rental. The client base was further diversified during the year with increases in offshore transportation and waste management.

By the end of the year all franchisees were converted to a royalty model which aligns our interests with that of the franchisees.

Total hose management is an important part of the growth potential following the conversion to the royalty-model and sales increased by nearly 80% in 2023. 22 service centres are using the THM portal.

We built on our position in Belgium, opening a new service centre in Antwerp harbour. We introduced outbound CRM following its success in the UK and a number of service centres are now participating.

Priorities in 2024

Pirtek Benelux

- **Focus on driving technical sales and non core products with additional sales focus**
- **Grow System sales in owned centres in the Netherlands and Belgium**
- **Use Maximum Potential Model to identify potential new customers and increase spend of existing customers**

£16m
System sales*

£8m
Revenue*

11
franchisees

* Contribution in period of ownership from 21 April 2023.

Pirtek Review continued

France

Pirtek France generated System sales and statutory revenue of £5m each in the period of ownership.

The French business, which is a DLO, is at an early-stage having been established in 2021 and 2022 through three small acquisitions.

The business has eight service centres, six of which are in the Île de France region, with two in Lyon and Grenoble. The service centres operate 42 vans. The three main sectors are construction (40%), rental (20%) and industrial (8%). A priority is to diversify the customer base.

In 2023 we optimised our coverage in the Île de France region, ensuring engineers and vans were most effectively located. We also closed the centre in Bondoufle and acquired a new centre in Étampes, which is some 50km to the south west of Paris.

This represented our first expansion outside of the Greater Paris area, although still within the Île de France region. The service centre in Étampes allows us to service a proven industrial area in addition to the cities of Chartres and Orleans. We also made good progress building up the service centre in the east of the Île de France.

During the year we focused on building up the MST base by recruiting new engineers and increased numbers substantially over the course of the year. However, the environment to recruit and retain MSTs remains challenging.

During the year the management team was completed with the recruitment of sales and IT managers. This is facilitating a rapid integration with the wider Group, particularly in the area of technology, where plans are underway to roll out the Vision works management system.

The French market provides significant potential for expansion given its size, which is between that of the UK and Germany, and where mobile services are advanced but less so than the UK and Germany.

Sweden

Pirtek Sweden generated System sales and statutory revenue of £2m each in the period of ownership.

The Swedish business is at a relatively early stage having been established through the acquisition of a DLO in 2017. It continues to operate as a DLO with an office in Stockholm, a service centre in Gothenberg and operates a total of 25 vans.

During the year, we added additional vans in Malmo and Östergötland to increase the geographic reach and we continue to optimise the service delivery footprint.

We made good progress diversifying our sector coverage from construction to waste management and other less cyclical sectors. We also won our first THM client in the injection moulding sector. We are now focused on rolling out the proven growth tools with the initial focus on outbound CRM.

Priorities in 2024

Pirtek France

- Expand geographic coverage around the Île de France and Rhône-Alpes region
- Increase capacity of vans and technicians and expand service offering
- Diversify customer base away from construction

£5m	£5m	42
System sales*	Revenue*	vans

Pirtek Sweden

- Expand regional coverage in Stockholm
- Expand THM
- Diversify the customer base

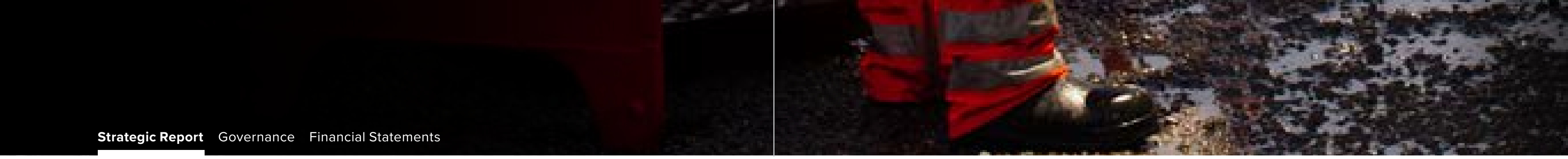
£2m	£2m	25
System sales*	Revenue*	vans

* Contribution in period of ownership from 21 April 2023.

Water & Waste Services Review

Continued strong growth

The newly named Water & Waste Services division had an excellent year. The main drivers of growth were Metro Rod and Metro Plumb. The division also experienced integration and cross selling benefits.



Water & Waste Services Review continued

Priorities in 2024

+ **Accelerate cross selling, including to the Pirtek customer base**

+ **Continue to grow Metro Plumb through focused management and acceleration of sales**

+ **Further drive efficiency and productivity for franchisees and Support Centre through automation and labour optimisation**

> I was very pleased by the continued strong growth of the newly named Water & Waste Services division. The main drivers of growth were Metro Rod and Metro Plumb. The division also benefited from the integration of shared services and cross selling."

Peter Molloy, CEO Water & Waste Services division

An excellent year

The newly named Water & Waste Services division, which includes Metro Rod, Metro Plumb, Kemac, Willow Pumps and Filta UK, had another excellent year, growing System sales by over 18% to £106.7m and statutory revenue by 16% to £48.9m. Renaming the division provides more clarity and differentiates the business from Pirtek.

Continued strong growth

2023 was a year of significant progress on multiple fronts. The Metro Rod and Metro Plumb businesses performed particularly strongly with System sales growing by 20% to £72m and statutory revenue growing by 23% to £15.2m. This was driven by a 12.5% increase in average order value as higher value tankering and pump work grew faster than reactive repair work.

Divisional integration and cross selling

We increasingly realised the benefits of integration and cross selling across the division. The journey to integrate and share central services such as marketing, finance, HR, technical, health & safety is well underway.

We have also transferred some activities to centres of excellence in the division such as the Metro Rod contact centre which now deals with Willow Pumps and Filta's out of hours calls, resulting in improved administrative efficiencies.

Increased levels of cooperation across the business resulted in £3.2m of work being subcontracted by one business to another within the division.

We continued to grow pump sales with the expert help of Willow Pumps. 113 national account customers bought two or more services across the division, an increase of 82%. This resulted in a 36% increase in System sales from cross selling from £16m to £22m. We see significant opportunities to introduce customers to other services, including those offered by Pirtek.

Diversifying the customer base

As planned, we have reduced our dependency on certain sectors, in particular hospitality, to have a more diversified customer profile.

£106.7m
system sales

£48.9m
revenue

£10.9m
adjusted EBITDA

Water & Waste Services Review continued

METRO ROD
DRAIN CARE AND REPAIR

Metro Rod experienced continued momentum in 2023 driven by initiatives to widen and deepen our range of services to higher value work.

One of the faster growing revenue streams was local drainage which really ties into the principle of "if they grow, we grow". We continued to expand our range of services to higher value tanker work (up 23%) and pump work (up 21%). Tanker work now accounts for 17% of System sales and pump work for 4% of System sales.

Our franchisees are seeing the benefit of their investment in growing System sales, with 31 (out of 42) franchisees exceeding £1m in sales, two exceeding £3m and 11 exceeding £2m. The average size of a Metro Rod franchisee in 2023 was £1.6m.

We benefited from new franchisees joining the business by acquiring businesses from exiting franchisees. These new franchisees grew their System sales at 30-35%. We continued to drive operational gearing into the business through increased automation.

We sold part of the Kent & Sussex corporate franchise to franchisees who have the ability to accelerate the growth of the business. Finally, we set up a new recruitment function to help franchisees hire labour, with good initial results.

Priorities in 2024

- Continue to drive local sales
- Continue to accelerate tanker and pump sales
- Accelerate our recruitment capability for franchisees and support centre

METRO PLUMB
THE NATION'S LOCAL PLUMBER

Metro Plumb, which includes Kemac, our specialist plumbing business, remains our fastest growing revenue stream.

System sales increased by 22% and we attracted a net five new Metro Plumb franchisees during the year, taking the total of independent franchisees to 18. In addition, 19 Metro Rod franchisees operate a Metro Plumb franchise.

A total of 821 clients used our plumbing service in 2023, an increase of 10%. We are helping our franchisees to win more local work through sales and marketing support, including our first ever TV advert. 20% of the sales from our dedicated Metro Plumb franchisees are generated locally. We have reduced our dependence on lower value insurance work.

We have 91 NVQ plumbers in the network and a growing number of these have specialist skills. We expanded our range of services during the year and 21 franchisees now offer leak detection services.

Our strategy of creating independent Metro Plumb franchisees as opposed to having combined Metro Rod and Metro Plumb franchisees is proving successful. Eight Metro Plumb businesses achieved over £200,000 in sales, and three businesses achieved sales of over £500,000.

Priorities in 2024

- Recruit more new stand-alone Metro Plumb franchisees
- Help franchisees sell locally by increasing marketing and online sales
- Recruit dedicated corporate management for Metro Plumb

Water & Waste Services Review continued

Willow Pumps

The new management team shifted the business towards higher margin activities while continuing to build on initiatives with Metro Rod to drive pump sales.

A significant investment was made into the newly formed special projects division. This activity represents a slight change of direction but we are using our skills to develop capital light, higher margin business by managing larger projects using a well-established supply chain. This is expanding our customer base and our markets from our traditional service and installation sectors.

Pump service work average order value increased by 11% year on year across 15,241 completed jobs, increasing revenue by £1.3m. Willow Pumps continued to build on initiatives with Metro Rod to deliver pump services in an optimum way and a record £3.1m of sales was delivered by the Metro Rod network to external customers. Willow Pumps helped to upskill 18 new pump engineers across 15 Metro Rod franchises, delivering 720 hours of in-house and field training.

Finally, the Metro Rod Kent & Sussex territory that was managed by Willow Pumps was re-franchised in November allowing Willow Pumps to focus on its core business.

Overall, revenue increased 3% to £18.7m.

Priorities in 2024

- **Accelerate expansion of Metro Rod pump expertise**
- **Deliver and expand strong order book for Special Projects division**
- **Expand the core Service and Supply & Installation business**

filta

Filta UK is on a journey from being predominantly a DLO to a franchised business and a highlight of the year was the continued development and growth of the franchise network.

Seven new franchisees joined the network taking the total to 25 and more work was carried out by the franchisees as they took on more of the servicing of GRUs previously undertaken by direct labour. By Q4, 75% of all Filta's Fats Oil and Grease maintenance work was completed by the franchise network, including reactive and extra works, a 47% increase from the period immediately following the acquisition of Filta.

Towards the end of the year, we acquired the intellectual property rights of our market-leading GRU and the supply of units from the sub-contract manufacturer was restored following nearly a year of disrupted sales. We expect to reap the benefits of having a secure supply chain in 2024.

Overall, Filta UK System sales increased by 35% to £12.3m and revenue increased by 27% to £11.0m. The business continued to be integrated into the Water & Waste Services division in 2023, benefiting from improved health and safety, technical and HR.

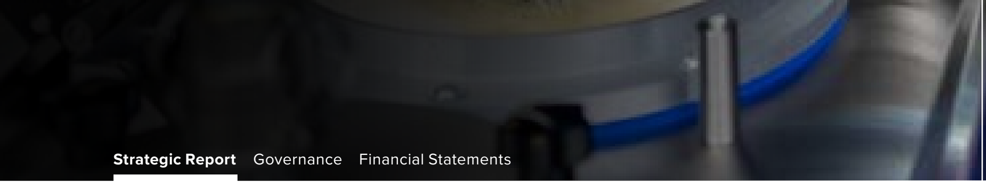
Priorities in 2024

- **Continue to grow and develop the franchise network enabling more work to be passed to franchisees**
- **Expand and develop the FiltaSeal customer base**
- **Roll out Vision works management system**

Filta International Review

Implementing FiltaMax

Filta North America continued to develop the FiltaMax strategic growth initiatives based on the Maximum Potential Model and experienced robust activity across all key customer sectors.



Filta International Review continued

Priorities in 2024

- Convert more franchise owners from a fixed to a percentage based royalty
- Roll out FiltaGold and upsell FiltaClean
- Recruit high quality and ambitious franchise owners in over 50 key metro markets to build businesses of scale

> Filta North America experienced a year of robust activity, with strong growth in System sales, the roll out of two new services and the development of the FiltaMax strategic growth initiatives based on the Maximum Potential Model."

Jason Sayers, CEO Filta International

A year of robust activity

Filta North America System sales increased 37% to $108.2m (statutory revenue: $33.0m) and by 12% on a like-for-like basis. In sterling, System sales increased by 30% to £87.0m (2022 ten months: £66.7m) and by 8% on a like-for-like basis. Excluding the revenue from used oil sales and on a like-for-like basis, System sales in North America increased by 19% in US dollars and 12% in sterling.

25% growth in waste oil recycling volumes

Waste oil recycling volumes increased over 25% to 6.2m gallons assisted by the continued roll-out of larger 6,000 gallon holding tanks in the franchisees' depots to total 65. However, growth in volumes was more than offset by a 21% fall year-on-year in the average weighted selling price, resulting in a year-on-year reduction of 1% in revenue in local currency revenue and a 3% reduction in sterling terms.

Transitioning to a full royalty model

We are transitioning towards an income model based on MSF to better align us with our franchisees and to reduce our reliance on used oil sales. This will be introduced as fast as practicable, but worst case, will have to wait until the renewal of the franchise agreement.

FiltaClean and FiltaGold Bulk Oil

We expanded our range of services during the year with the launch of FiltaClean, a new steam-based, eco-friendly deep cleaning service for commercial kitchens. We also launched FiltaGold Bulk Oil, a new bulk virgin oil supply service which includes the roll-out of handling equipment to franchisees. Both are royalty-based services which will help drive MSF income and further improve our ESG credentials.

Implementing FiltaMax strategy

We continued to develop the FiltaMax strategic growth initiatives based on the Maximum Potential Model with a focus on territory optimisation in the over 50 key metro markets identified for major growth.

Strengthening the corporate team

We were pleased to appoint John Michals as the new Chief Operating Officer to help execute the FiltaMax growth plan. John became a Filta franchise owner in 2019 and grew his business rapidly from a start-up to over $3m of sales. See page 42.

£90.5m
system sales

£27.4m
revenue

£6.1m
adjusted EBITDA

Filta International Review continued

Expanding our range of services

Our range of services continued to develop in 2023 with the launch of FiltaGold Bulk Oil and FiltaClean, both royalty-based services.

- **FiltaFry,** the microfiltration of cooking oil and full fryer management is our core service. This can help double the usable life of cooking oil, saving customers money as well as reducing labour costs and improving employee health & safety. In 2023 Filta carried out services at over 8,500 customers every week.
- **FiltaBio** is provided as part of FiltaFry's filtration service. Once the oil comes to the end of its useful life, franchisees collect the oil and store it in holding tanks at their depots prior to collection for recycling into biodiesel. Customers benefit by not having to store and dispose of the oil themselves and the environmental benefits of recycling the oil.
- **FiltaGold Bulk Oil** was launched in 2023. While many franchise owners have supplied virgin cooking oil to customers, with FiltaGold Bulk Oil we have developed bulk-oil handling equipment for franchisees which allows them to buy virgin oil in bulk and more profitably supply it to customers at a competitive price.
- **FiltaClean** was also launched in 2023. We see a substantial opportunity to vertically expand by upselling to existing FiltaFry customers who are natural customers of the service.

The maximum potential for Filta is significant

Filta is an almost unique business, with virtually no direct competition. In the US, it has a less than a 1% share of a large, fragmented market and a substantial opportunity for growth. Our Maximum Potential Model shows the potential to service 1.1m potential sites and generate System sales of $925m compared to $109m in 2023.

We made good progress in 2023 implementing FiltaMax. We are upgrading and optimising the franchise network, seeking to replicate the success of the larger franchisees.

We attracted new high-quality franchisees during 2023. Six existing franchise owners expanded by buying additional territories; six sales of new territories took place and seven resales, five of which were in key metro areas. As a result, the number of franchise owners decreased from 133 to 127 demonstrating the commitment of the FiltaMax strategy of growing with our higher quality franchise owners.

Filta International Review continued

filtagold

Our new bulk virgin oil supply service launched in 2023 provides substantial environmental benefits through reduced packaging waste.

How FiltaGold works

The FiltaGold service allows us to competitively buy virgin oil in bulk, deliver it to franchisees in a tanker for storage in new 27,000 litre tanks and for them to dispense it via a machine (see photo) into reusable 17-litre eco jugs. The jugs are delivered to the customer and empty jugs returned to the depot to be washed and refilled.

FiltaGold has significant environmental benefits which are valued by our customers. Cooking oil is traditionally sold in “jugs-in-a-box” which consist of a plastic jug supported by a cardboard outer layer. When the oil is used, the “jugs-in-a box” are thrown away. Each time a reusable eco jug is used, plastic and cardboard is saved.

While 67 franchise owners sell fresh oil to customers, five franchise owners now sell fresh oil to customers in bulk through FiltaGold at a higher margin. Filta benefits from a royalty on sales. Filta is experiencing strong demand for the service from franchisees and customers.

FiltaGold Benefits

+ **Quality and convenience for customers**
+ **Reduced packaging waste for customers, reported in their Environmental Impact Reports**
+ **Higher margin for franchisees and royalty income for Filta**

filtaclean

FiltaClean was also launched in 2023 and offers a steam-based, eco-friendly and safe deep cleaning service for commercial kitchens.

How FiltaClean works

FiltaClean uses a combination of kitchen-rated cleaning products and steam-based cleaning techniques to remove grease and grime from equipment. The service is eco-friendly as steam cleaning minimises the use of chemicals.

FiltaClean helps our customers improve cleanliness and sanitation and comply with health and safety regulations. The thorough and effective steam-powered cleaning can also help increase kitchen efficiency and productivity, including extending the life of equipment. Our service is flexible and we work with customers to schedule effectively to ensure minimal downtime.

We see a significant opportunity for Filta franchise owners to upsell FiltaClean to existing customers as well as attract new customers. 33 franchisees have already signed up for the FiltaClean royalty-based service.

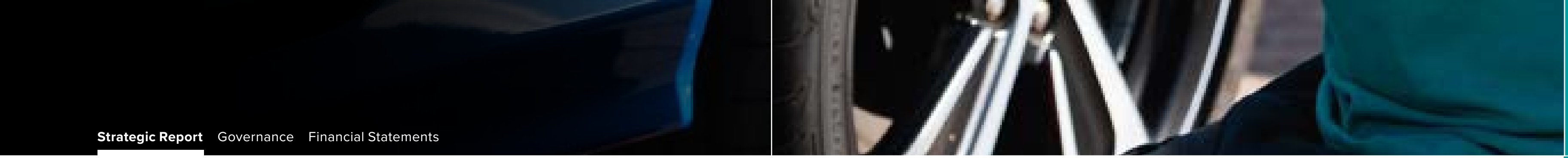
FiltaClean Benefits

+ **Eco-friendly kitchen cleaning**
+ **Enhanced hygiene and compliance with regulations**
+ **Substantial opportunity to sell royalty-based service to existing and new customers**

B2C Review

A creditable performance

The B2C division performed creditably against the backdrop of a challenging labour market which impacted franchise recruitment and retention. ChipsAway, which accounts for 81% of the division's profits, performed more robustly.



B2C Review continued

Priorities in 2024

- **Migration of B2C to Vision platform**
- **Further testing of Artificial Intelligence for quotations**
- **Continue to invest in training for franchisees and technicians for electric vehicles and ADAS**

"The B2C division comprises ChipsAway, Ovenclean and Barking Mad, three leading home-service brands and has over 320 franchisees. My team was pleased to deliver a creditable performance in a challenging environment."

Tim Harris, Managing Director, B2C Division

ChipsAway LIKE IT NEVER HAPPENED ovenclean LESS GRIME. MORE TIME Barking Mad

The B2C division comprises the ChipsAway, Ovenclean and Barking Mad franchise businesses. The franchise recruitment and retention environment in which the B2C division operates continues to be challenging, with people more risk-averse and less attracted to self-employment, even in the relative safety of a franchise model.

Notwithstanding this backdrop, franchise recruitment in 2023 matched that for 2022 with 39 new franchisees joining our B2C brands, and the number of leavers declined from 69 to 59. ChipsAway performed more robustly, recruiting 25 new franchisees (2022: 20) with 30 leavers (2022: 40). Overall, we closed the year with 327 franchisees compared to 347 at the end of 2022. In a difficult market, we consider this to be a creditable performance.

Underlying trading in the franchise communities of all three brands remained robust, as our generally older and more financially secure customer base is reasonably resilient to the current cost-of-living pressures.

The average turnover of a ChipsAway franchisee increased 12% to £103,294, breaking £100,000 for the first time (2022: £92,547). Our franchisees continued to benefit from a substantial quantity of leads which are generated by our national marketing activity. The team delivered 361,000 consumer leads during the year.

Against a difficult trading environment, we maintained divisional revenue at £6.1m for 2023 (2022: £6.1m). Adjusted EBITDA at £2.3m was slightly lower than 2022 but higher than our cautious forecast. The previous year also benefited from £100,000 of exceptional revenue from a domain name sale. ChipsAway continues to be our largest brand, generating 81% of the B2C division's Adjusted EBITDA (2022: 76%).

Earlier in 2023 we announced that we intended to seek a buyer for the B2C division, and whilst offers were received, these did not meet our expectations, and we decided to suspend marketing activity until further notice. This remains the current position.

£26.2m
system sales

£6.1m
revenue

£2.3m
adjusted EBITDA

Working Responsibly

Our guiding principles

We have five guiding principles that inform the way we work with each other, support our franchisees, and serve our customers and communities.

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 challenge ourselves
We set high standards, are demanding of ourselves, 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 continued

Overview

Working responsibly is an imperative and we are committed to doing 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. Our goal is to create an inclusive, fair and rewarding environment where our colleagues and franchisees can thrive. We also want to have a positive impact on the communities in which we work and live, and operate to the highest standards of integrity, transparency and accountability. We acknowledge the significant risk posed by climate change and that we have a part to play in addressing the impact this will have. We are committed to reducing our environmental impact wherever we can.

Our approach to ESG

We progressed our ESG journey in 2023. We support the aims and recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), and we are pleased to present our first TCFD report. The Board fully supports the TCFD Recommendations and is bringing the Company's disclosures and reporting fully in line with its methodology.

UN goal:	How we principally contribute:
Good health and wellbeing	– Mental Health First Aiders training. – Employee assistance programme for all staff. – Highly developed health and safety processes and training. – Flexible working arrangements.
Gender equality	– High proportion of females in our Support Centres: 60% in Metro Rod and 59% in B2C. – Leadership development opportunities for female managers.
Decent work and economic growth	– Development opportunities, rewards and recognition. – Share option scheme which covers c250 people. – 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.

In April 2023, we acquired Pirtek, a business with a strong commitment to sustainability and which is implementing a number of initiatives with the objective of reducing the environmental impact of delivering its range of services. Pirtek also prides itself on a strong health and safety culture, and its high standards are reflected in its range of accreditations.

In late 2023 we extended Filta's range of services with the introduction of FiltaGold. We are committed to reducing plastic and cardboard waste. Through FiltaGold bulk oil we are able to buy virgin oil in bulk, dispense it at our depots into reusable 17-litre "jugs", and supply it to our customers. Each time an Eco-Jug is used, plastic and cardboard is saved. An additional benefit to our customers is the ESG benefits arising from the reduction in the waste they generate from the use of recycled jugs, which we report to them in our monthly Environmental Impact Reports.

We were delighted to welcome nearly 300 more people to the Franchise Brands family with the acquisition of Pirtek. Our support centre teams play a key role in our success by supporting our franchisees and helping them to grow their business.

We believe in providing everyone with a great working environment and opportunities to develop, learn and grow in an environment which promotes diversity and inclusion, equality and well being. With over 650 people in Franchise Brands across ten different countries, the career development opportunities for our people have never been greater.

Helping our franchisees and employees work more responsibly

Environment

+ Reduce, Re-Use, Recycle
+ High quality and sustainable service delivery
+ Education and high standards of training
+ Environmental Impact Reports for Filta customers

Social

+ Creating local employment
+ Apprenticeships and work experience
+ Contribution to community projects, charities and activities

Governance

+ Upholding high standards
+ Being transparent
+ Being accountable

Working Responsibly continued

Social

A great working 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. In 2023 we rolled out equality, diversity and inclusion ("EDI") training in the Water & Waste Services division. 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 report on our Gender Pay Gap. Our gender pay gap reduced slightly to 26% in 2023 (2022: 28%). Our gender pay gap is due largely to the nature of our business with predominantly male engineers who command a higher salary than office workers and the fact we, so far, have fewer women in senior management.

Share ownership

Our strong ownership culture is one of the keys to our success and around 250 people in the Group have share options.

Women in the business

We continue to be proud of the number of women we have in the Metro Rod & Metro Plumb Support Centres. We also have a growing number of women in management positions across the business.

At 31 December 2023	Total number of Full Time Equivalents	% of male employees	% of female employees
Metro Rod and Metro Plumb Support Centre	103	40%	60%
Water & Waste Services DLO and corporate franchises	207	78%	22%
Pirtek Support Centres	179	75%	25%
Pirtek DLO and corporate franchises	107	88%	12%
Filta International	40	68%	33%
B2C Support Centre	17	41%	59%
Azura	14	86%	14%
Franchise Brands plc	13	77%	23%
Total	**680**	**72%**	**28%**

Full-time equivalent members of staff

Working Responsibly continued

Social continued

Creating a great work environment

Our people are at the heart of our business and our most valuable resource. They play a key role in supporting our franchisees and helping them to grow their businesses. We support our people in a number of ways, are always receptive to ideas and feedback and encourage our people to get involved.

In 2023, the Water & Waste Services division set up a Leadership Team Focus Group to develop staff engagement aid retention and develop their Employee Value Proposition. It included a particular emphasis on pride and purpose, empowerment and ownership and satisfying work. We are looking forward to more of the initiatives discussed by the focus group being rolled out.

Some of the ways we create a great work environment

Information sharing and meeting management
- All staff briefings, Q&As and weekly calls
- All staff lunches with guest speakers
- “Meet and greets” and coffee with the Managing Director initiatives

Reward & Recognition
- Share options
- Incentives for cross selling and referring
- Long service awards
- Employee of the month awards

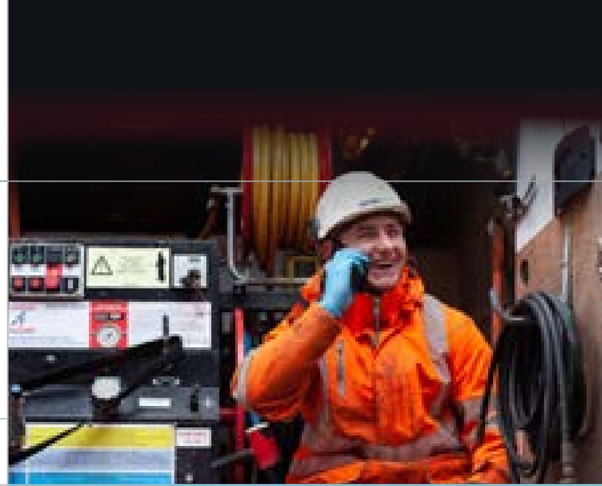
Flexible working
- Four-day shift pattern trial at Pirtek DLOs
- Pirtek Germany initiatives

Health and wellbeing
- Mental health first aiders
- Healthcare services, assistance programmes
- Health and safety inductions for employees

Making a difference
- Charity and volunteering opportunities
- Paid charity volunteer programme
- Team days out volunteering

Making things easier
- Access to Electric Vehicle pool cars and Cycle to Work scheme
- Work wear laundry service
- Employee benefits and discounts platform to buy everyday goods and services

Personal development
- Manager and leadership development training
- One-on-one coaching for high potential individuals
- Pirtek University, online portal for externally hosted seminars on various topics
- Opportunities to attend external events and conferences
- EDI, respect in the workplace programmes



Helping our franchisees recruit and retain people

The recruitment and retention of labour, in particular engineers and technicians, is the biggest constraint on our growth. So it’s important we do as much as we can to help our franchisees hire the labour they need.

In 2023, the Water & Waste Services division established an in-house recruitment capability centralising all recruitment for the Metro Rod and Metro Plumb franchise networks, as well as support centre roles across the division. The initial results have been very promising in terms of improved candidate recruitment quality and quantity together with cost savings by not using external agencies.

Pirtek Germany rolled out initiatives to help franchisees hire mobile service technicians (“MSTs”). They launched an online funnel on social media for fast and easy job applications and also produced a new video highlighting the benefits of the MST role.

Working Responsibly continued

Social continued

Adam Burrows
Managing Director, Pirtek UK

Growing together

I find it fascinating that there are businesses of different sizes in the Pirtek franchise network all of which are pushing in the same direction. While an important part of our competitive edge is the full national service we can provide, we are reliant on the franchise business owners to deliver these services locally and we help make a real difference to them as they realise and maximise their potential. "If they grow, we grow".

Interviews with our senior leaders

I come from an engineering background, so being able to lead a franchise business in this sector with a market-leading brand is fantastic.

As Sales Director over the past few years, my main focus was building up the national accounts for our franchise network. I really enjoyed contributing towards franchise business owners' growth and seeing the results in their local territories.

Experiencing how we can positively impact a family or small business with a large contract is very motivating. For example, you can take on a substantial, £1m+ contract for a large customer where a small franchise receives £10,000 of work and it makes a massive difference to the franchisee's business.

Another benefit for me was personal development. What attracted me to the role was the opportunity to manage various functions within the business, whether that be CRM, marketing, sales or operations. It really stretched me from a personal point of view. Working for people like Chris Stuckey, formerly Managing Director of Pirtek UK, helped me to understand the softer sides of developing as a manager. The experience I took from the team was something I really enjoyed. Coming to Pirtek from a larger organisation, it was great to be able to put structures in place for our sales presence and culture in order to build a high performing sales team.

In every business, it always comes down to the people. In my new role I am keen to help my leadership team grow, so one of my main priorities now is people development.

I think this is a really great time for me to learn from people across different functions. After all, the excitement of franchising is that you get to influence people across all sorts of businesses. It still really fascinates me!

Over the last 30 plus years, Pirtek has built a very good business in the UK and Ireland. However, Franchise Brands' Maximum Potential Model has highlighted the significant potential for growth in these markets. We have many different growth opportunities, in particular through the broadening of the range of services. With the right mindset and culture, I see huge potential for Pirtek UK and Ireland in the next three to five years.

Technology will play a key role in this. We see technological advances every day, week and month that will help our business. Prior to joining Franchise Brands, we weren't very forthcoming about innovation and trying new things, but there are group systems we can benefit from that will help drive efficiencies, productivity and operational gearing. We've also got some great untapped talent, that over the next few years can come through this business and become the next leaders to help drive success.

Working with Franchise Brands has been supportive, but not restrictive. There's so much support available and everyone is willing to share their experiences and provide advice. I really love the collaborative approach. It was great to meet the team in Amsterdam at the Growth Summit, to come together and share ideas. With Franchise Brands, I feel really empowered and so does my team.

"I've been with Pirtek since 2017. The franchise model is what really fascinates me and it was the reason I originally joined Pirtek. I enjoy making a real difference to our franchisees as we grow together."

Working Responsibly continued

Social continued

Harald Overwater
Managing Director, Pirtek Benelux

Leading by example

I previously held a Managing Director role for 20+ years but I had never worked in franchising. I thought, how great would it be to work with intrinsically motivated self-employed business owners? So that was something that attracted me to the role.

Interviews with our senior leaders continued

The key strength of Pirtek is that the service we offer is required in all sorts of businesses and industries – from transportation to construction, healthcare and everything in between. This creates a wealth of opportunities, and makes our business resilient, and less vulnerable to economic downturn. When the economy is up, we prosper from increasing equipment installation and a shortage of technical skilled labour. When the economy is down, we benefit from higher demand for repairs, because of companies postponing replacements. This is how we have been able to grow.

We are the market leader in reactive maintenance. A key factor behind our growth is the value of the mission-critical service we provide to customers, targeting to be on site within an hour. When you need an urgent repair, you call the company that you trust. Our national coverage that we have built up over the years, with 24 centres and over 100 vans, is very difficult for competitors to replicate and would require a huge investment. We also monitor our performance, and report it to our customers continuously. This helps us keep existing customers and attract new ones.

We are expanding our range of services, offering preventive maintenance services to our reactive customers, showing them how it can help lower operational costs. Looking forward, we have predictive maintenance, where our technology can help predict a potential failure. This "stepping stone" approach is how we grow our business and ensure customers understand the range of services we offer.

My team is small, focused and multifunctional so it's easy for us to step in for each other when needed. I have a strong legal background so can advise on labour and customer contracts. While my main role is advising and coaching my team, I often chip in on the sales side to support my team wherever I can.

With our expanding range of services, we provide our people with opportunities to grow. That means technicians who work well in reactive maintenance are able to develop their skill set and gain experience in preventive and predictive maintenance. We're all about offering new challenges and experiences. This is how we retain talent: we offer them opportunities to grow alongside a positive work-life balance.

Leading by example is an effective way to help franchisees to grow their businesses. So if you want to launch new initiatives, it either requires a leap of faith from franchisees, or you can just show them. My best tool: if I want to try out something new, I use my own centres and demonstrate how it works.

My experience with Franchise Brands has opened a whole different world. They are truly interested in helping you grow your business and having Franchise Brands as our forever home means we can develop some longer-term plans to build a truly great business. The Franchise Brands team radiates a lot of energy and that cascades down into the local teams, stimulating ideas which we all saw first-hand at the Growth Summit in Amsterdam. Suddenly, sparks fly, which for me for me is a lot of fun!

> I joined Pirtek seven years ago and felt I could make a great contribution given its blend of technical and service nature. Helping franchisees to grow their businesses was a huge plus."

Working Responsibly continued

Social continued

John Michals
Chief Operating Officer,
The Filta Group Inc.

From franchisee to franchisor

My background is in financial commodities and I appreciated its customer centric qualities. Filta has an immense customer value proposition and having seen this for myself first hand out on a job with a former colleague, I immediate said, how can I buy a franchise and when can I start?

Interviews with our senior leaders continued

I bought the New Jersey franchise business in 2019 which was a start-up. Basically, I walked off the commodity desk on a Friday and started with Filta on Monday!

We grew the business very quickly – from $170k revenue in 2019 to $3.5m last year. How did I achieve this? By breaking down all barriers – real and artificial. Access to capital was also an important factor. And then of course, making strategic decisions around how to utilise that capital in the New Jersey business. We invested heavily in operations, ensuring we had capacity. We never left a customer waiting for anything. As we started to fill up, we just developed more vans and routes. And then we started to focus more on optimising cash collection, furthering growth.

The referral side of our business is a proven way to sell. We're bringing a fresh approach to a traditionally old-fashioned industry. There are some chefs and kitchen managers, especially the more established and seasoned ones, who have a certain way of doing things. They're not as innovative or willing to hear new approaches until they see them in action. And then they wonder why didn't they make the change to Filta sooner.

The key is to get in front of customers and talk to them about the value propositions for our range of services. Customers understand the importance of disposing of a smelly waste bin; health & safety in the kitchen, and how much oil they are using. We focus the conversation on how to assist them to solve these issues and work with them without even talking about the cost of a service. From there, it's referral based, and the word spreads quickly.

When FiltaMax was introduced to the network last year I was really excited at the opportunity to say, wow, this is what Filta could look like in the future. Franchisees were saying "I thought I was at the end of my run, but I'm actually right in the middle or I've actually got a lot more to go here". So it was a good – what I call – "gut check" moment for everybody in the network when they saw the potential, and a wake-up call for some franchisees too.

On 1 January 2024 I joined Filta's corporate team in Orlando as Chief Operating Officer, with responsibility for operations and sales. What attracted me to the role was the opportunity to put my stamp on the brand. I've always been an advocate of a rising tide lifts all boats mentality. If we strengthen the entire network and continue to build revenue and brand awareness, that helps everybody on a bigger level. However, what's attractive about Filta Max is that it has a measurement of objective success, irrespective of the type and location of the business.

It's a unique experience, being both part of the corporate leadership team but also a franchisee. While I still own my Filta franchise, my general manager has taken the management of the business from me, operating on an arm's-length basis.

Attending the Growth Summit in Amsterdam was really a decision point for me in becoming Filta's COO. I was able to experience what Franchise Brands was about, something that was new to me being a franchisee. Seeing how each business integrates with each other and the growth opportunities was very exciting. So I'm very positive about the future and look forward to playing my part in achieving great success.

"A Filta franchisee who was a former colleague invited me to go out on a job with him and I immediately saw the immensity of the customer value proposition…"

Working Responsibly continued

Social continued

Our contribution to the communities in which we operate

2023 was a busy year for our Water & Waste Services division which contributed in numerous ways

Helping raise awareness of important environmental issues

Metro Rod produced a number of reports and articles on helping customers and the community to raise awareness of the risks of neglected drainage systems, pollution prevention advice and the effects of water pollution to their businesses.

Metro Rod undertook research among manufacturing businesses to raise awareness of the role industry may play in polluting water. The findings revealed that although 90% of respondents saw pollution prevention as important to their business, many are unaware of the specific manufacturing activities that can contaminate water.

Furthermore, two fifths (41%) are unaware they are responsible for the correct disposal of hazardous substances and 35% are unaware they are responsible for the correct disposal of commercial waste and recycling.

Three out of five businesses (63%) don't have a pollution incident response plan in place, outlining the actions they should take to reduce the level of pollution created by an accident on site, meaning that if an issue does arise, they aren't fully prepared to prevent the environment from unnecessary harm.

Supporting charities and community interests

We supported a wide range of charitable causes. The Metro Rod annual conference culminated with a charity auction for two causes which are close to the hearts of our franchise network. The first was to raise funds for a Bionic Hero Arm for the granddaughter of one of our franchisees, and the second to raise funds for Parkinson's Foundation. In total, we raised over £15,500.

Combining Breast Cancer Now's annual "wear it pink" day with Halloween, we ran a bake-off style competition and bake sale to raise funds. The day also included a best-dressed competition where anyone who entered would donate to the charity.

Metro Rod partnered with DOSportUK to be a season partner for the 2023/2024 basketball season alongside committing to DOSportUK's "Starting 5" project, where the company is looking to bring on board five new partners for the new season. Since being established as a community interest company in 2017, DOSportUK has had one clear mission – to provide sporting and physical activity opportunities to people with a disability.

Metro Rod marked 40th anniversary with celebrations and charity commitment

In 2023, Metro Rod celebrated its 40th anniversary. Established in 1983 by Gill Walker with a single depot in Cheshire, Metro Rod has grown significantly since then. To celebrate the milestone, staff from the business's support centre and the plc Board met together with Gill at its Macclesfield headquarters in June for a summer party.

Keen to use the anniversary as an opportunity to give back to the communities we operate in, Metro Rod launched a '40,000 meals for 40 years' initiative where each of our franchisees will donate 40 bags of food to local food banks – equating to more than 2,000 packages provided to people in need.

The initiative culminated with a volunteer day at FareShare in Manchester. FareShare is the UK's largest charity fighting hunger and food waste and their mission to save good food from going to waste and redistribute it to frontline charities. Our team was grateful for the opportunity to help out in the warehouse and on deliveries. They gained a first hand appreciation of how much food waste and food insecurity there is in the UK, and how FareShare is working with charities across the UK to tackle this.

Working Responsibly continued

Social continued

Our contribution to the communities in which we operate

Tree planting update

Metro Rod continued with its tree planting initiative during 2023, working with ReviewForest and their tree planting partner, Eden Reforestation Project. A tree is planted for each Google review received.

1,448
trees planted

For every review we'll plant a tree

Each and every written review for Metro Rod plants a new tree.

Pirtek also partnered with a local rugby team they sponsor, Burntwood FC, to plant trees to offset the carbon footprint of the Pirtek National Training Centre. They are planting over 300 trees in the grounds of the club.

Pirtek's charitable initiatives

In the UK and Ireland, Pirtek are huge supporters of grass roots sports and teams and believe sport is an excellent way to unite people and foster a strong sense of community and belonging. In 2023, Pirtek UK and Ireland helped local rugby, football and boxing clubs, and girls youth teams.

We encourage our employees to participate in charity work and our support extends from helping fundraise for marathons to local partnerships such as Pirtek Norwich's food collection work with the Trussell Trust and Norwich foodbank.

As part of various Pirtek Germany anniversaries, the franchisees of the Pirtek Centres Saar/Palatinate, Rhineland and Wesel/Rees, with the support of the franchisor team in Cologne, collected donations to support further reconstruction measures for the flood disaster in the Ahr valley. A total of €7,000 was collected which was presented to the chairwomen of Fluthilfe-Ahr.

Fluthilfe-Ahr is committed to the ongoing reconstruction projects on site, such as the establishment of a new children's and youth centre and playgrounds for different age groups in a residential area.

The franchise partners of Pirtek Wesel/Rees, Pirtek Rhineland, Pirtek Ruhr Region and Pirtek Germany were busy in 2023 collecting donations to support Club Kohlenwäsche in Essen. Club Kohlenwäsche focuses its support on humanitarian, social, medical, cultural and educational purposes. The aid benefits needy and disadvantaged children and young people directly on site in the Ruhr region. A total of €6,500 was raised.

Pirtek Benelux was pleased to extend its support to a local pony farm that serves to help young children develop key skills. They are introduced to equine care and riding skills that foster discipline, responsibility, and a strong work ethic. Our sponsorship seeks to equip these young individuals with experiences that not only enrich their emotional and personal development but also prepare them for competitive opportunities in equestrian sports and beyond.

We are committed to contributing positively to the communities we are part of, and through this support, we aspire to empower these children with the confidence and skills needed to thrive in competitive environments. This effort reflects our dedication to making a meaningful difference in their lives, aligning with our broader mission to promote sustainability, inclusivity, and growth within our community engagements.

Filta International

In the US, Filta International raised money for two charities at their annual conference. Children's Burn Foundation ($8k) and UCP Autism School ($8k).

Working Responsibly continued

Environmental

Priorities in 2024

Approach and performance

We acknowledge the significant environmental risk posed by climate change and are committed to reducing our environmental impact. This is the third 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 2023

The nature of our van-based businesses means vehicle emissions are an important area of focus. We made significant progress developing and trialled a scheduling tool to improve labour utilisation and efficiency which is helping reduce mileage and fuel consumption for our engineers.

Activities planned for 2024

Further development of the labour scheduling tool which has the potential to be rolled out across all our networks. Continued monitoring and trialling of the viability of electric and hybrid vehicles and equipment. Campaigns on safe, and fuel-efficient driving ("SAFED") across the Group with a view to improving miles per gallon across all vehicles.

Franchise Brands plc Streamlined Energy and Carbon Reporting 2023

This SECR report reflects the period 1 January 2023 – 31 December 2023. This is Franchise Brands plc's fourth reporting year, the first being 1 January 2020 – 31 December 2020. The 2020 and 2021, and 2022 data points have also been included in this report to allow for direct year-on-year comparison.

Methodology

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 2022 carbon 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 which are Support Centres for each brand and corporate operations.

Greenhouse Gas sources included in the process:

GHG Protocol Category	Data Source
Scope 1: Fuel used in Fuel used in company vehicles, natural gas (boilers), diesel for electricity generation, other fuels	Natural gas consumption was reported in one of two ways: kWh and spend in GBP. Those in spend were converted into kWh, using the average price per kWh in 2023, at the time of this report (6.21p/kWh in the UK, 10.56p/kWh in the Netherlands, 5.84p/kWh in Belgium, 7.65p/kWh in Germany, and 8.65p/kWh in France. Companies reported their fuels used in company vehicles in litres or spend metrics. For data available in spend on diesel fuel, this was converted to litres using the average fuel price in 2023: 158p/L for diesel in the UK. Litres of both fuels were converted to kWh using 2023 conversion factors calculated by DEFRA.
Scope 2: Purchased electricity*	Companies provided their 2023 annual electricity consumption in kWh. Only three locations (Kemac- Homestead, Filta EU – Germany, Filta EU – the Netherlands) did not provide in kWh, and instead only provided a total spend. To convert the spend into kWh, the average cost per kWh at time of reporting for each country in 2023 was used. According to the Department for Energy Security and Net Zero and the Energy Guide, the average cost for standard electricity in the UK in 2023 was 26.5 p/kWh. In the Netherlands, the average cost in 2023 was 26.5p/kWh, and 24.9p/kWh in Germany, according to the Statistical Office of the European Union (Eurostat).
Scope 3: Fuel used for business travel in employee owned or hired vehicles	Many Franchise Brands' companies utilise leased or employee-owned vehicles for business travel. Expensed mileage in employee-owned or rental vehicles was reported in a spend format rather than by consumption (e.g. litres of fuel or distance). The reimbursement rate of 45p per mile was utilised to convert the spend to distance, which was then converted into kWh using 2023 conversion factors calculated by the UK Government. Companies reported fuels used in leased vehicles either in a spend format or in litres. When the data was only provided in a spend format, the average fuel price per litre in 2023 was used to convert the spend into litres. In 2023 the average price for diesel was 158p/L in the UK. Litres were converted to kWh using 2023 conversion factors provided by the UK Government.

* Dual reporting of electricity emissions have been presented in line with the GHG Protocol. Location-based electricity emissions use the average grid fuel mix in the region/country where the electricity was purchased and consumed – for SECR, location-based is mandatory. Market-based electricity emissions use where provided the supplier's tariff-specific intensity factor and fuel mix, and where this is unavailable, the local grid's residual fuel mix intensity factor is used. For SECR, market-based is optional, and has been calculated for 2022 and 2023 only.

The Kyoto Protocol seven groups of GHGs are included in the emissions calculations: CO_2, N2O, CH4, HFCs, PFCs, SF6, and NF3. The greenhouse gas emissions were calculated using UK government 2023 conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO_2e).

Working Responsibly continued

Environmental continued

Franchise Brands Year-on-Year Energy and Greenhouse Gas Performance

	2023 Data			
Location	UK	Europe	USA	Total
Energy consumption: (kWh)				
– Electricity	640,044	214,032	83,165	937,241
– Gas	119,694	1,065,094	–	1,184,788
– Transport fuel	7,132,497	3,994,897	1,202	11,128,596
– Other fuels (heating oil)	40,634	–	–	40,634
Total energy consumption	7,932,869	5,274,023	84,367	13,291,259
GHG Emissions (tCO_2e)				
Scope 1				
Emissions from combustion of gas in buildings	21.90	194.86	–	216.76
Emissions from heating oil	10.02	–	–	10.02
Emissions from combustion of fuel for transport purposes	1,021.37	–	–	1,021.37
Scope 2				
Emissions from purchased electricity – Location Based	132.54	28.65	31.55	192.74
Emissions from purchased electricity – Market Based	245.36	68.35	31.55	345.26
Scope 1 & 2				
Total Scope 1+2 emissions – Location Based	1,185.83	223.51	31.55	1,440.89
Total Scope 1+2 emissions – Market Based	1,298.65	263.21	31.55	1,593.41
Scope 3				
Category 6: Business travel (Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel)	677.93	947.36	0.29	1,625.58
Category 3: Emissions from upstream transport and distribution losses and excavation and transport of fuels not included in scope 1 – Location Based	465.11	275.48	7.08	747.67
Category 3: Emissions from upstream transport and distribution losses and excavation and transport of fuels not included in scope 1 – Market Based	489.18	283.94	7.08	780.20
Total emissions – Location Based	2,328.87	1,446.35	38.92	3,814.14
Total emissions – Market Based	2,465.76	1,494.51	38.92	3,999.19
Intensity (tCO_2e / £ million EBITDA)				
EBITDA £m		30.1		
Intensity ratio: tCO_2e / £ million EBITDA (location based)	77.37	48.05	1.29	126.71
Intensity ratio: tCO_2e / £ million EBITDA (market based)	81.92	49.65	1.29	132.86

Methodology: GHG Protocol Corporate Accounting and Reporting Standard.
Calculated and verified as accurate by Green Element Limited and Compare Your Footprint Limited, UK.

Working Responsibly continued

Environmental continued

Franchise Brands year-on-year energy and greenhouse gas performance

Location	2020	2021	2022	2023	2022 to 2023 % Change
	Franchise Brands had UK-only operations in 2020 and 2021		Global total	**Global total**	
Energy consumption: (kWh)					
– Electricity	460,927	335,859	587,263	**937,241**	59.6%
– Gas	133,507	189,632	168,610	**1,184,788**	602.7%
– Transport fuel	5,045,390	5,952,495	11,417,733	**11,128,595**	(2.5)%
– Other fuels	39,609	40,199	20,700	**40,634**	96.3%
Total energy consumption	5,679,433	6,518,185	12,194,306	**13,291,258**	9.0%
GHG Emissions (tCO_2e)					
Scope 1					
Emissions from combustion of gas in buildings	24.5	34.7	30.78	**216.75**	604.2%
Emissions from heating oil	9.7	9.9	5.08	**10.02**	97.3%
Emissions from combustion of fuel for transport purposes	895.70	1,138.20	2,523.16	**1,021.37**	(59.5)%
Scope 2					
Emissions from purchased electricity – Location Based	107.50	71.30	138.47	**192.73**	39.2%
Emissions from purchased electricity – Market Based	–	–	251.69	**345.26**	37.2%
Scope 1 & 2					
Total Scope 1+2 emissions – Location Based	1,037.40	1,254.10	2,697.49	**1,440.88**	(46.6)%
Total Scope 1+2 emissions – Market Based	–	–	2,810.71	**1,593.41**	(43.3)%
Scope 3					
Category 6: Business travel (Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel)	118.40	271.30	437.10	**1,625.58**	271.9%
Category 3: Emissions from upstream transport and distribution losses and excavation and transport of fuels not included in Scope 1 – Location Based	274.10	378.50	777.11	**747.68**	(3.8)%
Category 3: Emissions from upstream transport and distribution losses and excavation and transport of fuels not included in Scope 1 – Market Based	–	–	782.88	**780.21**	(0.3)%
Total emissions – location based	1,429.90	1,903.90	3,911.70	**3,814.14**	(2.5)%
Total emissions – market based	–	–	4,030.68	**3,999.20**	(0.8)%
Intensity (tCO_2e / £ million EBITDA)					
Adjusted EBITDA £m	6.64	8.47	15.26	**30.01**	96.6%
Intensity ratio: tCO_2e / £m (location based)	215.3	224.7	256.32	**127.10**	(50.4)%
Intensity ratio: tCO_2e / £m (market based)	–	–	264.12	**133.26**	(49.5)%

Methodology: GHG Protocol Corporate Accounting and Reporting Standard.
Calculated and verified as accurate by Green Element Limited and Compare Your Footprint Limited, UK.

Franchise Brands year-on-year normalised GHG emissions by scope

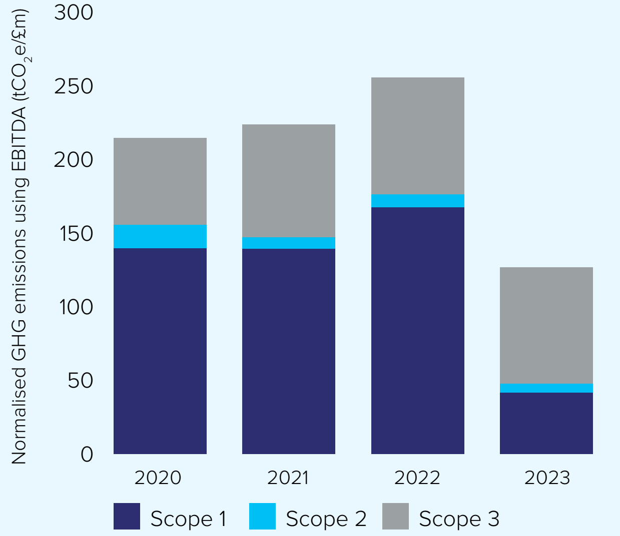


Figure 1: Franchise Brands' year-on-year normalised GHG Emissions, split by Scope. Emissions have been normalised by Adjusted EBITDA.

The intensity ratios reduced significantly in 2023 as adjusted EBITDA increased by 96.6% but total energy consumption increased by only 9%.

Restating of 2022 results

The 2022 international electricity conversion factors, excluding the UK, became available after the creation and submission of the 2022 SECR. As such, 2021 conversion factors had been used to calculate the emissions for electricity purchased outside the UK. Following the UK government's environmental reporting guidance, the 2022 figures have been recalculated using the 2022 conversion factors and are restated in the table shown.

Working Responsibly continued

Environmental continued

Energy efficiency actions

Over the financial year 1 January 2023 to 31 December 2023, Franchise Brands has implemented several energy efficiency measures across all of its companies. These include:

Water & Waste Services division:

- Scheduling tool for engineers which is being actively used in Metro Rod is reducing travel time and carbon emissions.
- An electric pool car is based at the Metro Rod Support Centre together with charging points.
- Second year of "leave a review and we plant a tree" scheme.
- Willow Pumps added three electric vans and two hybrid cars to the fleet.
- Willow Pumps installed LED lighting sensors in their office.

Filta International:

- We acquire blocks of solar energy for the Orlando support centre.

B2C division

- We have evaluated three different brands of electric vans and are moving to commissioning fully fitted electric vans for a trial.

Pirtek:

- Pirtek UK has five leased electric cars as part of a process to move all the fleet to electric.
- Pirtek UK's National Training Centre has been converted to 100% solar power with unused energy released back to the grid.
- PV solar panels installed on Pirtek Belgium's corporate centre.
- Pirtek Germany uses eco-electricity power supply. The business is also testing electric vans.
- Sweden has two electric cars and a monthly fuel mileage control scheme to encourage eco-friendly driving.
- Pirtek Austria has one electric car in the business.

Azura

- Azura operates a predominantly remote working model which saves business travel and energy.

Franchise Brands will continue to measure Scope 1, 2 and aspects of Scope 3 and are looking to continue to improve energy efficiency throughout 2024. Actions we are taking to help reduce our carbon footprint are included in activities planned in 2024, see page 45.

- Metro Rod and Pirtek UK have both been awarded a silver medal as a recognition of their EcoVadis sustainability rating for 2023. Metro Rod also has a Supply Chain Sustainability School Silver award.
- These accreditations reflect the level of engagement in the School rather than how advanced a business is in addressing the sustainability agenda.

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD)

Everyone has a part to play in addressing the impact of climate change and Franchise Brands is no exception. We anticipate that there will be both risks and opportunities for our business as the effects of climate change become more pronounced. We support the aims and recommendations of the TCFD, which aims to improve the reporting of climate-related risks and opportunities. While we are not adopting TCFD, that initiative sets out eleven Recommended Disclosures against its four central Recommendations.

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (the Regulations) came into force in 2022 and require UK companies in scope to report on a basis aligned with the TCFD Recommendations. Over the past two years, the Group has grown significantly, both organically and through the acquisitions of Filta in 2022 and Pirtek Europe in April 2023. As a result of the latest acquisition, we now have more than 500 employees and are therefore required to report under the Regulations. The Board and senior management team have been focused on delivering the significant growth in our business seen over recent years, including the two major acquisitions referenced above, each of which effectively doubled the size of the Group at the relevant time.

The acquired businesses have been, or are in the process of being, fully integrated into the Group. The impacts of climate change, both as risks and opportunities, were not considered explicitly by the Group until this year. Based on our current understanding, the Board and senior management team do not consider those risks and opportunities to be material to the Group's strategy and growth ambitions. However, this is a matter of growing importance which we will continue to evaluate and we are keeping that initial conclusion under review.

We have engaged specialist consultants to help us plan and deliver our climate change and TCFD journey. In the second half of 2023 the management board reviewed the TCFD Recommendations and the need to report in line with the Regulations. Proposals for how we might best approach these obligations were considered and approved by the Board in December 2023. The Board has agreed that climate change should now be considered as an integral part of the strategy, risks and operations of the Group. A Climate Change Working Group was created to consider the potential impacts of climate change, both as risks and opportunities, to the Group's businesses. To reflect the importance of the issue, the working group will be chaired by an Executive Director, Mark Fryer, and will report through him directly to the Board.

The Company Secretary, Rob Bellhouse, will coordinate the activities of the working group, which will start its work during 2024.

The Board recognises that they, and the businesses, should make significant progress in developing a deeper understanding of the potential impacts of climate change on the business during 2024 and beyond. The intention is to approach climate change and the implementation of TCFD in a responsible and diligent manner, whilst taking into account the resources available to the Group.

The Board is therefore bringing the Company's disclosures and reporting in line with the TCFD methodology. This first TCFD report is consistent with the requirements of the Regulations and aligns with the TCFD Recommendations and Recommended Disclosures. However, we are aware that there is more work needed before we are able to align fully with the requirements to which the Group is now subject.

Non-Financial and Sustainability Information Statement

Franchise Brands plc is a UK-incorporated company with shares admitted to trading on the AIM market and had more than 500 employees during the year ended 31 December 2023. As such, it is within the scope of the changes to the Companies Act 2006 made by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (the Regulations).

The disclosures we are required to make by the Regulations are set out on pages 49 to 55 within this Strategic Report. The Company is not obliged to make the additional disclosures contemplated in the Regulations as it is not a traded company and due to the nature of the Group's business activities.

TCFD at a glance

The table on the following pages sets out our current status in relation to each of the TCFD Recommended Disclosures (with the corresponding requirement of the Regulations in brackets):

R	**Review and improve**
P	**Partially aligned with the Recommendations**
A	**Aligned with the Recommendations**
C	**Continuous improvement**
M	**Maintain**

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

TCFD Pillar and Recommended Disclosure (Regulations requirement)	Actions taken in 2023	Current status	Current status rating	Actions to be taken in 2024 and beyond
Governance				
Describe the Board's oversight of climate-related risks and opportunities (A description of the governance arrangements of the company in relation to assessing and managing climate-related risks and opportunities)	• Board review of the importance of climate change to the Group. • The agreement to create a Climate Change Working Group from across the business, directly accountable to the Board.	The Board has recently assumed overall responsibility and accountability for the management of climate-related risks and opportunities. The Board has put in place appropriate oversight arrangements. Mark Fryer, an Executive Director, will provide regular updates to the Board in his role as chair of the Climate Change Working Group. The remit of the Working Group is explained in the introduction on the previous page. The Board formally reviews the risk register at least twice annually (with the register being updated ahead of those reviews) and the Board will consider, as and when relevant, the potential impact of climate change to the Group.	P	During 2024 the Board will oversee the work of the Climate Change Working Group. The first step will be to refine our understanding of the potential materiality of climate-related risks and opportunities to the Group, which will be considered by the Board during the year. Where judged to be of strategic importance to the Group, the Board will consider the potential risks and opportunities arising from climate change in its strategic planning and decision-making.
Describe management's role in assessing and managing climate-related risks and opportunities (A description of how the company identifies, assesses, and manages climate-related risks and opportunities)	• Management Board review of the importance of climate change to the Group and how best to approach the risks and opportunities that this presents, now and in future years.	The Management Board has agreed to 'own' the Group's practical response to climate-related issues. It will review the findings and recommendations of the Climate Change Working Group and decide how best these can be implemented and integrated across all parts of the business. The Management Board will also decide when systems and processes need to be updated or introduced to support our response to climate change. The Working Group will use our risk management framework at each quarterly meeting to evaluate the likelihood and potential impact of all risks identified on a 'bottom up' basis at subsidiary company level and also flag any opportunities for review by senior management. The individual members of the Management Board, as business leaders or heads of central functions, are responsible for developing the response to climate change for their own part of the organisation. This will include responsibility or the mitigation of identified risks and developing strategies and plans to pursue opportunities.	R	During 2024 the Management Board will supervise the further development of the Group's approach to climate change. Senior management will ensure that all climate-related risks and opportunities are added to our corporate risk register and that all material risks and opportunities are incorporated into our business plan and budgets.

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

TCFD Pillar and Recommended Disclosure (Regulations requirement)	Actions taken in 2023	Current status	Current status rating	Actions to be taken in 2024 and beyond
Strategy				
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term (A description of (i) the principal climate-related risks and opportunities arising in connection with the operations of the company, and (ii) the time periods by reference to which those risks and opportunities are assessed)	• The risk reviews undertaken in 2023 identified climate change as a potential key corporate risk for the first time. • Our reviews highlighted lower levels of risk linked to climate change, primarily cost pressures due to regulatory intervention. • Some of our existing business activities already address climate change risks and opportunities – for example, Filta in the US supplies used cooking oil for conversion into biodiesel fuel.	As already highlighted, the potential impacts of climate change on our businesses are only beginning to be assessed. Post year-end, we have completed an initial high-level 'top down' review of risks and opportunities, over each of the short-, medium- and longer-term. We regard the short-term as the next 12-18 months, the medium-term as the end of the Group's four-year strategic planning horizon (therefore the end of 2027) and the longer-term as being anything beyond that. The principal climate-related risks and opportunities that we have identified are set out in the table on page 55 below. Based on our initial high-level review, we do not currently judge any of these to be material to the Group.	P	During 2024 we intend to undertake more detailed 'bottom up' reviews of climate-related risks and opportunities at subsidiary company level throughout the year, which will consider these over each of the time horizons explained opposite. We intend to work with external TCFD specialists to refine and deepen our understanding of climate-related risks and opportunities, further assess their materiality and impact on our business, strategy and financial planning.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning (A description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the Company)	• Certain of our businesses are already addressing risks and opportunities arising from climate change, none of which is having a material impact on the Group.	Our initial assessment of climate-related risks and opportunities did not identify any that have, or that we currently expect will have, a material impact on the business model or strategy of the Company. Accordingly, the Directors do not believe that the disclosure of actual and potential impacts is necessary for an understanding of the Company's business.	P	A strategic priority for the company during 2024 is to develop further our understanding of climate-related risks and opportunities and ensure that, where material, these are incorporated into our business, strategy, and financial planning in the short-, medium-, and long-term.

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

TCFD Pillar and Recommended Disclosure (Regulations requirement)	Actions taken in 2023	Current status	Current status rating	Actions to be taken in 2024 and beyond
Strategy continued				
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. (An analysis of the resilience of the business model and strategy of the company, taking into consideration of different climate-related scenarios)		Based on our current understanding of the likelihood and impact of climate-related risks and opportunities over the short-, medium- and long-term, we believe that our business model and strategy is resilient. Our businesses are diverse, both geographically and by business sector. A number of our businesses have identified upside opportunities as well as downside risks, none of which are currently viewed as material to the long-term performance of the Group. Accordingly, the Directors do not believe that this disclosure is necessary for an understanding of the Company's business.	R	In subsequent years we will reassess the resilience of our strategy using scenario analysis, starting with a scenario aligned with the Paris Agreement of 1.5-2.0°C of climate change. Once completed, we will undertake further analysis across a range of possible scenarios.
Risk management				
Describe the organisation's processes for identifying, assessing, managing climate-related risks and how these are integrated into the organisation's overall risk management. (A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company)	• The revision of the Group's risk management framework in 2023 enables all categories of risk to be rated and directly compared. • The process for the identification, assessment and management of climate-related risks is therefore fully integrated into the Group's risk management framework. • For further details of the risk management framework, please see page 76 of this annual report	Franchise Brands has policies and procedures in place for the timely identification, assessment and management of risk. Risk management is an integral part of the Group's business and risks. Managing the business implicitly includes managing risks and vice versa, at every level of management and across all business activities. The risk framework is reviewed regularly and the corporate risk register is updated and reviewed at least twice annually by the Board. Until recently, climate change has not been considered explicitly as part of these identified risks. By utilising our standard approach to risk management, as described above and further explained on page 76 the identification, assessment and management of climate-related risks will be fully integrated into the Group's risk management framework.	P	During 2024 the Climate Change Working Group members will utilise the Group's existing risk management processes to identify and assess climate-related risks and opportunities, on a 'bottom-up' basis. All material risks and opportunities identified will be raised directly with senior management and brought to the Board's attention. We anticipate that this will be complete by the end of 2024. In future years, the Working Group will undertake scenario analysis modelling to help plan our climate change strategy, which will form part of the Group's strategic and financial planning.

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

TCFD Pillar and Recommended Disclosure (Regulations requirement)	Actions taken in 2023	Current status	Current status rating	Actions to be taken in 2024 and beyond
Metrics and targets				
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. (The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those KPIs are based)		The Group measures and reports on a wide range of energy consumption data. The associated GHG emissions across Scope 1 and 2 and estimated Scope 3 data are on page 46 of this Annual Report. The calculation of emissions is in line with the Greenhouse Gas Protocol and shows performance against the prior years' performance. The Group also reports in line with the Streamlined Energy and Carbon Reporting (SECR) regulations, supporting the disclosure on how the Group manages its energy consumption and carbon emissions. This data forms the principal metrics and KPIs used to monitor the impact of climate change on our business, and vice versa.	P	Our key focus for the next few reporting periods will be developing a deeper understanding of the key climate-related issues which will or could impact the business in a range of scenarios. As we develop our response to climate change, including the implementation of TCFD, we expect to identify and disclose additional metrics and KPIs.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	• During 2023 we have developed our measurement of GHG emissions, including Scope 3. • During 2023 we have implemented the Group methodology for the reporting of Scope 1, 2 and Scope 3 emissions in the Pirtek Europe business.	Detailed reporting of the Group's energy consumption and the Scope 1, 2 and 3 GHG emissions are on page 46 of this Annual Report. As we are not a significant GHG emitter, and do not believe that our suppliers and customers are significant emitters, we do not currently believe that we face material risk in this area.	P	Whilst the Group already reports its Scope 1, 2 and 3 GHG emissions, during 2024 we intend to undertake further work to enhance our Scope 3 emissions calculations. We will also determine the most useful metrics and targets for the Group to adopt when reporting against the TCFD recommendations.

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

TCFD Pillar and Recommended Disclosure (Regulations requirement)	Actions taken in 2023	Current status	Current status rating	Actions to be taken in 2024 and beyond
Metrics and targets continued				
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. (A description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets)	• We have been measuring and reporting Scope 1 and 2 emissions and estimating and reporting our Scope 3 emissions for a number of years.	We expect that the reporting of Scope 1, 2 and 3 emissions will continue to be the bedrock of our reporting. As the Group develops its response to climate-change risks and opportunities, we will identify other metrics we can use to track these and monitor progress. It is important to recognise that most of the Group's operations are delivered by mobile engineers and service technicians, or 'man in a van'. As our business grows, it inherently requires more vans on the road to support the increased volume of orders that we anticipate. At the present time, electric vehicles have proven to be impractical for many of our operations. While we continue to explore the possible use of hybrid vehicles and remain open to advances in EV technology, we anticipate that our emissions are likely to increase in absolute terms, in line with our growth ambitions. Our initial target is likely to be to limit the growth in our GHG emissions within our own operations (excluding future acquisitions) to a rate that is lower than the growth in the business, most probably as measured by system sales and/or numbers of vans on the road. We will refine these targets in subsequent years.	R	The priority for 2024 is to improve our understanding of the potential impacts of climate change and to identify any potential key metrics that we can use to measure these, and our own environmental impact. Once we have better defined the impacts, we will be able to set more granular targets for each of our businesses and then define the key performance indicators that we can use to track performance against these. Over the following years we expect to develop a carbon reduction plan that can put us on a journey leading to net zero. Initially, this will be a roadmap to net zero for Scope 1 and 2, and for Scope 3 following that.

Principal climate-related risks and opportunities

As noted in the table above, we have conducted an initial high-level review of the risks and opportunities associated with climate change, including informal consideration of different climate change scenarios. We intend to undertake a deeper 'bottom-up' analysis during 2024, which we will report on in next year's Annual Report. We regard the short-term (S, in the table below) as the next 12-18 months, the medium-term (M) as the end of the Group's four-year strategic planning horizon (therefore the end of 2027) and the longer-term (L) as being anything beyond that. Based on our current understanding, none of the risks or opportunities is believed to be material to the Group at this time under any realistic scenario.

Working Responsibly continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

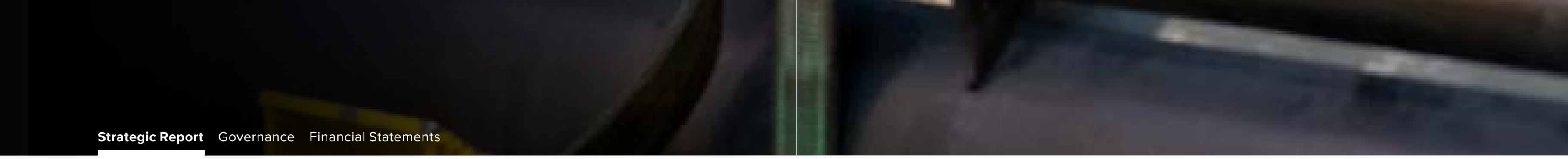
The risks and opportunities identified to date, and the time horizons over which we currently anticipate these could appear, are:

Operating segment		Risks		Opportunities
Group-wide (central and multi-segment)	**S/M/L**	Changing weather patterns create more seasonality in our business, making forecasting more challenging and creating the risk of under- or over-supply of engineer and technician capacity at times in the year	**M/L**	Use of solar power for offices and our direct labour organisations' premises
	M/L	Ability for mobile engineers and technicians to work outdoors throughout the year, if extremes of temperature or rainfall become normal		
	S/M	Rising costs of, or restrictions on, accessing ultra-low emission zones, including having to invest in Euro 6/VI compliant vehicles		
	M/L	Rising costs or reduced availability of materials due to disruption of national and international supply chains due to extreme weather events affecting production and distribution facilities		
	S/M/L	Cost of meeting new legal or regulatory requirements implemented in response to climate change		
Pirtek Europe	**S/M/L**	Disruption in ability to service customers due to extreme weather	**S/M/L**	Susceptibility of hydraulic hoses to increased temperatures, plus opportunities to offer Total Hose Management services
			S/M/L	Resilience projects (flood defences against rising sea levels, storm surges etc) often use hydraulics extensively, so increase market opportunities
Water & Waste Services	**M/L**	Prolonged spells of dry weather reduces demand for reactive drainage work	**M/L**	Increased frequency and severity of wet weather increases demand for reactive drainage work
	L	If electric vehicle technology does not improve, costs of owning and operating diesel-fuelled vehicles could increase	**M/L**	Increased frequency and severity of cold weather increases demand for reactive plumbing work
			M/L	Possible increase in demand for installation and servicing of ground- and air-sourced heat pumps
Filta International	**L**	US coastal cities become at risk of flooding leading to population migration, disrupting existing franchise network	**M/L**	Increased frequency and severity of wet weather reveals blocked drains and increases demand for FOG management solutions
	L	Food becomes more expensive and people eat out less than at present, or dietary habits change, in either case reducing demand for oil filtration		
B2C	**L**	Oil for paint manufacture becomes expensive or supply-constrained, leading OEMs to adopt alternative technologies, or making paint sufficiently expensive to undermine franchise economics	**S/M/L**	Ability to perform SMART repairs on electric vehicles, with circa 125 technicians already trained
	L	Dietary habits change so that ovens and hobs no longer require such frequent cleaning		

Key: **S** = short term **M** = medium term **L** = long term

Engaging with our stakeholders

How we engage with our business partners and counterparties and how our business affects others matters to us. Our goal is to be a good corporate citizen.



Section 172 statement

In performing their duties, the Directors of the company always act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. But the Directors also reflect on the potentially competing interests of a wide range of other stakeholders and considerations.

As the law requires, these include:

- the likely consequences of any decision in the long term;
- the interests of the company's employees and the wider workforce;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct;
- the need to act fairly as between members of the Company; and
- the interests of our franchisees and their employees.

Read about key decisions our Board has taken in light of the Section 172 factors on pages 60 & 61

Our stakeholders

Within the wider universe of all potential stakeholders, the Directors have a clear understanding of who can correctly be regarded as a key stakeholder. Processes are in place to engage with these parties to understand their perspectives and to ensure that these are considered in our decision-making and the actions we take.

As a progressive, principle-led Group, we are committed to working in partnership with all our stakeholders. In 2023, the groups that we regarded as our key stakeholders and how we engaged with them are shown overleaf:

The Board is provided with regular updates on stakeholders' views at its meetings. In particular, the views of our employees, our franchisees, as well as the shareholders and lending banks who fund our business, are discussed in detail on a regular basis.

Principal stakeholders

Employees

Franchisees

Shareholders

Lending banks

Customers and local communities

Suppliers

Our stakeholders

Employees and the wider workforce

Importance to the Group
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.

How we engaged
- Presentations, forums, visits, webinars, social and charity events, updates and communication bulletins.
- Visits by senior management to all of our group businesses.
- Providing support for hybrid and flexible working.
- Share options granted and exercised.

Franchisees

Importance to the Group
Our franchisees are the very backbone of the Group. 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.

How we engaged
- Conferences and award dinners for Metro Rod, Metro Plumb, Filta and Pirtek franchisees.
- Regional meetings, one-on-one meetings, franchisee forums, calls, webinars, franchisee visits.
- “Together we’re stronger” podcast.

Shareholders

Importance to the Group
Our shareholders finance our development and growth plans to support the long-term development of the Group. Engaging with them regularly to communicate progress, understand their perspectives, discuss short- and long-term issues, and ensure their views are taken into account is critical to the long-term success of the Group.

How we engaged
- Formal reporting (Annual Report, Interim Report and trading updates).
- Capital Markets Day and Investor Presentations open to all investors.
- Regular meetings and calls with institutional investors on a 1:1 basis.
- Regular engagement on digital platforms.
- Retail investor presentations, both virtual and in person.

Our stakeholders continued

Lending banks

Importance to the Group
During the year we took out a new, significant bank facility to part-fund the acquisition of Pirtek and provide us with funding for working capital and other purposes. The facilities provides us with long-term capital that we are using to accelerate the growth of our business. We engage with them at senior management levels to ensure that they know how our business is performing and we can learn their views and future intentions.

How we engaged
- Formal reporting (submission of reports, accounts, budgets and forecasts).
- Regular meetings with all of the lenders.
- Regular calls with the banks, individually and collectively, to discuss progress in implementing our plans.

Customers and local communities

Importance to the Group
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 continually improve. We are committed to making a positive contribution to the communities we work in.

How we engaged
- Meetings, reviews, calls, surveys, performance ratings.
- Our “Connect” portal allows customers to self-serve.
- Customer and industry conferences and seminars.
- Extensive community initiatives, including school engagement, sports sponsorships and charitable causes.
- “Meet the buyer” events.

Suppliers

Importance to the Group
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.

How we engaged
- Supplier expos at franchise conferences.
- Demonstrations and site visits.
- Expansion of supplier relationships.
- Continued introduction of new suppliers to franchise networks.

Our stakeholders continued

Key Board decisions in the year

How we considered these wider interests in 2023

Like all companies, our Directors make decisions throughout each working day and consider the range of stakeholder interests as part of their role. To illustrate this, there were a number of significant decisions made by the Board, acting collectively, during 2023 that took into account a wide range of factors, including those required by section 172(1) of the Companies Act:

Key of factors considered:

- Financial impact
- Long-term impact
- Community and the environment
- Reputation
- Employees and wider workforce
- Acting fairly between members
- Fostering business relationships

Acquisition of Pirtek

How the Directors fulfilled their duties

We believe that our ‘buy and build’ strategy is in our shareholders’ best interests, and that our focus on essential, reactive, van-based services is what we are best at doing. We also buy businesses for the long-term, not to make a short-term turn.

Pirtek is a business we have followed for some time that fits perfectly into our strategy and business model. It has an unmatched customer USP and strong market reputation. There are overlaps between its customer base and that of our Water & Waste Services division.

Key considerations:

Bank debt to part-fund the acquisition of Pirtek

How the Directors fulfilled their duties

While the vendors of Pirtek Europe wanted to receive cash as most of the consideration for the acquisition, this also fitted with how the Board wished to manage our balance sheet. The carefully considered use of debt enables businesses to accelerate growth and to improve the long-term returns to equity investors. We have also strengthened our relationships with a group of high-quality lending banks which should have long-term benefits.

Key considerations:

Our stakeholders continued

Key Board decisions in the year continued

Placing to part-fund the acquisition of Pirtek

How the Directors fulfilled their duties

The Board wished to part-fund the acquisition of Pirtek through an issue of equity. As well as issuing shares as vendor consideration, we undertook an institutional placing to open up the opportunity to a wide range of professional investors. The placing also enabled the management shareholders of Pirtek Europe and our own Directors and senior management team to invest.

Key considerations:

Decision to retain the B2C division

How the Directors fulfilled their duties

Having marketed the B2C division for sale, the Board concluded that the offers received did not properly reflect our belief in the long-term value of the business. Leaving the business for sale for an extended period of time was also unsettling and demotivating for the B2C team. We will therefore retain this profitable and cash-generative set of businesses.

Key considerations:

Changing the governance structure of the Group

How the Directors fulfilled their duties

The previous Board was dominated by executives with operational accountability. Through the changes we have made, the plc Board is now more clearly focused on strategic-level risks and opportunities, with a stronger non-executive component to bring enhanced independent scrutiny and challenge. The introduction of the Management Board has created a forum focused on the opportunities available across the Group, and where operational performance can be scrutinised in more depth, including in relation to ESG plans and performance.

Key considerations:

Financial Review

2023 highlights

- **System sales increased by 88% to £350.1m**
- **Adjusted EBITDA/ System sales for 2023 increased to 8.6%**
- **Cash conversion increased to 100% (2022: 90%)**

> A strong trading performance and continued efficiency gains combined with cost savings from integrating Filta and Pirtek have enabled the Group to increase Adjusted EBITDA by 97% to a record £30.1m."
>
> **Mark Fryer,** Chief Financial Officer

£30.1m
Adjusted EBITDA

£5.0m
Profit before tax

Financial Review

At close of business on 20 April 2023, we acquired the entire share capital of Hydraulic Authority 1 Limited and its subsidiaries (together "Pirtek" or "Pirtek Europe"). The acquisition was announced to the Stock Exchange on 21 April 2023. The Group's results for the year ended 31 December 2023 therefore include a maiden contribution, for just over eight months, from Pirtek; the first full-year contribution from Filta, which was acquired in March 2022, and the B2C division, which is included as a continuing operation as it is no longer being actively marketed for sale.

Systems sales, which comprise the underlying sales of our franchisees and the statutory revenue of our Direct Labour Operations ("DLO"), increased by 88% to £350.1m in the period (2022: £186.4m). System sales are a KPI of the Group and are considered a good indicator of Group performance as it allows total sales to end customers to be visible on a comparable basis across all businesses within the Group. Statutory revenue comprises many different types of revenue, including the MSF, which is now recorded on a net basis, as well as the statutory revenue of our DLOs. Statutory revenue increased by 74% to £121.3m (2022: £69.8m) after the prior year adjustments referred to below.

A strong trading performance and continued efficiency gains combined with cost savings from integrating Filta and Pirtek have enabled the Group to increase Adjusted EBITDA by 97% to a record £30.1m (2022: £15.3m). Adjusted EBITDA, although an alternate performance measure, is the most important KPI used in managing the business. Overall Adjusted EBITDA / System sales for 2023 has grown to 8.6% (2022: 8.2%), demonstrating the operational gearing arising from the integration of the acquisitions and the continuing digitisation of the business.

Another important KPI of the business, which drives organic investment, debt repayment and dividends, is cash conversion (cash from operations / Adjusted EBITDA). Excluding the acquisition and re-organisation costs for Pirtek in 2023 and Filta in 2022, the cash conversion rate increased to 100% (2022: 90%) demonstrating the strong cashflow performance of the Group's franchise businesses.

Financial Review continued

Alternative Performance Measures explained

Why do we use System sales?

Systems sales comprise the underlying sales of our franchisees and the statutory sales of our DLOs.

System sales is a KPI of the Group and is considered a good indicator of Group performance as it allows total sales to end customers to be visible on a comparable basis across all businesses within the Group.

Prior Year Adjustments

Following the Group's recent material acquisition and subsequent increase in market capitalisation, the Group has become an Other Entity of Public Interest ("OPIE") and as such the audit of its accounts is now in scope for the purposes of the Financial Reporting Council's audit quality review processes. Following challenges from our auditors, BDO LLP as part of the audit process on the application of accounting standards, we have extensively reviewed our existing accounting policies to ensure they comply with the latest accounting standards and are consistent across the enlarged Group. This has caused a significant delay in publishing this year's results. We are confident this will not re-occur in future years.

As a result of this extensive review, several prior year adjustments are incorporated into the 2023 statements to reflect corrections needed in the 2022 Annual Report. The adjustments are laid out in greater detail in Note 1 on pages 127 to 128 of the Annual Report. The overall impact of the adjustments in 2022 is a reduction in statutory revenue of £29.3m and a reduction in adjusted EBITDA of £0.0m. The principal adjustments are:

- We have identified that certain transactions in the Group's Metro Rod Limited, The Filta Group Limited, Filta Deutschland GmbH and ChipsAway International subsidiaries had been incorrectly treated in respect of IFRS 15. National account revenue has historically been treated gross, with these subsidiaries being the principal. We are now treating this revenue net, as following consideration of the underlying contracts, facts and circumstances, we consider these subsidiaries to be acting as a commission agent for their franchisees. The businesses only have momentary control of the incoming order following acceptance of the job ahead of passing it to the incumbent franchise in a back-to-back arrangement where local Franchisees have a right of first refusal on the order received. Operational fulfilment also rests with the franchisee. The impact of this is to reduce revenue in the year ended 31 December 2022 by £29.3m, with an equivalent reduction in cost of sales; there is no profit impact of this change.
- We have identified further transactions in the Metro Rod Limited subsidiary that have been treated incorrectly in respect of IFRS 15. National account revenue has historically been recognised at the point of invoice, as we considered this to be our performance obligation. We now consider our performance obligation to be the passing of the work order to the franchisee, having considered the underlying contracts, facts and circumstances. Therefore, revenue is now recognised at this point. The impact of this is to increase revenue and profit before tax in the year ended 31 December 2022 by £0.2m. In the Consolidated Statement of Financial Position this adjustment increases Trade and Other Receivables for Accrued Income by £3.5m (2021: £2.6m), increases Trade and Other Payables for Accruals by £2.7m (2021: £2.1m) and increases Retained Earnings by £0.7m (2021: £0.6m). In the Consolidated Statement of Cashflows the impact is an increase in profit of £0.2m, a £0.8m reduction in cash flows from trade and other receivables and a £0.7m reduction in cash flows to trade and other payables.
- We have identified that certain transactions in the Group had been incorrectly treated in respect of IFRS 15 in regard to the timing of recognising franchise sales and related training fees. Within Metro Rod Limited, ChipsAway International Limited, Ovenclean Limited and Barking Mad Limited in the past we have recognised the initial franchise fee when we have delivered the training for the new franchises to operate in line with the necessary standards on completion of the franchise sale (at a point in time). This is however considered a pre-opening activity necessary for the franchisee to operate and not a distinct performance obligation in the franchisee contracts of these subsidiaries. We are now recognising this revenue over the life of the franchise agreement on a straight line basis, as our obligation is to provide a license for the franchise to operate, which extends over the life of the agreement. The impact of this is to reduce revenue and profit before tax in the year ended 31 December 2022 by £0.2m. At 31 December 2022 this also created current deferred income of £0.1m (2021: £0.3m) and non-current deferred income of £0.1m (2021: £0.5m), increased liabilities held for sale by £0.8m (2021: nil), decreased assets held for sale by £0.1m (2021: nil), reversed previously held other debtors of nil (2021: £0.1m) and decreased Retained Earnings by £1.1m (2021: £0.9m) in the Consolidated Statement of Financial Position. In the Consolidated statement of Cashflows this decreased profit by £0.2m, increased cashflows from receivables £0.0m and decreased cashflows to payables £0.2m.
- Franchise Brands plc acquired Filta Group Holdings plc in March 2022. A valuation exercise was completed in the prior year as part of the purchase price allocation exercise as required by IFRS 3. Corrections required were identified, including incorrect rates and unsuitable valuation models for certain intangibles. Another valuation was completed to correct these points subsequent to the 12-month measurement period.

Financial Review continued

Prior Year Adjustments continued

- The review occurred outside the permitted time period, and as such requires correction as a prior year adjustment, not as a fair value adjustment. The revaluation decreased the fair value of intangibles acquired by £1.0m (reduced software acquired by £2.7m, reduced indefinite life brands by £0.1m, patent technology by £0.4m and customer relations by £0.6m; however, increased franchise agreements by £2.8m) and reduced the deferred tax liability by £0.3m at recognition with the corresponding impact being a £0.7m increase in goodwill. The impact on the Consolidated Statement of Income is a £0.2m increase in amortisation of acquired intangibles and a £0.0m increase in relation to the deferred tax credit. The impact on the Consolidated Statement of Financial Position is a £0.4m reduction in intangible assets and a £0.3m decrease in deferred tax liability. The impact on the Consolidated Statement of Cash Flows is a £0.1m reduction in profit, a £0.2m increase in the adjustment for amortisation of acquired intangibles and a £0.0m decrease in the adjustment for income tax with nil impact to operating cash flows.
- In previous periods cash transferred to the Employee Benefit Trust (EBT) was included as part of the EBT reserve. As this cash is held on our behalf, it is now accounted for in cash and cash equivalents. This has increased cash at 31 December 2022 by £0.1m and increased cash at 31 December 2021 by £0.0m in the Consolidated and Company Statement of Financial Position with the corresponding decrease in the EBT reserve. In both the Consolidated and Company Statement of Cashflows this has decreased the purchase of shares by the EBT £0.1m, increased cash at the beginning of the period by £0.0m and increased cash at the end of the period by £0.1m.
- Cash outflows of £1.7m for the year ended 31 December 2022 with regards to deferred consideration were incorrectly presented as operating cash outflows. As the deferred consideration was related to the purchase of Willow Pumps Limited, these should be recorded as investing activities. As a result, these have been reclassified in the Consolidated and Company Statement of Cash Flows for the year ended 31 December 2022, increasing cash flows from operations by £1.7m and increasing cash outflows from investing activities by £1.7m, with no overall impact on cash flows.
- The company incurred costs of £1.0m in the acquisition of Filta Group Holdings, expensed as non-recurring costs. Of this, £0.9m were directly attributable costs therefore the treatment of this was incorrect, in accordance with IAS 27 that requires measurement of investment in subsidiaries at cost for the Company. The correction removes these non-recurring costs and increases the investment in group companies. This change is reversed on consolidation in line with IFRS 3 and so has no impact on the Consolidated Statement of Comprehensive Income. In the Company Statement of Comprehensive Income it decreases non-recurring costs by £0.9m and increases profit £0.9m. In the Company Statement of Financial Position, it increases investment in subsidiaries by £0.9m; and in the Company Statement of Cash Flows there is a £0.9m increase in cash flows used in the acquisition of subsidiaries.
- We have identified that corrections were required in recording intercompany debtors in the company, as they had been incorrectly netted off against creditors in the prior periods. These were originally shown within Trade and Other Payables, so adjustments to the Company Statement of Financial Position were required to increase both Trade and Other Receivables and Trade and Other Payables by £0.6m (2021: £0.3m). There is no change to profit or reserves. The adjustments had no overall impact on cashflows. In the Company Statement of Cashflows it decreased cash flows from trade and other receivables by £0.3m, with an equivalent decrease in cash flows to trade and other payables.
- We have identified that corrections were required in relation to the treatment of trade debtors recognised in Metro Rod Limited for Local Account sales. In such transactions, the work is sourced by the Franchisee but billed by Metro Rod Limited. The Group is obtaining MSF Royalty income only on the transaction and does not have the credit risk for the full amount. Trade debtors should, therefore, reflect only the amounts due to the Group being the MSF Royalty income. If advanced payments are made to the franchisee before receipt of the full payment from the customer, this should be recorded as a franchisee loan debtor. Given that this is a contractual obligation to the franchisee, the Group has recorded the open commitments at year-end in Note 22. When payment is collected from the customer the assets recorded are de-recognised and a trade payable recorded for the amounts due to the Franchisee. The impact to the Consolidated Statement of Financial Position is a £0.1m (2021: £0.4m) reduction in trade and other receivables and a reduction of £0.1m (2021: £0.4m) in trade and other payables. There is no impact on the Consolidated Statement of Cash Flows. The impact on the Consolidated Statement of Cash Flows is a £0.2m reduction in cash flows from trade and other receivables and a £0.2m reduction in cash flows to trade and other payables.

The following restatements have been made to improve disclosures:

- Within Note 7 of the financial statements, prior year revenue has been disaggregated further to better understand the Group's revenue streams to ensure compliance with the requirements of IFRS 15.
- Within Note 14 of the financial statements prior year, intangible assets with indefinite useful lives have been disaggregated further to show Filta International and Filta UK as separate CGUs in line with the conclusions reached by Group management in the prior year. There is no impact on intangibles. The note now also includes the recoverable amount for all CGUs as required by IFRS.
- In Note 5 of the financial statements, the segment reporting note has been restated to show the assets arising from the consolidation as unallocated assets rather than assets from another segment.
- Within Note 6 of the financial statements additional disclosures have been made within the Filta Group Holdings section regarding the primary reasons for the business combination, and the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for 2022 as required by IFRS 3.
- Within Note 4 of the financial statements we have restated trade and other payables within the categories of financial instruments table, as it previously included deferred income, which is not defined as a financial instrument.

Financial Review continued

Summary statement of income

	2023 £'000	2022 (restated) £'000	Change £'000	Change %
System sales	**350,053**	**186,353**	**163,700**	**88%**
Statutory revenue	**121,265**	**69,839**	**51,426**	**74%**
Cost of sales	(50,060)	(33,898)	(16,162)	48%
Gross profit	**71,205**	**35,941**	**35,264**	**98%**
Administrative expenses	(41,104)	(20,684)	(20,420)	99%
Adjusted EBITDA	**30,101**	**15,257**	**14,844**	**97%**
Depreciation & amortisation of software	(4,417)	(2,281)	(2,136)	94%
Finance expense	(5,711)	(235)	(5,476)	2330%
Impairment loss	(96)	—	(96)	100%
Foreign Exchange	(146)	—	(146)	100%
Adjusted profit before tax	**19,731**	**12,741**	**6,990**	**55%**
Tax expense	(5,153)	(2,560)	(2,593)	101%
Adjusted profit after tax	**14,578**	**10,181**	**4,397**	**43%**
Amortisation of acquired intangibles	(7,718)	(1,693)	(6,025)	
Share-based payment expense	(838)	(535)	(303)	
Non-recurring items	(6,159)	(1,708)	(4,451)	
Other gains and losses	—	1,232	(1,232)	
Tax on adjusting items	3,174	649	2,525	
Statutory profit	**3,037**	**8,126**	**(5,089)**	**(63%)**

Financial Review continued

Summary statement of income continued

Divisional trading results

Following the acquisition of Pirtek, the decision was taken to rename the B2B Division as Water & Waste Services division to better distinguish the Group trading activities. The divisional trading results may be analysed as follows:

	Pirtek £'000	Water & Waste Services £'000	Filta International £'000	B2C £'000	Azura £'000	Inter-company £'000	2023 £'000
System sales	**125,976**	**106,661**	**90,482**	**26,189**	**745**	**—**	**350,053**
Statutory revenue	**41,947**	**48,880**	**27,117**	**6,106**	**745**	**(3,530)**	**121,265**
Cost of sales	(11,408)	(23,284)	(17,349)	(1,207)	(0)	3,188	(50,060)
Gross profit	**30,539**	**25,596**	**9,768**	**4,899**	**745**	**(342)**	**71,205**
GP%	73%	52%	36%	80%	100%	10%	59%
Administrative expenses	(17,221)	(14,689)	(3,671)	(2,583)	(531)	342	(38,353)
Divisional EBITDA	**13,318**	**10,907**	**6,097**	**2,316**	**214**	**—**	**32,852**
Group overheads	—	—	—	—	—	—	(2,751)
Adjusted EBITDA	**—**	**—**	**—**	**—**	**—**	**—**	**30,101**

	Pirtek £'000	Water & Waste Services (restated) £'000	Filta International £'000	B2C (restated) £'000	Azura £'000	Inter-company £'000	2022 (restated) £'000
System sales	**—**	**90,223**	**69,560**	**25,773**	**797**	**—**	**186,353**
Statutory revenue	**—**	**42,473**	**23,750**	**6,138**	**797**	**(3,319)**	**69,839**
Cost of sales	—	(20,111)	(15,659)	(1,063)	(1)	2,936	(33,898)
Gross profit	**—**	**22,362**	**8,091**	**5,075**	**796**	**(383)**	**35,941**
GP%		53%	34%	83%	100%	12%	51%
Administrative expenses	—	(13,112)	(2,877)	(2,618)	(625)	383	(18,849)
Divisional EBITDA	**—**	**9,250**	**5,214**	**2,457**	**171**	**—**	**17,092**
Group overheads	—	—	—	—	—	—	(1,835)
Adjusted EBITDA	**—**	**—**	**—**	**—**	**—**	**—**	**15,257**

On consolidation, certain inter-company revenues and costs are eliminated to reconcile the Group's statutory revenues, gross profit, and administrative expenses to the underlying entities. These include the work undertaken by Metro Rod on behalf of Willow Pumps and the IT development work undertaken by Azura on behalf of various Group subsidiaries. The net effect on Adjusted EBITDA is zero.

Financial Review continued

Pirtek Europe

Pirtek Europe operates through a network of depots providing on-site hydraulic hose replacement in eight European countries. It was acquired in April 2023, and therefore, the trading results summarised below comprise just over eight months of post-acquisition contribution.

	Franchise £'000	DLO £'000	Central Costs £'000	2023 £'000
System sales	**118,687**	**7,289**	**—**	**125,976**
Statutory revenue	**34,771**	**7,292**	**(116)**	**41,947**
Cost of sales	(9,954)	(1,570)	116	(11,408)
Gross profit	**24,817**	**5,722**	**0**	**30,539**
GP%	71%	78%	0%	73%
Administrative expenses	(11,178)	(5,305)	(738)	(17,221)
Adjusted EBITDA	**13,639**	**417**	**(738)**	**13,318**

Like other businesses in the Group, System sales comprise the sales made to third parties by franchisees; franchise territories operated corporately in each country; and by the DLO operations in the corporate markets of France and Sweden. 94% of System sales were generated by franchisees and 6% by DLOs.

Statutory revenue is made up of MSF and other fee income generated from franchisees (46%), the sale of materials used in the core hose replacement business (25%), and the sales revenue generated by the corporate operations (28%). The business also generates some revenue from the sale and resale of franchise territories, but as the business has national coverage in its largest markets of the UK, Germany and the Netherlands, this is less than 1% of revenue.

When the Pirtek business in Europe was first established in 1998, the franchise model was set up as it had been in other countries, with franchisees paying a low percentage MSF but being tied in under the franchise agreement to purchase all their materials from the franchisor at a mark-up. This structure required constant policing to ensure compliance. In 2017, the company began transitioning to the current model whereby materials are supplied at cost, and a higher MSF Royalty income is received in exchange. This better aligns the interests of the franchisee and franchisor in growing the business, particularly where the service has a high labour, as opposed to material element in the sale, such as with total hose management. The transition was completed in the UK, the Republic of Ireland ("RoI"), Germany, and Austria before the acquisition. It was finally completed in the Netherlands and Belgium by the end of 2023.

The UK and the RoI are the most developed markets, generating £55.8m or 44% of Pirtek Europe's System sales and £6.8m or 51% of its Adjusted EBITDA. RoI, which is operated from the UK facility, was started in 1994 and generates 8% of territory System sales. Both the UK and RoI are almost entirely franchised, with only two corporate franchises in York and Aberdeen. Materials supplied to franchisees make up 27% of the division's Statutory revenue, but these are sold at a small margin, with almost all gross profit arising from the MSF on System sales and other small fees that franchisees pay for training and other add-on services.

Germany & Austria are the next most developed markets, with Germany having been established in 1996. Austria, which was started in 2014 and is operated from the German facility, generates 4% of territory System sales. The combined business generated £46.5m or 37% of Pirtek Europe's System sales and £4.2m or 32% of its Adjusted EBITDA. Like the UK, materials are supplied to the franchisees at cost, and it only has one corporate franchise in Graz, Austria, so once again, the vast majority of income is generated from MSF and other fee income from franchisees.

Benelux, which comprises the operations in the Netherlands and Belgium, were started in 1997 and 1998, respectively. Belgium, which operates from the Netherlands facility, generates 19% of territory System sales. The combined business generated £16.4m or 13% of Pirtek Europe's System sales and £2.6m or 19% of its Adjusted EBITDA. Benelux operates six of the 24 depots as corporate franchises, contributing 24% of System sales in these territories. As mentioned above, Benelux only completed the MSF transition at the end of 2023, so gross profit was generated from both the margin on materials supplied to franchisees and MSF on System sales.

The DLO operations in France and Sweden contributed £7.3m or 6% of the division's System sales and £0.4m or 3% of its Adjusted EBITDA. These early-stage operations do not have national coverage, making the acquisition of national customers more challenging. Whilst they are currently sub-scale, we intend to continue to invest in growing the footprint of depots and service vans and expect them to make a more meaningful contribution over the coming years. Like most franchise businesses, it is necessary to establish the business model's viability in new territories before promoting the opportunity to franchisees, which we may do in the future.

The central costs mostly represent the cost of the Pirtek Europe senior management team based in Acton, London.

Financial Review continued

Water & Waste Services division

The Water & Waste Services division comprises Metro Rod, Metro Plumb, Filta UK's franchise activities and the DLO operations of Willow Pumps, Filta UK and Kemac. The organisation of these activities within this division reflects both management responsibilities and our internal KPIs. The results of the Water & Waste Services division may be summarised as follows:

	Metro Rod £'000	Willow Pumps £'000	Filta UK £'000	2023 £'000	Metro Rod (restated) £'000	Willow Pumps £'000	Filta UK (restated) £'000	2022 (restated) £'000	Change £'000	Change %
System sales	**75,671**	**18,659**	**12,331**	**106,661**	**62,916**	**18,175**	**9,132**	**90,223**	**16,438**	**18%**
Statutory revenue	**19,203**	**18,659**	**11,018**	**48,880**	**15,641**	**18,175**	**8,657**	**42,473**	**6,407**	**15%**
Cost of sales	(4,020)	(12,399)	(6,865)	(23,284)	(2,747)	(12,196)	(5,168)	(20,111)	(3,173)	16%
Gross profit	**15,183**	**6,260**	**4,153**	**25,596**	**12,894**	**5,979**	**3,489**	**22,362**	**3,234**	**14%**
GP%	79%	34%	38%	52%	82%	33%	40%	53%	(0%)	(1%)
Administrative expenses	(7,595)	(4,406)	(2,688)	(14,689)	(6,556)	(4,134)	(2,422)	(13,112)	(1,577)	12%
Adjusted EBITDA	**7,588**	**1,854**	**1,465**	**10,907**	**6,338**	**1,845**	**1,067**	**9,250**	**1,657**	**18%**

Metro Rod

Metro Rod comprises the franchise and direct labour activities of Metro Rod and Metro Plumb and Kemac. The results may be summarised as follows:

	2023 £'000	2022 (restated) £'000	Change £'000	Change %
System sales	**75,671**	**62,916**	**12,755**	**20%**
Statutory revenue	**19,203**	**15,641**	**3,562**	**23%**
Cost of sales	(4,020)	(2,747)	(1,273)	46%
Gross profit	**15,183**	**12,894**	**2,289**	**18%**
GP%	79%	82%	(3%)	(4%)
Administrative expenses	(7,595)	(6,556)	(1,039)	16%
Adjusted EBITDA	**7,588**	**6,338**	**1,250**	**20%**

Overall, System sales at Metro Rod and Metro Plumb increased by 20% to a record £71.6m (2022: £59.8m), compared to a 21% increase in MSF. We continue to support Metro Rod's franchisees with initiatives to widen and deepen the range of services offered, particularly those with a high average order value, such as pump service, which increased by 21%, and tankering, which increased by 23% during the year. These activities have an average order value of over three times that of drainage.

Statutory revenue of £19m includes MSF; other fee income from franchise sales & resale and training; DLO customers' revenue from corporate franchises and Kemac; and the revenue generated from the National Advertising Fund ("NAF"). As MSF is the key driver of Adjusted EBITDA, it is re-analysed and compared to System sales as follows:

	2023 £'000	2022 (restated) £'000	Change £'000	Change %
System sales	**71,616**	**59,814**	**11,802**	**20%**
MSF income	13,404	11,085	2,319	21%
Effective MSF %	18.7%	18.5%	—	0.2%
Other gross profit	1,779	1,809	(30)	(2%)
Gross profit	**15,183**	**12,894**	**2,289**	**18%**

MSF represented 69% (2022: 71%) of Statutory revenue and increased marginally to 18.7% from 18.5% of System sales in 2023. We continue to use MSF incentives to encourage franchisees to grow System sales, offering a lower rate in activities where we are targeting growth. Therefore, the overall rate for the year depends on the mix of sales and the level of allowable costs that may be deducted from sales when calculating the MSF payable, which in turn depends on the type of work undertaken. We anticipate the MSF percentage will decline over time as System sales increase, driven partly by these incentives.

Financial Review continued

Water & Waste Services division continued

Metro Rod continued

Other gross profit includes the gross profit generated by Kemac and the corporate franchise in North Scotland and the gross profit on franchise sales and resales. It also includes the costs incurred by the national advertising fund, which is a non-profit generating and is run on behalf of the franchisees.

Administration expenses grew by 16%, less than the 20% growth in System sales, due to the operational gearing inherent in a franchise business, accelerated by the continuing investment in the Group's digital transformation. As a result of this operational gearing, Adjusted EBITDA grew by 20% to £7.6m (2022: £6.3m).

Willow Pumps

Willow Pumps comprises the core DLO pump & business and the Metro Rod corporate franchises in Exeter and Kent & Sussex (which was sold in the second half of 2023).

The results for the division may be summarised as follows:

	2023 £'000	2022 £'000	Change £'000	Change %
Statutory revenue	**18,659**	**18,175**	**484**	**3%**
Cost of sales	(12,399)	(12,196)	(203)	2%
Gross profit	**6,260**	**5,979**	**281**	**5%**
GP%	34%	33%	1%	2%
Administrative expenses	(4,406)	(4,134)	(272)	7%
Adjusted EBITDA	**1,854**	**1,845**	**9**	**0%**

Willow Pumps' core business has historically had two distinct revenue streams: Service revenue and Supply and install revenue ("S&I"). A third revenue stream was launched in Q2 2023 with the establishment of a Special Project Division.

S&I revenue is generated from the design, supply, and installation of pump stations, which historically have been large projects performed in discrete phases over several accounting periods. Service revenue is generated from the routine service and maintenance of above and below-ground pumps and drains. The new management team at Willow is migrating the business away from high-revenue, low gross margin business in pump station design & installation and above-ground pump work to higher margin work that can be completed in shorter time frames. This is now being complimented by a newly recruited team that runs the Special Projects Division. This work will include more significant, longer-term work, but much of the risk and cash-flow challenges will be mitigated by the use of subcontractors. We expect this new activity to start contributing H2 2024.

Off-setting, to some extent, the move to higher-margin work is the increasing amount of work that is being subcontracted to Metro Rod, which, whilst still reflected in Willow Pumps revenue (before consolidation eliminations), is at a far lower margin than would have been the case had it undertaken the work itself. This is more efficient for the Group as it leverages Metro Rod's national coverage in drainage and gives the Metro Rod engineers practical experience in pump work following their training.

As a result of this business's changing focus, revenue has only increased by 3% during the period, but the gross margin contribution has increased by 5% as the gross margin percentage increased to 34% from 33% in 2022. Overheads increased by 7% as a result of the recruitment of the new team for the Special Project Division. Overall, Adjusted EBITDA grew very marginally.

Filta UK

Filta UK comprises the DLO services of fridge & freezer seal replacement; the supply, installation and maintenance of Grease Recovery Units ("GRUs"); extraction vent cleaning & servicing; pump & drainage repair and maintenance; and the Filta Environmental network of 25 franchisees.

The results for 2023 and the comparative ten months from the acquisition in March 2022 may be summarised as follows:

	2023 £'000	2022 (restated) £'000	Change £'000	Change %
System sales	**12,331**	**9,132**	**3,199**	**35%**
Statutory revenue	**11,018**	**8,657**	**2,361**	**27%**
Cost of sales	(6,865)	(5,168)	(1,697)	33%
Gross profit	**4,153**	**3,489**	**664**	**19%**
GP%	38%	40%	(2%)	(6%)
Administrative expenses	(2,688)	(2,422)	(266)	11%
Adjusted EBITDA	**1,465**	**1,067**	**398**	**37%**

System sales increased by 35% to £12.3m from £9.1m and on a like-for-like basis by 13%. FiltaSeal grew strongly during this period as more technicians were recruited, allowing us to service a larger range of national accounts more efficiently on an increasingly country-wide basis. The revenue generated from the installation of GRUs was impacted by a dispute with our supplier that held up the delivery of these units. This has now been resolved through the acquisition of intellectual property, and we expect strong growth in this area in 2024 and beyond. The cost of resolving this matter was £0.8m, which has been considered exceptional.

Financial Review continued

Statutory Revenue increased by 27% to £11.0m from £8.7m and has increased by 6% on a like-for-like basis. Administrative expenses were well controlled and declined by 7% on a like-for-like basis, resulting from the annualisation of overhead savings made following the acquisition in 2022 and further savings made possible by subcontracting the GRU servicing work to franchisees.

Adjusted EBITDA increased by 37% to £1.5m from £1.1m and by 14% on a like-for-like basis on System sales, up by 13% on a similar basis. This is considered a creditable result as a significant margin is being transferred to franchisees to improve their viability so that we can grow this franchise system robustly and sustainably in the future.

Filta International

Filta International operates a franchise network that comprises Filta's franchise activities in North America and mainland Continental Europe. The results for 2023 and the comparative ten months from acquisition in March 2022 may be summarised as follows:

	North America £'000	**Europe £'000**	**2023 £'000**	North America £'000	Europe £'000	2022 £'000	Change £'000	Change %
System sales	**87,004**	**3,478**	**90,482**	**66,700**	**2,860**	**69,560**	**20,922**	**30%**
Statutory revenue	**26,506**	**611**	**27,117**	**23,273**	**477**	**23,750**	**3,367**	**14%**
Cost of sales	(17,011)	(338)	(17,349)	(15,398)	(261)	(15,659)	(1,690)	11%
Gross profit	**9,495**	**273**	**9,768**	**7,875**	**216**	**8,091**	**1,677**	**21%**
GP%	36%	29%	36%	34%	36%	34%	2%	6%
Administrative expenses	(3,171)	(500)	(3,671)	(2,516)	(361)	(2,877)	(794)	28%
Adjusted EBITDA	**6,324**	**(227)**	**6,097**	**5,359**	**(145)**	**5,214**	**883**	**17%**

System sales increased 30% to £90.5m (2022 ten months: £69.6m), a like-for-like increase of 8%. The like-for-like increase in North America was 9% and 1% in Europe. System sales in North America comprise MSF income; used oil sales; equipment and supplies sales; the fees generated from the sale and resale of franchise territories; and national corporate accounts ("NCA"), marketing and IT revenues.

MSF revenue in North America currently mainly consists of the fixed monthly fee paid by the franchisees for each mobile filtration unit ("MFU") in operation. The high price of used oil in 2022 and the early months of 2023 encouraged the franchises to expand their capacity by purchasing additional MFUs. This drove MSF in 2023, which increased by 38% to £3.1m (2022: £2.3m) and, on a like-for-like basis, by 13%. Our strategy is changing to one where MSF will be based on System sales so that our interests are aligned with franchisees and not focused principally on selling more MFUs. We hope to negotiate this transition with each franchise as soon as possible.

Used oil revenues, all of which is generated in North America, are derived from the sale of used cooking oil for biodiesel production. Filta administers the programme through national agreements with biodiesel companies, which involves the franchisees collecting and storing the oil before local pick-up via tankers organised centrally. On a like-for-like basis, volumes in 2023 increased by 25% over 2022 to 6.2m gallons, however, this was offset by a 21% decline in the average dollar price. Used oil sales are accounted for on a gross basis, with the margin reflected as gross profit. Filta's margin in 2023 averaged 17% (2022: 18%). Whilst reported revenue from used oil sales increased by 8% to £17.6m from £16.3m and gross profit by 3% to £3.0 from £2.9m, on a like-for-like basis, revenue and gross margin (in sterling) declined by 10% and 14% respectively.

Equipment & Supply revenue in North America consists of revenue from selling new and replacement MFUs, spare parts, and supplies to franchisees. In 2023, revenue increased by 14%, but on a like-for-like basis, it fell by 4%, reflecting the franchisees' reduction in cashflow from the sale of used oil.

Financial Review continued

Filta International continued

Area Sales revenue in North America is derived from the sale and resale of franchise territories. Many new franchisees are introduced by external brokers who are paid a 5-10% commission. The commission payable is recognised when the transaction is completed. Six new franchises and seven resales were completed during the period.

The NCA, marketing, and IT revenues in North America are the additional fees charged to franchisees for generating and administering the national accounts and providing marketing and IT systems. Revenue from these high-margin activities increased by 49% in 2023 or 24% on a like-for-like basis, reflecting the strong growth in the core franchise business. The NCA revenues will eventually be absorbed in the percentage MSF as this is rolled out.

Overall, Adjusted EBITDA in North America, including oil sales, increased by 18% to £6.3m (2022: £5.4m). If the gross margin on oil sales is excluded and without any reapportionment of central overheads, Adjusted EBITDA from the core franchise business grew by 37% to £3.3m (2022: £2.4m) or 14% on a like-for-like basis.

System sales in Europe are generated from fryer management, seal replacement and GRU installations. Overall, System sales grew by 22% and on a like-for-like basis by only 1%, although gross profit grew on a like-for-like basis by 5%, reflecting the sales mix. The slow recovery of this sub-scale business from the effects of the COVID-19 shutdowns continues. This has been compounded by hold-ups in rolling out the GRU due to the supply problems that also impacted Filta in the UK, referred to above. In 2022, additional sales people were recruited in an attempt to accelerate growth, but this has not been successful, and the additional costs have resulted in an increased, albeit relatively small, loss of £0.2m in the period.

B2C Division

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

	2023 £'000	2022 (restated) £'000	Change £'000	Change %
System sales	**26,189**	**25,773**	**416**	**2%**
Statutory revenue	**6,106**	**6,138**	**(32)**	**(1%)**
Cost of sales	(1,207)	(1,063)	(144)	14%
Gross profit	**4,899**	**5,075**	**(176)**	**(3%)**
GP%	80%	83%	(2%)	(3%)
Administrative expenses	(2,583)	(2,618)	35	(1%)
Adjusted EBITDA	**2,316**	**2,457**	**(141)**	**(6%)**

Overall, System sales of the B2C division grew by 2% in 2023. This was driven by a 10% increase in the average order values at ChipsAway which represents 72% of divisional System sales. The key Statutory revenue streams are MSF and Area Sales income. MSF income is primarily made up of fixed monthly fees, as this remains the most effective method of generating income given the large number of franchisees with a lower level of individual sales. MSF income overall was flat as whilst the fixed monthly fee was increased, the number of franchisees over the period reduced to 327 at 31 December 2023 (31 December 2022: 349). Notwithstanding the challenging franchise recruitment and retention environment, ChipsAway performed robustly, recruiting 25 new franchisees (2022: 20) with 30 leavers (2022: 40). Overall, 39 new franchisees were recruited (2022: 39) and 59 (2022: 69) left the system.

Prudent cost control resulted in administrative expenses declining slightly during the period. Adjusted EBITDA declined by 6% to £2.3m (2022: £2.5m), but if the one-off £0.1m income from the sale of the MyHome domain name were excluded from 2022, profits were flat year-on-year.

Financial Review continued

Azura

Azura is a SaaS supplier of franchise management software to the Group and 30 other franchise businesses. The 2023 results may be summarised as follows:

	2023 £'000	2022 £'000	Change £'000
Statutory revenue	**745**	**797**	**(52)**
Cost of sales	(0)	(1)	1
Gross profit	**745**	**796**	**(51)**
GP%	100%	100%	0%
Administrative expenses	(531)	(625)	94
Adjusted EBITDA	**214**	**171**	**43**

Statutory revenue is comprised of third-party income of £0.4m (2022: £0.4m) and charges to Group companies of £0.3m (2022: £0.4m), which are eliminated on consolidation. Azura continues to develop its software solution with £0.2m capitalised in 2023, which will be amortised over a 5-year period. The enhanced platform is now being targeted at larger international multi-site franchisors rather than its traditional market of smaller domestic franchise businesses. It has also been building its internal resources to support the further digital enablement of the Group's businesses by improving the functionality of the Vision works-management platform and developing this for a roll-out to the Pirtek businesses in the UK and continental Europe.

Adjusted & statutory profit

	2023 £'000	2022 (restated) £'000	Change £'000	Change %
Adjusted EBITDA	**30,101**	**15,257**	**14,844**	**97%**
Depreciation & amortisation of software	(4,417)	(2,281)	(2,136)	94%
Finance expense	(5,807)	(235)	(5,572)	2371%
Foreign exchange	(146)	—	(146)	100%
Adjusted profit before tax	**19,731**	**12,741**	**6,990**	**55%**
Tax expense	(5,153)	(2,560)	(2,593)	101%
Adjusted profit after tax	**14,578**	**10,181**	**4,397**	**43%**
Amortisation of acquired intangibles	(7,718)	(1,693)	(6,025)	
Share-based payment expense	(838)	(535)	(303)	
Non-recurring costs	(6,159)	(1,708)	(4,451)	
Other gains and losses	—	1,232	(1,232)	
Tax on adjusting items	3,174	649	2,525	
Statutory profit	**3,037**	**8,126**	**(5,089)**	**(63%)**

Software depreciation and amortisation increased 94% to £4.4m (2022: £2.1m), primarily due to the acquisitions of Pirtek and the full twelve-month impact of the Filta acquisition. The finance expense reflects the additional interest cost of the debt taken to acquire Pirtek combined with the increasing base rate over the year.

The overall effective tax rate of the Group has increased from 20% to 26% as a result of the increase in the UK tax rate to 25%, a full-year charge in respect of Filta North America, where the combined state and federal corporate tax rate is 27%, and the acquisition of Pirtek, where tax rates can be higher than in the UK. For example, the combined state, local, and trade taxes are 30% in Germany.

Financial Review continued

Adjusted & statutory profit continued

The non-recurring costs of £6.2m (2022: £1.7m) reflect the Pirtek acquisition costs of £3.6m and the subsequent one-off re-organisation costs of £1.5m, the one-off costs of the Filta Cyclone GRU dispute of £0.5m, software written off as a result of the adjustments referred to above of £0.3m, and other costs of £0.3m. The tax on adjusting items reflects the tax relief available on some of these exceptional costs. The exceptional item in 2022 is mainly related to the acquisition and subsequent reorganisation costs of the Filta acquisition.

The increase in the amortisation of acquired intangibles reflects the additional intangible assets acquired with the Pirtek acquisition and the full twelve-month impact of the Filta acquisition. See Note 6.

The increase in the share-based payment expense principally reflects additional grants made to the Pirtek team and other new employees who joined the group during the year.

As a result of the costs incurred in acquiring Pirtek, statutory profit after tax reduced by 63% to £3.0m (2022: £8.1m).

Earnings per share

The adjusted and basic EPS is shown in table:

	2023 £'000	EPS p	2022 (restated) £'000	EPS p
Adjusted profit after tax / Adjusted EPS	**14,578**	8.42	10,181	8.34
Amortisation of acquired intangibles	**(7,718)**	(4.46)	(1,693)	(1.39)
Share-based payment expense	**(838)**	(0.48)	(535)	(0.44)
Non-recurring costs	**(6,159)**	(3.56)	(1,708)	(1.40)
Other gains and losses	**—**	—	1,232	1.01
Tax on adjusting items	**3,174**	1.83	649	0.53
Statutory profit after tax / Basic EPS	**3,037**	1.75	8,126	6.65

During the year, the Group issued 63,472,968 new ordinary shares of 0.5p each ("ordinary shares") in consideration for the acquisition of Pirtek. This increased the total number of ordinary shares in issue to 193,784,080 at the year-end (31 December 2022: 130,311,112).

The Employee Benefit Trust ("EBT") started the year holding 1,770,683 ordinary shares, purchased 18,420 ordinary shares during the year at an average price of £2.00, disposed of 226,418 ordinary shares in respect of the exercise of employee shares options, and therefore ended the year holding 1,562,685 ordinary shares. On 31 December 2023, there were 10,347,231 shares under option, of which 2,480,394 were vested and capable of exercise.

The total number of ordinary shares in issue on 31 December 2023, net of the EBT holding, was 192,221,395 (31 December 2022: 128,540,429), and a basic weighted average number of ordinary shares in issue of 173,090,691 (2022: 122,126,350).

Adjusted basic EPS increased by 1% to 8.42p (2022: 8.34p as restated), and basic earnings per share decreased by 74% to 1.75p (2022: 6.65p as restated).

Financial Review continued

Financing and cash flow

A summary of the Group cash flow for the period is set out in the table below.

	2023 £'000	2022 (restated) £'000
Adjusted EBITDA	**30,101**	15,257
Acquisition and reorganisation costs	**(6,159)**	(1,708)
Working capital movements	**(61)**	(1,512)
Cash generated from operations	**23,881**	12,037
Taxes paid	**(4,498)**	(2,629)
Purchases of property, plant and equipment	**(986)**	(422)
Purchase of software	**(1,350)**	(1,088)
Purchase of IP	**(522)**	—
Acquisition of subsidiaries net of cash	**(48,894)**	4,320
Acquired debt repaid	**(136,747)**	—
Deferred consideration	**—**	(1,680)
Funds raised via debt	**100,012**	—
Funds raised via equity	**94,106**	—
Bank loans repaid	**(13,000)**	(2,953)
Interest Paid	**(5,374)**	—
Lease payments	**(2,687)**	(1,156)
Funds supplied to EBT	**192**	(2,370)
Dividends paid	**(3,371)**	(2,339)
Other net movements	**859**	(41)
Net cash movement	**1,621**	1,679
Net cash at beginning of year	**10,935**	9,057
Exchange differences on cash and cash equivalents	**(278)**	199
Net cash at end of year	**12,278**	10,935

The Group generated cash from operating activities of £23.9m (2021: £12.0m), resulting in a cash conversion rate of 79% (2022: 79%). However, if the cost of the Pirtek and Filta acquisitions and reorganisation is added back, the rate of cash conversion in 2023 was 100% (2022: 90%).

Taxes paid increased as profits increased, and the Group moved to quarterly advance payments. Purchases of property, plant, and equipment increased due to the addition of the Pirtek DLO operation. The purchase of IP relates to the purchase of the Cyclone GRU IP.

The acquisition of subsidiaries represents the acquisition of Pirtek for £210.8m, which was financed with bank debt of £100m, £93.5m from the issue of new shares (after costs), and £17.6m new shares given as consideration shares. Immediately after the acquisition Franchise Brands settled Pirtek's preference shares and loans and borrowings in order to consolidate Group borrowings. The total value of this post-acquisition settlement was £137.3m, comprising £78.2m loans and borrowings, £0.6m acquisition costs, £21.7m interest on preference shares and £36.8m in relation to the nominal value of the preference shares. Cash acquired of £7.0m is deducted to result in an acquisition of subsidiaries in the Consolidated Statement of Cash Flows of £48.9m. In 2022, Filta was acquired in an all-shares transaction, so it did not involve cash movement.

Bank loans repaid represent the repayment of the loans taken out in April 2023 to finance the acquisition of Pirtek. Dividends paid in 2023 represent the combined cash cost of the 2022 final and the 2023 interim dividends.

After these outflows, the Group finished the period with cash of £12.3m (31 December 2022: £10.9m) and gross debt, including hire purchase debt of £87.0m. Lease debt of £7.6m (2022: £1.6m) increased considerably due to the acquisition of Pirtek, which funds the vans used in its DLO operation using lease finance.

	31 Dec 2023 £'000	31 Dec 2022 (restated) £'000	Change £'000
Cash	12,278	10,935	1,343
Term loan	(50,000)	—	(50,000)
RCF	(36,908)	—	(36,908)
Loan fee	749	—	749
Hire purchase debt	(837)	(1,132)	295
Adjusted (net debt)/net cash	**(74,718)**	**9,803**	**(84,521)**
Other lease debt	(7,567)	(1,624)	(5,943)
(Net Debt) / Net cash	**(82,285)**	**8,179**	**(90,464)**

Financial Review continued

Financing and cash flow continued

The Group had headroom of £23.0m on its bank facilities (total facility including accordion option of £110.0m less £87.0m in use) at 31 December 2023.

The Group's adjusted net debt, as used to test the bank covenants, was £74.7m at 31 December 2023, which represents 2.48x Adjusted 2023 EBITDA. Thus, the Group has comfortable headroom on all its bank covenants.

Dividend

The Board is pleased to propose a final dividend of 1.2 pence per share (2022: 1.1 pence per share). This takes the total dividend for the year to 2.2 pence per share (2022: 2.0 pence per share), an increase of 10%. The dividend is 3.9 times covered by Adjusted profits after tax (2022: 4.2 times).

Subject to shareholder approval at the AGM, the final dividend will be paid to those shareholders on the register on 28 June 2024, at the close of business on 25 July 2024.

Mark Fryer
Chief Financial Officer

19 June 2024

Risk Management

A proactive approach to risk management

Risk and return are two sides of the same coin. Like all businesses, we take levels of risk that we judge to be acceptable in order to deliver a return to our investors. But we also face risks that are we are not prepared to take, either due to the nature of the impact of those risks or if their financial consequences have the potential to prevent us meeting our strategic objectives.

Effective risk management therefore underpins our business model and strategy. We identify the risks inherent in the businesses we operate and decide which of these we will actively seek in the expectation of making a return (our risk appetite), which risks we will seek to manage (our risk tolerance) and which risks we are not prepared to face. The latter are the risks that, if they materialise, will prevent us delivering on our business plans or have other impacts that we cannot live with.

At Franchise Brands, the Board is ultimately responsible for the systems of risk management and the effectiveness of those processes. The Board meets regularly to review business performance and the impact of risk, both operationally and financially.

In 2023 the Board approved a revision of our risk management framework, designed to enhance and clarify the process for assessing the impact and likelihood of the risks we face. The methodology is designed to be applicable across all categories of risk, including strategic, operational, financial and reputational risks, and regardless of whether the underlying source of the risk is internal or external to Franchise Brands.

The identification, assessment and mitigation of risk is the responsibility of management. Our approach is to embed risk management principles and processes within our businesses so that managing risk is part of the everyday activity of managing the business, and vice versa.

- we review the likelihood and potential impact of the risk, which could be financial, operational disruption or reputational damage.
- we model the likelihood and potential impact against our risk appetite and tolerance, and decide whether we will accept, manage or seek to eliminate the risk. In some cases, the availability of insurance for the particular risk may be a factor.
- we then monitor the impact of the identified risks, and the effectiveness of our risk management strategies and mitigations. These are then reported on and reviewed as part of the ongoing monitoring process.
- we repeat the risk identification process, to identify new potential risks or any change in those we have already identified.

During the year, we conducted a 'bottom-up' risk assessment involving all of the members of the management board. Through the use of a standardised risk rating system across all risk categories we were able to compare and rank these. The Board subsequently undertook a 'top-down' review of the risk register, to provide their perspective on the risks facing the business.

Key roles and responsibilities

Board

- Approves the framework for the identification, assessment and management of risk
- Assesses the effectiveness of the risk management framework
- Monitors operational and financial performance to identify emerging risks to the delivery of strategic goals and business plans

Management Board

- Responsible for implementing the risk management framework into the business and ensuring this is embedded in day-to-day operations
- Oversees controls to mitigate and manage the impact of risk on the Group
- Reviews the impact of risk on operational and financial performance and implements mitigation strategies where appropriate

Operational (line) management

- Responsible for embedding risk management within the parts of the business for which they are accountable
- Designs and implements controls to mitigate and manage the impact of risk locally
- Monitors risk in their business and reports this to senior management and the management board

Principal risks and uncertainties

Based on the risk management work undertaken during the year, the Board believes that these are the principal risks and uncertainties that the Group currently faces. There are a number of other risks, in addition to those listed below, which could affect our business. We operate in a dynamic environment that is also affected by macro-economic events, so it is possible that new risks might emerge or the nature or impact of existing risks may evolve over time. The risks are therefore presented alphabetically rather than using the ratings of impact and probability determined at any arbitrary point in time. While mitigations are listed in the table below, due to the nature of risk there can be no certainty or assurance that those actions, or any additional planned actions, will be wholly effective.

Risk description and impacts	Underlying cause(s)	Mitigations in place	Change in the year	Link to strategy
Ability to grow our businesses Failure to deliver organic growth in our existing businesses in line with our strategic plans and market commitments	• Failure to attract or retain franchisees of the required calibre • Failure of our franchisees to attract and retain the skilled technicians needed to deliver the growth in the business • Inability to grow our business with existing customers, or to attract or retain new customers	• Diversification of the risk, geographically and across business sectors • Multiple levers for organic growth, with all businesses having small shares of large markets • Focus on areas where we have a proven track record • Clear understanding of what successful franchisees do (including through the Maximum Potential Model) and recruiting with this in mind • Supporting our franchisees with the recruitment of technicians, including direct recruitment support and referral of candidates from our existing technicians • Strong customer relationships, with cross-selling opportunities identified and being pursued	Decrease	Expanding and developing our services; Developing a technology platform; Developing synergies through shared central services; Optimising our service delivery; Developing our businesses
Ability to pursue strategic options Inability to deliver on our buy-and-build strategy through lack of organic growth, lack of suitable acquisition opportunities or our inability to finance an acquisition	• Operational execution fails to deliver cash flow to pay down debt, leading to inability to fund an acquisition • Lack of suitable acquisition opportunities in the market at a price we are prepared to pay	• Strong and empowered management teams running each business with clear focus on growth, using operational gearing to drive profitability and cash flow • Relationships with investment banks and other agents acting on business sales • Relationships with our institutional shareholders and lending banks	Decrease	Expanding and developing our services; Developing a technology platform; Developing synergies through shared central services; Optimising our service delivery; Developing our businesses
Attraction and retention of customers Loss of key national or regional account customers could lead to failure to deliver on our strategic plans	• Poor delivery to existing customers leading to reputational damage in the market • Failure to secure or retain new customers as a consequence	• Diversification of the risk, geographically and across business sectors • Experienced management teams who are actively engaged in the business, with weekly reporting of trends and market developments • Strong customer relationships, supported by robust data gathering and analysis	No change	Expanding and developing our services; Developing a technology platform; Developing synergies through shared central services; Optimising our service delivery; Developing our businesses

Strategy: Expanding and developing our services · Developing a technology platform · Developing synergies through shared central services · Optimising our service delivery · Developing our businesses

Risk direction: Increase · Decrease · No change

Principal risks and uncertainties continued

Risk description and impacts	Underlying cause(s)	Mitigations in place	Change in the year	Link to strategy
Climate change Ability to operate from current locations of our (or our franchisees') businesses, due to the impact of climate change; structural changes to cost base driven by legal or regulatory change could affect the economic viability of certain of our businesses	• Cost pressures linked to climate change, including from central or local government-led initiatives (replacing vehicles with Euro 6/VI compliant models, ULEZ charges, future carbon pricing etc) • Potential inability to source equipment or materials due to impacts of climate change (physical and transition risks)	• Developing an understanding of the potential impact of the physical and transition risks of climate change in the short-, medium- and long-term • Choosing long-term locations for our businesses with physical risks (eg. flood, wildfire or storm) in mind and advising franchisees to consider these risks		
Cyber-risks Loss of access to systems or data, disruption to the business(es), costs of incident management and rehabilitation, possible GDPR fines plus reputational damage	• Malicious parties seeking to hack our IT systems, either for extortion or otherwise • Accidental loss of unencrypted customer or personal data	• Migration of IT systems onto shared centrally managed infrastructure • Use of information security specialists • Staff training and the raising of awareness on good cyber security practices		
H&S or environmental incident Human, social and operational impact of a serious incident, in terms of direct and indirect costs and potential reputational damage	• Unsafe behaviour by our workforce or that of our franchisees • Unsafe conditions in the workplaces where our technicians operate	• Diversification of the risk, geographically and across business sectors • Well developed H&S and environmental systems and processes • Training for franchisees and, where relevant, their technicians • Operations manuals for each franchisee, explaining what is expected of them • Compliance with customers' on-site HSE procedures • Near miss and incident reporting used to drive awareness-raising communications		

Principal risks and uncertainties continued

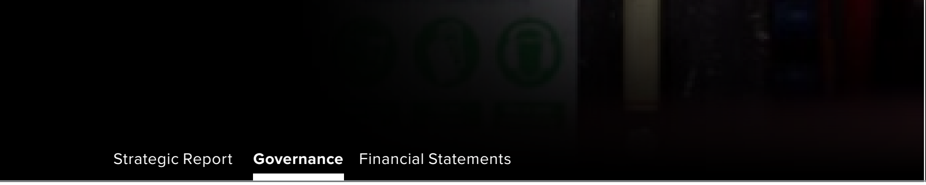
Risk description and impacts	Underlying cause(s)	Mitigations in place	Change in the year	Link to strategy
Legislative or regulatory change Government or regulator-led change constrains the ability of one or more of our businesses to operate either at all, or at viable levels of profitability	• Change driven by a perception of weakness or excessive risk in current business practices	• Diversification of the risk, geographically and across business sectors • Managing our operations in line with best practices • Awareness of legal and regulatory agenda and proposed changes • Lobbying and influencing, where necessary, either on a company or industry-wide basis		
Macro-economic environment External geopolitical and economic environment adversely impacts our operations and prevents us fulfilling our strategic plans and market commitments	• Geopolitical tensions lead to an adverse international climate, with disruptions to supply chains • Uncertainty leads to adverse economic backdrop, including inflationary pressures and higher interest rates	• Diversification of the risk, geographically and across business sectors • Fundamentally conservative approach to planning, budgeting and forecasting • Monitoring external macro-economic forecasts on key variables affecting our businesses • Relationships with our key customers to enable us to understand the pressures on their businesses • Continuous monitoring of business performance to identify macro-impacts and need for contingency plans		
People risks Lack of skilled and experienced people to deliver the growth in our business that we aim to deliver. Potential loss of key individuals who will underpin and drive our growth initiatives, if succession plans do not deliver suitable replacements	• We have significant growth plans, which require that our franchisees and DLOs retain and recruit significant numbers of technicians • We have a wide range of growth projects underway, some of which rely on key individuals • Like any business, we may find that our succession plans for the loss of a key person, particularly in unexpected circumstances, are not effective	• Diversification of the risk, geographically and across business sectors and low reliance on any individual franchisee • Well established and high-quality franchise brands and investment to support our franchisees in growing their businesses • Significant experience in franchisee recruitment • Management bench strength and optionality increases as new businesses are acquired • Focus on identifying and nurturing high potential talent and retaining key individuals • Continuous monitoring of staff turnover, by a stable management team which has seen very low 'churn'		

This Strategic Report (comprising pages 1 to 79 inclusive) was approved by the Board on 19 June 2024 and is signed on its behalf.

Rob Bellhouse
Company Secretary

Supporting shareholder value

We believe good governance is vital in supporting our Company's growth strategy and in turn its long-term success.




Chairman's Introduction to Governance

Priorities in 2024

- **Embed effective ways of working for the Board and Management Board**
- **Further refine our succession planning**
- **Implement our response to the new QCA Corporate Governance Code 2023**

Dear fellow shareholder,

As an AIM quoted company we have chosen to follow the QCA's Corporate Governance Code (the Code). We believe that this widely recognised guide on how to structure governance arrangements is both practical and proportionate and we have been able to apply all of its principles throughout the year and to the date of this report.

The Code invites me to prepare a corporate governance statement, which I welcome. As Chairman of the Board, I am ultimately accountable and personally responsible for our governance arrangements.

We have applied each of the ten principles in the 2018 edition of the Code throughout the year and there is a table on pages 88-92 explaining how we did this. The application of the Code is important – while a governance framework is unlikely to create value, having robust structures and processes in place should help minimise the risk that unwanted outcomes materialise and so it helps us to protect the value that our business creates. We believe that the approach we have taken is sustainable and should support the delivery of value to our shareholders, and help us meet our obligations to stakeholders more generally, over the medium- and long-term.

The size and scale of the Group has changed considerably over the last two years. In 2022 we effectively doubled the size of the Group when we acquired Filta, and in 2023 we doubled in size again when we acquired Pirtek. We delivered around £350m of system sales in 2023 across seven franchise brands in ten countries, with over 700 employees and a market capitalisation of over £300m.

In response to this change in scale, we made some very significant changes to our governance arrangements during 2023 and this has continued in early 2024:

- In October 2023 a number of our Executive Directors and two of our Non-executive Directors retired from the Board – my thanks go to each of them for their significant contribution during their time in office, which has helped deliver the growth in our business. We had reached a scale where we needed to separate the strategic and operational roles that the previous board structure combined, and took the decision to create two bodies – the plc Board and a Management Board. We also welcomed Pete Kear as our new Senior Independent Director, who brings a wealth of knowledge of IT and vast experience of growing a quoted business globally.
- In November 2023 the Management Board had its first meeting, having already agreed its terms of reference. At its first meetings we are developing its ways of working to make sure that the forum is value-adding for both the Group and the individual attendees. The early signs are promising.
- In January 2024 we created a Nomination Committee, which will be chaired by Pete Kear. This body will oversee succession planning for plc Board and Management Board roles, and also recommend the appointment of Directors to the plc Board, including running any recruitment processes. We are now at a scale where we can successfully manage personal and professional development opportunities for our most able people and it is important that they know that they can develop their careers within the Group.
- In January 2024 we also took the decision to disband the AIM Rules Compliance Committee. In practice, the matters within its remit had always been considered by the full board, which was an approach more aligned to the regulatory requirements. We also revised the terms of reference of the Audit and Remuneration Committees, in anticipation of the 2023 QCA Code coming into effect and adopted a formal schedule of matters reserved for the Board's decision.

I believe that the structural changes we have made and the continued application of the QCA Code will continue to provide strong support for the development of the Group as we embark on the next phase of our journey and look to deliver significant organic growth.

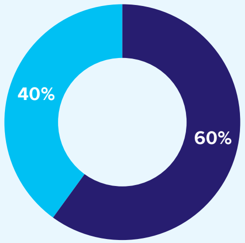
Stephen Hemsley
Executive Chairman

Board of Directors

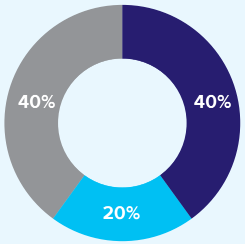
Board Composition

The charts below illustrate the composition and the relevant skills and experience of the Board of Directors

Executive/Non-executive



Tenure



Stephen Hemsley

Executive Chairman

N

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

Mark Fryer

Chief Financial Officer

Mark Fryer is an experienced CFO with 25 years of public company and private equity experience as CFO in global manufacturing and business service companies. He has been CFO of FTSE Small Cap and FTSE 250 companies, as well as companies quoted on the AIM market. Mark's recent roles include Group CFO of Augean plc, Dialight plc and Manganese Bronze Holdings plc. Prior to this Mark had a variety of Divisional Finance Director roles for GKN Plc and Cable & Wireless plc. Mark was appointed as a Director of the Company on 2 August 2023.

Peter Kear

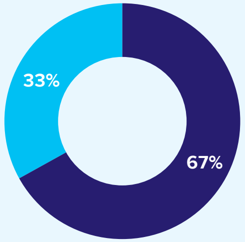
Senior Independent Non-executive Director

A N R

Peter is a highly experienced public company director with substantial experience in business building and management in the technology sector. He co-founded Celebrus Technologies plc (originally IS Solutions plc, then D4t4 Solutions plc) in 1985 and was responsible for sales and business development before being appointed CEO in 2016. During his tenure as CEO, Celebrus achieved substantial growth in revenue and profits, growing from a market capitalisation of c.£40m to c.£160m when he stood down in 2022. Peter has experience of both the London Stock Exchange's Main Market and AIM. Peter was appointed as a Director of the Company on 2 October 2023.

Board of Directors continued

Non-executive independence



Independent

Non-independent

Skills and experience

Finance	5/5
Franchising	3/5
International growth	3/5
Marketing	2/5
Operational management	4/5
People	5/5
Strategic management	3/5
Technology	2/5

Andy Brattesani

Independent Non-executive Director

A N R

Andy is an experienced banking professional with extensive experience in the franchising sector. From 2016 until recently he was UK Head of Franchise at HSBC, the market leader in the UK franchise sector. As well as supporting the growth of HSBC's franchise business in the UK, Andy has also led the expansion of HSBC's franchise model internationally. Andy's career in banking over the past 30 years has also encompassed roles with HBOS, RBS and Standard Chartered. Andy was appointed as a Director of the Company on 12 September 2022.

Nigel Wray

Non-executive Director

N

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 wide ranging 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.

Rob Bellhouse

Company Secretary (non-Board)

Rob is a commercially focused chartered governance professional who previously served as an independent Non-executive Director of the Group from the IPO in July 2016 until 1 October 2023. He was appointed as Company Secretary on 2 October 2023 and has over 30 years' experience gained in FTSE listed and AIM quoted companies. Rob was previously company secretary of Greene King, Lonmin and, most recently, De La Rue. He also held a number of company secretary appointments during an interim/freelance career, including Domino's Pizza Group. Rob was chosen as his professional body's Company Secretary of the Year in 2014.

Committee membership A Audit Committee N Nomination Committee R Remuneration Committee Denotes Committee Chair

Management Board

In addition to the two Executive Directors and the Company Secretary, the following serve as members of the Management Board:

Chris Stuckey
CEO, Pirtek Europe

Chris joined the business in 2017 as Managing Director for Pirtek UK and Ireland and over the past six years the business has grown strongly under his leadership. Following Franchise Brands' acquisition of Pirtek, Chris was appointed as CEO of Pirtek Europe. He was previously Managing Director of Brammer Group between 2014 and 2017 and between 2010 and 2013 held senior management positions in business development and strategy with Harsco Metals. His roles with Brammer and Harsco Metals included substantial international experience.

Peter Molloy
CEO, Water & Waste Services division

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 following the acquisition by Franchise Brands. In June 2022 Peter was promoted to CEO of the Water & Waste Services division (previously B2B) with responsibility for Metro Rod, Metro Plumb, Willow Pumps and Filta UK. Prior to joining Metro Rod, he was Managing Director of Solaglas Replacement Glazing, part of the Saint-Gobain Group.

Jason Sayers
CEO, Filta International

Jason Sayers founded Filta in 1996 and took the business to the US in 2003. Prior to the merger with Franchise Brands he was Group CEO. He is now Managing Director of Filta International with responsibility for growing the Filta businesses in the US and Europe.

Tim Harris
Managing Director, B2C division

Tim is a seasoned franchise professional with 30 years' experience of successfully developing automotive, commercial and domestic franchise businesses in both international and UK markets. Tim joined the Group in 2008 and is the Managing Director of the B2C Division. Prior to joining the Group, Tim held senior sales positions at a number of franchisor companies.

Management Board continued

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.

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 Group as Sales & Marketing Director.

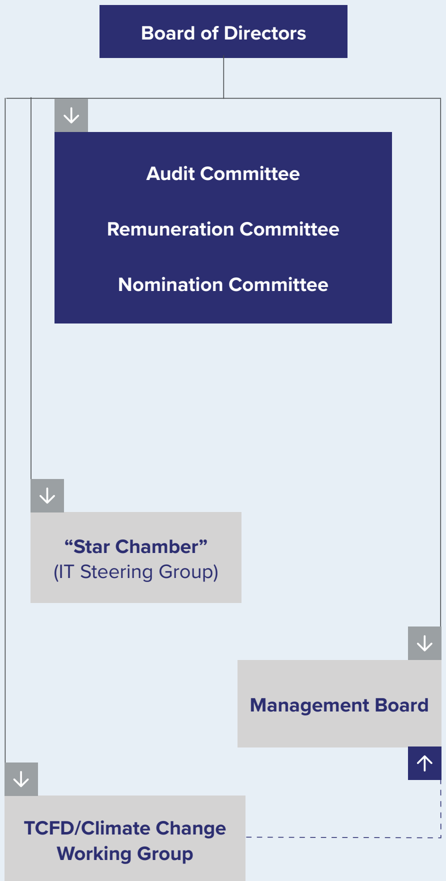
Julia Choudhury
Corporate Development Director

Julia has 35 years of commercial, finance and investment experience. Julia joined the Group at its formation 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 in London and Asia.

Andrew Mallows
Group Commercial Director

Andrew originally joined Franchise Brands in 2016 as Finance Director, and since 2017 has been the Group's Commercial Director. He has significant experience in franchising and business development and was Finance Director of Domino's Pizza Group from 2001 to 2004 before being appointed as its Business Development Director.

Our Governance Framework



Board of Directors

This is responsible to the Company's shareholders for:

- Setting the Group's strategy, business plans and budgets;
- Ensuring that necessary financial and human resources are in place to meet the strategic aims of the Group;
- Setting the corporate culture, guiding principles and values;
- Maintaining the policy framework and decision-making processes through which the strategy and business plans are implemented;
- Providing entrepreneurial leadership within a framework of good governance and sound risk management;
- Oversight of the Group's businesses and their performance against key financial and non-financial indicators, supporting and challenging management to deliver long-term sustainable success;
- Checking that obligations to shareholders and other key stakeholders are understood and met; and
- Overseeing the systems of risk management and internal control.

There is a formal schedule of matters reserved for the Board's decision.

The names and biographical details of the current Directors are on pages 82 and 83.

Audit Committee

The role of the Audit Committee is to check:

- that the Board maintains sound policies and procedures to satisfy itself on the integrity of financial and narrative statements and other public reporting and that these present a fair, balanced and understandable assessment of the Company's position and prospects;
- that the Company maintains sound procedures to identify and manage risk and to oversee the internal control framework and systems;
- whether the Company's enterprise-wide internal controls are sufficiently robust to support the effective management of identified risks and whether there are appropriate assurance activities in place;
- that there is an appropriate relationship with the external auditor, such that they are able to deliver an effective and objective external audit; and
- whether there is a need for an internal audit function or, where there is such a function, that its remit, independence, objectivity and independence is secured.

The members of the Audit Committee are Andy Brattesani (Chairman) and Peter Kear, each of whom is an independent Non-executive Director.

Remuneration Committee

The role of the Remuneration Committee is to:

- ensure that the Company establishes an effective remuneration policy aligned with the Company's purpose, strategy and culture as well as its stage of development and that the remuneration policy (i) motivates management and promotes the long-term growth of shareholder value and (ii) supports and reinforces the desired corporate culture and promote the right behaviours and decisions;
- check that remuneration policies and practices support the successful delivery of the Company's long-term strategy and in particular that a significant proportion of Executive Directors' and senior managers' remuneration is structured to clearly link rewards to corporate and individual performance; and
- that there is a formal and transparent procedure for developing policy on executive remuneration and for setting the remuneration packages of individual Directors, including the granting of share awards and other equity incentives through the Group's employee share schemes.

The members of the Remuneration Committee are: Peter Kear (Chairman) and Andy Brattesani, each of whom is an independent Non-executive Director.

Nomination Committee

The role of the Nomination Committee is to:

- make recommendations to the plc Board for the appointment of Directors;
- to manage any recruitment processes for Board roles to ensure that these are objective and that diversity factors are considered; and
- to monitor and review succession planning for Board and Management Board roles.

The members of the Committee are Peter Kear (Chairman), Stephen Hemsley, Andy Brattesani and Nigel Wray. As recommended in the QCA Corporate Governance Code, at least one member of the committee is an independent Non-executive Director.

Key: Board/NED Committees   Management Committees

Our Governance Framework continued

Management Board

This supports the Board of Directors, which sets business plans and budgets and monitors the delivery of results. The Management Board is responsible for co-ordinating and driving the operational performance of the Group's businesses. The Management Board is accountable to the plc Board through the Executive Chairman, Stephen Hemsley, supported by the Chief Financial Officer, Mark Fryer.

The names and biographical details of the current members of the Management Board are on pages 84 and 85.

"Star Chamber"

The role of this body is to oversee the considerable investment we are making in IT, ensuring that the projects being prioritised are those that will make the greatest difference to the business and checking that the delivery of those initiatives remains on track and on budget. Having a forum separate from the management board enables us to have more focused and deeper conversations on the use of technology in our business, which we see as a key differentiator and source of competitive advantage and a profit driver in the medium term and beyond.

The "Star Chamber" comprises a number of members of the Management Board plus Pete Kear, a Non-executive Director who has vast experience and understanding of IT issues.

Climate Change Working Group

This group will oversee the Group's response to climate change. Its initial workload will be to identify the risks and opportunities arising from or associated with climate change, and to assess the materiality of these over the short-, medium- and long-term. Once this is understood, we can model the impacts in various climate change scenarios, starting with the Paris Agreement assumption of 1.5-2.0°C and then across a wider range of outcomes.

The Working Group is chaired by Mark Fryer, an Executive Director and our CFO, and is coordinated by Rob Bellhouse, our Company Secretary, who is responsible for risk management within the Group. It also comprises a number of relevant managers drawn from across the business. Given the importance of the issues it is managing, the Working Group reports directly to the Board.

Building the Board: Non-executive Director profile

Pete Kear
I joined the Board in October 2023 and almost immediately met the top 65 or so operational executives at the Growth Summit. I was hugely impressed by the energy and enthusiasm from across the Group and the plethora of ideas for how we could make the most of our potential. The opportunities are real, and the Group is proposing to use IT as an enabler and differentiator in a very practical way.

Having built a global IT company from a start-up to a sizeable quoted company, I am happy to share my experience. So in addition to my role as a Non-executive Director, I work very closely with the CIO, Colin Rees, to help him drive what is a very significant programme of investment in IT, that should help propel the Group's growth ambitions.

Corporate Governance in Action

Corporate governance plays a crucial role in helping to preserve value for shareholders by providing a structure and process for decision-making which should ensure that all major decisions are considered in good time, that the relevant body is provided with good-quality briefing materials which cover all relevant factors, and that its deliberations consider the risks, as well as the opportunities, in the issue.

It is for these reasons that the Board is committed to achieving high standards of corporate governance across the Group's operations.

The Board of Directors has chosen to apply the QCA Corporate Governance Code (the 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. In this section of the report, we explain how we have applied the ten Principles of the 2018 edition of the Code. In some areas we have also reported in line with the 2023 version of the Code, though that will only apply for us from the financial year commencing on 1 January 2025. In addition to choosing to apply the Code, Franchise Brands is a member of the QCA in order to support the work it does in promoting good corporate governance.

We applied each of the Code's ten principles throughout 2023 and expect to continue to do so in 2024. There may be circumstances where the interests of the Company and its shareholders are better served by diverging from the Code's recommendations. If this is ever the case, we will always explain the rationale for why we are choosing to do this.

QCA PRINCIPLE 1

Establish a strategy and business model which promote long-term value for shareholders

We are focused on building market-leading businesses, primarily using a franchise model. In general, we prefer to invest in established brands which can benefit from our shared support services and Group expertise and resources.

Further information:

→ Strategy on pages 12-19

→ Implementation during the year and any key challenges experienced, on pages 20-35

QCA PRINCIPLE 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 to the Board and management board. The Board and management board are provided with research notes from sell-side analysts plus insight into shareholders' views from the Company's brokers and nominated adviser.

Detailed reports on trading, financial and ESG performance are provided through our interim and annual financial reports, trading updates are issued regularly via RNS, and through our Capital Markets Day and other investor presentations, retail digital platforms and at shareholder meetings. The Group also exhibits and presents at events attended by retail investors and provides content to retail financial news websites. All our material shareholder communications are available on the website.

The Group welcomes the personal investment in its equity that many employees and franchisees have made, as well as our retail investors. All of these personal shareholders benefit from website updates, which include all presentations we make to institutional shareholders and at investor conferences.

We regularly update the Investor Relations section of the Group's website with the aim of providing useful information for all investors, but particularly our retail shareholders. We use our Annual Report to provide shareholders with details of the Group, operations, performance, strategy and policies. The Group also exhibits and presents at events attended by retail investors (whether virtually or in person) and subscribes, and provides content to, retail financial news websites.

All Directors attend the AGM, at which there is an opportunity for shareholders to ask questions formally. Voting at the AGM is by poll, to ensure that the votes of all shareholders are taken into account, regardless of whether they are able to attend the meeting.

We were pleased that all of the resolutions proposed at our AGM received the support of more than 99% of the votes cast, other than in relation to the management of our share capital where there is an increasing divergence of views among investors. Even on these resolutions, we received the support of more than 90% of the votes cast.

Further information:

→ Major shareholders, page 106

Corporate Governance in Action continued

QCA PRINCIPLE 3
Take into account wider stakeholder and social responsibilities and the long-term

In making decisions, the Company's Directors are cognisant of all their legal duties and obligations, including the requirement 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 that section.

The Board has a clear understanding of the key stakeholders in our business, both internal and external. The Board and the Management Board consider the factors that are important for all its stakeholders, seeks to maintain strong relationships, solicits feedback and fosters responsible working practices.

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, suppliers, customers and local communities and shareholders. Their views and feedback are important to us and are used to inform our decision making.

Further information:

- Stakeholders, see pages 58-59
- How we consider wider interests in decision making, see pages 60-61
- ESG performance, see pages 37-55

QCA PRINCIPLE 4
Embed effective risk management throughout the organisation

The Board reviewed its risk management framework during 2023 and adopted a new methodology for rating the impact and likelihood for risks. This methodology was specifically designed to ensure that all risks could be rated on a comparable basis. The Board has also defined the risks it is prepared to take in the expectation of earning a return (its risk appetite), the risks it expects the business to seek to manage (its risk tolerance) and which risks it is not prepared to face. The latter are the risks that, if they materialise, will prevent us delivering on our business plans or have other impacts that we cannot live with.

The management board and the Board each review the corporate risk register at least biannually and the Board reviews the effectiveness of the systems of risk management annually.

Further information:

- Risk management, see page 76
- Management of climate-change related risks, see pages 49-55
- Principal risks and uncertainties, see pages 77-79

QCA PRINCIPLE 5
Maintain a well-functioning, balanced Board

The Company is run by the Board of Directors. The Board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for establishing and maintaining effective corporate governance arrangements.

The names and biographical details of the current Directors are on pages 82 and 83. The Board judges that Pete Kear and Andy Brattesani are independent directors. While he demonstrates complete independence of thought, Nigel Wray is not considered by the Board to be independent in view of his significant shareholding and long tenure with the Group.

The two Executive Directors work full-time in the business. We expect the Non-executive Directors to commit sufficient time as is necessary for the proper performance of their duties, including attending all scheduled Board and committee meetings, the AGM, site visits and other non-scheduled calls and meetings. In addition, they are expected to devote time to reading papers and being prepared fully for each of these meetings or events. In total, we estimate that this should amount to two-three days per month, but the actual time commitment is open-ended.

All Directors receive regular and timely information on the Group's operational and financial performance. Detailed Board papers are sent out in advance of Board meetings, and the Board receive the monthly management accounts detailing the performance of our brands.

Further information:

- Directors' biographies, see pages 82-83
- The role of the Board, see pages 86-87

Corporate Governance in Action continued

QCA PRINCIPLE 5
Maintain a well-functioning, balanced Board
continued

The Board held eight scheduled meetings during 2023, plus a number of additional calls and meetings in connection with the Pirtek acquisition and associated fund-raising. Attendance at the scheduled meetings was as follows:

Director	Jan	Mar	Apr	Jun	Jul	Sep	Nov	Dec	Total
Stephen Hemsley	●	●	●	●	●	●	●	●	8/8
Andrew Mallows[1]	●	●	●	●	●	–	–	–	5/5
Mark Fryer[2]	–	–	–	–	–	●	●	●	3/3
Julia Choudhury[3]	●	●	●	●	●	●	–	–	6/6
Tim Harris[3]	●	●	●	●	●	●	–	–	6/6
Peter Molloy[3]	●	●	●	●	●	●	–	–	6/6
Colin Rees[3]	●	●	●	●	●	●	–	–	6/6
Jason Sayers[3]	●	●	●	●	●	●	–	–	6/6
Rob Bellhouse[3]	●	●	●	●	●	●	–	–	6/6
Andy Brattesani	●	●	●	●	●	●	●	●	8/8
Pete Kear[4]	–	–	–	–	–	–	●	●	2/2
David Poutney[3]	○	●	●	●	●	●	–	–	5/6
Nigel Wray	●	●	●	●	●	●	●	●	8/8

1 Resigned 2 August 2023.
2 Resigned 2 August 2023.
3 Resigned 2 October 2023.
4 Appointed 2 October 2023.

Further information:

→ Key decisions taken in 2023, see pages 60-61
→ The role of the Board, see pages 86-87
→ Board Committees, see pages 82-83 and 86-87

QCA PRINCIPLE 6
Ensure that the Directors collectively have the necessary, up-to-date experience, skills and capabilities

The current Directors of the company and an outline of their relevant experience and skills is on pages 82 and 83.

Our Directors are drawn from a wide range of backgrounds, skills and experiences. We are confident that collectively our Board members possess the necessary mix of capabilities to deliver the Company's strategy for the benefit of our shareholders over the medium- and long-term. Directors are encouraged and supported to ensure their skills remain up to date, including training courses and continuing professional development.

The Board recognises that as the Group evolves, the mix of skills, knowledge and experience required on the Board will need to change, and Board composition will need to evolve in response. New appointments will always be considered against objective, merit-based criteria and have due regard for the benefits of diversity in all its forms. In early 2024 the Board created a Nomination Committee with specific responsibilities around succession planning and managing the process for Board appointments.

The Board is supported by the Company Secretary, who advises and supports the Chairman and Board on corporate governance, risk, legal and regulatory matters and is available to any Director to provide advice.

Directors are provided with access to the Company's Nominated Advisor, who provide briefings on necessary legislation and regulations from time to time. In addition, the Company's external legal counsel is available to the Board and individual Directors as needed. The Remuneration Committee is supported by an external remuneration consultant, who provides detailed insight into peer group practice and the views of proxy advisory firms, institutional investors and their representative bodies.

There were no specific matters on which any Director sought external advice during the year.

Further information:

→ Directors' biographies, see pages 82-83
→ Remuneration Committee report, see pages 98-103

Corporate Governance in Action continued

QCA PRINCIPLE 7
Evaluate Board performance and seek continuous improvement

The Board has carried out performance effectiveness reviews on a biennial basis since 2018, with the last review being undertaken in 2022. Each of these was conducted by an independent Non-executive Director with expertise in corporate governance, with the results being shared with the full Board. Agreed actions arising from these reviews have been completed and continue to inform how the Board operates.

No review was undertaken by the Board in 2023 and no decision has yet been taken on whether to carry out a performance evaluation in 2024, or whether this should be externally facilitated.

We are fully aware of the need for progressive refreshing of the Board, and succession planning is a key focus. The composition of the Board has continued to evolve in recent years. In October 2022 we appointed an additional independent Non-executive Director, Andy Brattesani, who brings immense experience of franchising in the UK and overseas. In October 2023 two Non-executive Directors retired from the Board, having each completed seven years' service, and we appointed Pete Kear. He brings vast knowledge of IT and experience of building an international software business quoted on the AIM market. In January 2024 a Nomination Committee was created to formalise and better oversee our approach to succession planning.

Further information:

→ Directors' biographies, see pages 82-83
→ Nomination Committee remit, see page 86

QCA PRINCIPLE 8
Promote a culture based on ethical values and behaviour

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:

- We demand integrity: We are professional in everything we do and treat people with respect.
- We empower our 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 challenging of ourselves: We set high standards, are demanding of ourselves, are prepared to challenge the norm and have a relentless focus on continual improvement.
- 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 work as a team: We place a huge amount of importance on teamwork between our colleagues and our franchisees in creating a dynamic business.

We pride ourselves on having a dynamic and entrepreneurial culture with tone set from the top. Our ethos is "do more of what works, and less of what doesn't". At every level of management our people are encouraged to try out new approaches and ideas and to test whether these work; our only stipulation is that we form a view on the success (or otherwise) of an initiative quickly and dispassionately.

During the year, all of the Directors participated in the company's Growth Summit, which was attended by around 65 senior managers drawn from all parts of the Group. By getting to meet such a wide range of people face-to-face both formally and informally, they are able to assure themselves that there is a healthy corporate culture. The Directors also meet with management board members very regularly, which provides further insight into the culture of the organisation.

Further information:

→ Strategy, see pages 12-19
→ Our guiding principles, see page 36
→ Risk management, see pages 76-79

Corporate Governance in Action continued

QCA PRINCIPLE 9
Maintain fit-for-purpose governance structures and processes

For details of our governance framework, please see pages 86-87. That section summarises the remit of each of our governance bodies and how these interact. There has been significant change in our governance structure during the latter part of 2023 and into early 2024. Please refer to the Chairman's introduction to this corporate governance section of the Annual Report on page 81.

The roles and responsibilities of specific Directors are clearly understood:

Executive Chairman
- Lead the Board and the Management Board
- Propose strategy for agreement by the Board and business plans and budgets aligned with that strategy for Board approval
- Lead the implementation of Board-approved business plans and budgets, and provide transparent reporting on operational and financial performance
- Ensure that shareholder and other key stakeholders' interests are taken into account when managing the Group's business

Chief Financial Officer
- Lead the Finance function
- Ensure that accounting policies and practices are aligned with IFRS and other GAAP and applied consistently across the Group
- Ensure that appropriate internal financial controls are implemented and maintained
- Ensure that the Group's financial reporting is of a high quality and presents a true and fair view of business performance
- Engage with our shareholders and lending banks

Non-executive Directors
- Challenge constructively and help develop proposals on strategy
- Satisfy themselves as to the integrity of the financial reporting systems and the information they provide
- Satisfy themselves as to the robustness of the internal controls
- Ensure that the systems of risk management are robust and defensible
- Review management performance and the reporting of such performance to shareholders

The Senior Independent Director is a Non-executive Director with additional responsibilities. They are available to shareholders to discuss any matters that it may not be possible or appropriate to raise with the Executive Chairman or the CFO. In addition, they will lead Board discussions on the performance of the Executive Chairman.

Further information:

→ Changes made in 2023 and to date, see pages 81 and 104
→ Directors' biographies, see pages 82-83
→ Governance framework, see pages 86-87

QCA PRINCIPLE 10
Communicate our governance performance to shareholders and other relevant stakeholders

We engage regularly with our shareholders. We explain how we communicate trading and financial performance under QCA Principle 2 above.

The Board uses the Annual Report and the associated website disclosures as the primary way to provide shareholders with details of the Group's governance framework and the effectiveness of this in supporting operational and financial performance. The Executive Chairman and, if appropriate, the Senior Independent Director are available to shareholders to discuss governance matters as needed.

Further information:

→ Changes made in 2023 and to date, see pages 81 and 104
→ Governance framework, see pages 86-87
→ Audit Committee report, see pages 93-97
→ Remuneration Committee report, see pages 98-103

Audit Committee Report

Robust reporting of strong performance

Operation of the Audit Committee

Role of the Audit Committee

The role of the Audit Committee is to check:

- that the Board maintains sound policies and procedures to satisfy itself on the integrity of financial and narrative statements and other public reporting and that these present a fair, balanced and understandable assessment of the Company's position and prospects;
- that the Company maintains sound procedures to identify and manage risk and to oversee the internal control framework and systems;
- whether the Company's enterprise-wide internal controls are sufficiently robust to support the effective management of identified risks and whether there are appropriate assurance activities in place;
- that there is an appropriate relationship with the external auditor, such that they are able to deliver an effective and objective external audit; and
- whether there is a need for an internal audit function or, where there is such a function, that its remit, independence, objectivity and independence is secured.

Membership

The members of the Committee at the date of this report are Andy Brattesani (Chairman) and Peter Kear, each of whom is an independent Non-executive Director. In addition, during the year David Poutney served as Chairman, and Rob Bellhouse served as a member of the Committee until each of them retired from the Board on 2 October 2023.

Andy Brattesani is an experienced banking executive with more than 30 years' professional experience. Pete Kear has extensive business experience as both an executive and non-executive director, including serving as CEO of a quoted company with a market capitalisation of £160m. Andy Brattesani was provided with full induction training when he became Chairman of the Committee in October 2023.

Meetings and attendance records

The Committee met twice in 2023 and attendance was as follows:

Director	Mar	Dec	Total
David Poutney (resigned 2 October 2023)	●	–	1/1
Rob Bellhouse (resigned 2 October 2023)	●	–	1/1
Andy Brattesani	●	●	2/2
Pete Kear (appointed 2 October 2023)	–	●	1/1

In addition to the Committee members, the Executive Chairman and Chief Financial Officer are invited to attend all meetings, with other senior financial managers invited to attend when necessary. The external auditors attend meetings to discuss the planning and conclusions of their work and meet with the members of the Committee without any members of the executive team present after each meeting. The Committee is able to call for information from management and consults with the external auditors directly as required.

Building the Board: Non-executive Director profile

Andy Brattesani

I became Chair of the Audit Committee in October 2023. While I've been a user of statutory accounts throughout my 30+ year career in banking, I'm not an accountant by training.

The company has supported my transition into the role. The Company Secretary, Rob Bellhouse, provided a detailed briefing on the responsibilities throughout the year and guidance on what would ensure success. The CFO, Mark Fryer, gave me a detailed understanding of the accounting policies, judgements and assumptions that underpin the areas in our financial statements that were likely to be a focus in the audit. The audit partner, Sakib Isa, took me through the issues that he felt would be regarded as key audit matters and significant audit risks, ahead of the start of the statutory audit.

The shared understanding and relationships that we've developed enabled us to work together transparently and successfully in my first year-end as Chair of the Audit Committee.

Audit Committee Report continued

Financial reporting

Key matters considered by the Audit Committee

The integrity of the Group's financial reporting is of critical importance and it is a core responsibility of the Committee to review this reporting and the key accounting contained in the financial statements.

Key accounting matters considered in relation to 2023

The Committee considered a number of issues in relation to the Annual Report and Accounts, including significant estimates and key accounting judgements. How these were handled and the decisions reached are set out in the table below. For further information on the work of the external auditor in relation to these matters, please see their report on pages 110-117.

Topic What is the risk?	What did the Committee do?	What conclusion did it reach?
Revenue recognition and application of IFRS 15		
The Group has a number of revenue streams and transacts with its customers both directly (as principal), and indirectly acting as either a commission agent or where services are delivered through its franchise networks. The risk is that revenue and cost of sales are not recognised correctly in the financial statements. While the profitability would be unaffected, the profit margins earned would be stated erroneously.	The Committee was provided with a summary of management's paper on the application of IFRS 15 on key revenue streams within the Group and discussed this with the finance team. The Committee also reviewed the findings contained in the external auditor's reporting to the Board and discussed the work performed by the audit team with the senior statutory auditor. To the extent that prior period adjustments were required, the Committee ensured that it understood the rationale for this and the reasons for the particular amount of the adjustment.	The Committee is satisfied that management is accounting for all key revenue streams in an appropriate way and that IFRS15 is being applied correctly within the Group. The Committee is also satisfied that the external auditor has reviewed the accounting approach with an appropriate level of professional scepticism and conducted a thorough review of the Group's accounting practices in this area.
Acquisition accounting for Pirtek Europe		
The Group acquired the holding company of the Pirtek Europe group on 20 April 2023. As with any major acquisition, there is a risk of material misstatement in the fair value allocated to assets and liabilities acquired including intangible assets and the balance of goodwill recognised. To the extent that any of these items is amortised, it would result in a mis-statement of the income statement in subsequent years.	The Committee reviewed management's approach to the valuation of the acquired assets and liabilities and the key inputs, assumptions and methodologies used by management and their external expert in valuing the acquired businesses. The Committee also reviewed the findings contained in the external auditor's reporting to the Board and discussed the work performed by the audit team with the senior statutory auditor.	The Committee is satisfied that management has valued and accounted for the acquired assets and liabilities in an appropriate way. The Committee is also satisfied that the external auditor has reviewed the accounting approach with an appropriate level of professional scepticism and conducted a thorough review of the Group's approach.

Audit Committee Report continued

Financial reporting continued

Key matters considered by the Audit Committee continued

Topic What is the risk?	What did the Committee do?	What conclusion did it reach?
Consideration of potential impairment of goodwill and intangible assets		
Management has determined that the Group has goodwill and intangible assets with indefinite lifespan, which must therefore be tested annually for indications of impairment. The risk is that carrying values are overstated and the profits for the year similarly overstated, if those asset values are not impaired when this would be the appropriate treatment.	The Committee reviewed management's approach to the annual test for indications of impairment, noting that there is a high degree of judgement in assessing the value in use of the Cash Generating Units to which the goodwill and intangible assets are allocated. The Committee also reviewed the findings contained in the external auditor's reporting to the Board and discussed the work performed by the audit team with the senior statutory auditor.	The Committee is satisfied that management's judgements in this area are reasonable and that the carrying values of goodwill and intangible assets continue to be justified. The Committee is also satisfied that the external auditor has provided an appropriate level of scrutiny to the assessment of whether there is any requirement to impair.

Audit Committee Report continued

External audit

Relationship with the external auditor

BDO LLP has served as the Company's external auditor since the IPO in 2016. Senior members of the audit team have been rotated in line with regulatory requirements and best practices. Sakib Isa is the lead audit engagement partner and he took on this role in 2023, having had no previous connection with the Group. The Audit Committee maintains a strong relationship with the lead audit engagement partner, who acts as the senior statutory auditor, and with other senior members of the audit team. In particular, the Committee Chairman has regular contact with the audit partner, both formally and informally, to understand the relationships between the auditor and the senior members of the Company's finance team and whether there are any accounting or financial reporting issues that need to be discussed and resolved.

Auditor objectivity and independence

The Committee places great emphasis on audit quality. This encompasses monitoring the skills and knowledge of the audit team, their mindset and culture and the quality of the judgements reached by the senior members of the audit team. In all of their dealings with the key members of the audit team, the Committee members look for evidence that their work is being done from a position of independence, with an entirely objective eye and appropriate professional scepticism. The Committee also seeks the views of senior members of the finance team on their, and their teams', dealings with the external auditors and whether there are any indications that audit quality is being compromised in any way, or any means by which it could be further enhanced.

In turn, BDO puts safeguards in place to avoid compromising their objectivity and independence. They provide a written report to the Committee on how they comply with professional and regulatory requirements and best practice designed to ensure their independence. As noted above, key members of the audit team have been rotated in line with regulatory requirements.

The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of fees payable to the auditors for non-audit services, and the nature of those services.

Non-audit services

The Group became an Other Entity of Public Interest ("OEPI") on 31 December 2023. Prior to this date, the Company and Group sourced a number of non-audit services from the BDO network. All such services were provided by separate teams from the audit team with suitable safeguards in place. The cumulative non-audit fees paid were more than the audit fee, primarily reflecting a significant single engagement to provide financial and tax due diligence reviews ahead of the acquisition of Pirtek Europe as a one-off engagement prior to the Group becoming an OEPI.

No further non-audit services are being provided by the Group's auditor following the Group becoming an OEPI in line with the FRC ethical standard.

The fees paid to BDO during or in respect of 2023 are:

	2023 £'000	2022 £'000
Statutory audit fees:		
Group/UK	**585**	160
BDO component audits – overseas	**77**	113
Total: Audit fees	**662**	273
Non-audit services:		
Financial and tax due diligence reviews (one-off exercises)	**726**	106
Tax compliance services (now discontinued)	**82**	80
Tax advisory services (now discontinued)	**31**	—
Payroll services (now discontinued)	**66**	—
Other assurance services (now discontinued)	**—**	10
Total: Non-audit services	**905**	196

The Committee is satisfied that the non-audit services provided by the BDO network during 2023 do not compromise the objectivity and independence of the firm as Group auditor. None of the non-audit services listed above are now being provided by the Group auditor and an agreement has been reached that the Group will not use the BDO network for any non-audit services going given their role as the Group's auditor.

Audit Committee Report continued

External audit continued

Effectiveness of the external audit process

Following the conclusion of the audit process the Audit Committee undertook a review of the effectiveness of the external auditors at its meeting in June 2024. This took into account the views of the Executive Directors and other senior executives with direct experience of the audit of the 2023 financial statements. The conclusions reached were shared with the external auditor.

Based on its assessment of the audit of the 2023 financial statements and the results of the effectiveness review, the Audit Committee is satisfied that BDO provided a comprehensive audit and demonstrated appropriate levels of independence, objectivity and professional scepticism.

Audit tender

The Board has considered its strategy in relation to future audits. BDO has now served as the Group's auditor for around 16 years. While we are not a public interest entity and therefore not subject to the mandatory rotation of audit firms after 20 years' tenure, we are conscious of the need to be able to demonstrate the independence and objectivity of our external auditors. We therefore intend to conduct an audit tender during the summer months of 2024. We have already opened discussions with three other statutory auditors, including firms from outside the 'Big 4', all of whom we believe could deliver a high-quality audit.

The Company will comply with all relevant laws and regulations in relation to audit tender and the mandatory rotation of the firm. There are no contractual restrictions in place that would limit the Company's freedom to choose its auditor.

Proposed re-election of the auditor at the 2024 AGM

As a public company, Franchise Brands is obliged in law to have an external auditor holding office at all times. The Committee has therefore recommended to the Board that BDO should be proposed for re-election as the external auditor at the 2024 AGM. The Board has accepted that recommendation and resolutions will be proposed for their re-election and to empower the Directors to approve the auditor's fees for the next statutory audit.

Once the audit tender process has been completed we will announce the name of the firm to be appointed by the Board, who will hold office until the conclusion of the Annual General Meeting in 2025.

Risk management and internal control

Systems of risk management and internal control

The Group has reviewed its systems of risk management in the course of 2023. For details of this, please see page 76. The system of internal control continues to develop and evolve. The Group intends to implement a new company-wide accounting system during 2024 and 2025 to consolidate the Group's financial reporting and financial management systems onto a single, modern cloud-based platform. We envisage that this will materially enhance the Group's internal financial control environment and that the wider universe of internal controls more generally will also be improved by implementing this system.

Effectiveness review

The Committee has not undertaken a formal review of the effectiveness of the systems of risk management and internal control during the year. However, based on its members' knowledge of the Group's operations and performance it is satisfied that the arrangements currently in place are fit-for-purpose and that the risk and control framework and processes are operating as intended.

Internal audit

The Group does not have an internal audit function at this stage of its journey. The Committee is satisfied that this does not compromise the quality of, or confidence in, its internal and external reporting and that the absence of an internal audit function does not have any detrimental effect on the work of the external auditor.

Andy Brattesani
Chairman, Audit Committee

Remuneration Committee Report

Paying responsibly to reward strong performance

Introduction by the Chairman of the Remuneration Committee

Dear fellow shareholder
I was appointed as Chairman of the Remuneration Committee when I joined the Board in October 2023. At that time the Company had largely completed the initial integration of Pirtek Europe, acquired in April 2023, and significant changes had just been made to the management structure.

The Pirtek business had been owned by private equity for some years and we inherited a very capable management team whose remuneration packages were aligned to the PE model of ownership. In addition, we had recruited other senior executives from listed companies, whose remuneration included both short- and long-term incentives. We therefore undertook a review of senior management pay, led by the Executive Chairman and which was supported by external views and market data from FIT Remuneration Consultants and other sources, to ensure our future remuneration arrangements were capable of attracting and retaining senior executives.

The review showed that a correction was required to the levels of remuneration for our senior management team. The increases took effect from 1 October 2023 and we are satisfied that we are not paying above market levels and certainly paying no more than is warranted. The next pay review will be with effect from 1 January 2025. We also took the decision to introduce a short-term cash bonus scheme, from the year commencing 1 January 2024 onwards. Franchise Brands has never had a short-term incentive scheme of any sort, and we had fallen behind market in this regard, which was inhibiting our ability to integrate acquired businesses. The bonus plan is designed only to generate reward if there is genuine outperformance of budgets and/or City forecasts, and to be entirely self-funding. There is more detail on the design of the bonus plan later in this report on page 103.

We continue to use share options as our primary motivational tool, using market-value options with a three-year vesting date subject to achieving material compound growth in EPS. Executives are encouraged to take a long-term view and, subject to vesting, options can be exercised at any time up to the tenth anniversary of granting. The senior management team is highly focused on generating sustainable growth in our share price, and we believe that the current tools available to the Committee are the most appropriate at this stage of the Company's evolution. In early 2024 we introduced malus and clawback wording into the rules of the employee share option scheme, which mirrors that included in the short-term bonus plan and which will apply to awards granted from 2024 onwards.

Overall, the Remuneration Committee is satisfied that it is providing attractive, but not excessive, levels of reward and that the short- and long-term incentives we now offer promote responsible behaviour, including consideration of wider stakeholder interests, effective risk management and the longer-term. The introduction of malus and clawback into our employee share schemes gives us a further means of protecting shareholders' interests, should this ever be needed.

We have reviewed the 2023 edition of the QCA Corporate Governance Code and will introduce the shareholder votes on remuneration matters recommended by the Code when it becomes effective for us, which is from the financial year commencing on 1 January 2025. As Chairman of the Committee, I am always available to shareholders to discuss remuneration matters whenever felt necessary.

Operation of the Remuneration Committee

Role of the Remuneration Committee
The role of the Remuneration Committee is to:

- ensure that the Company establishes an effective remuneration policy aligned with the Company's purpose, strategy and culture as well as its stage of development and that the remuneration policy (i) motivates management and promotes the long-term growth of shareholder value and (ii) supports and reinforces the desired corporate culture and promote the right behaviours and decisions;
- check that remuneration policies and practices support the successful delivery of the Company's long-term strategy and, in particular, that a significant proportion of Executive Directors' and senior managers' remuneration is structured to clearly link rewards to corporate and individual performance; and
- ensure that there is a formal and transparent procedure for developing policy on executive remuneration and for setting the remuneration packages of individual Directors, including the granting of share awards and other equity incentives through the Group's employee share schemes.

Remuneration Committee Report continued

Operation of the Remuneration Committee continued

Membership

The members of the Committee at the date of this report are Peter Kear (Chairman) and Andy Brattesani, each of whom is an independent Non-executive Director. In addition, during the year Rob Bellhouse served as Chairman, and David Poutney served as a member of the Committee until each of them retired from the Board on 2 October 2023.

Meetings and attendance records

The Committee met formally once in 2023 and attendance was as follows:

Director	Oct	Total
Andy Brattesani	●	1/1
Pete Kear (appointed 2 October 2023)	●	1/1

In addition to the Committee members, the Executive Chairman is invited to attend meetings of the Remuneration Committee but does not participate when his own remuneration is being discussed. The Committee is also able to access external advice, which it obtains from a variety of sources. There is no retained advisor to the Committee, though we do tend to use FIT Remuneration Consultants LLP, who have considerable knowledge of market practice amongst our AIM quoted peers.

Directors' remuneration in 2023

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 and that the pay structure is aligned with the Company's purpose, strategy and culture.

All of the Executive Directors have significant exposure to the Company's share price: Stephen Hemsley, as co-founder of the Company, has a significant personal shareholding in the Company, but does not have any options.

Most of our senior management team members, including the other Executive Director, have material personal investments in our shares, supplemented by options granted under our ESOP. The vesting of 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. We expect that our share-settled incentives will foster alignment with shareholders through the building and holding of a meaningful shareholding in the Company.

How we structured executive pay in 2023

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

- Fixed pay (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 or car allowance, healthcare and life assurance.
- Pensions – The Company operates a uniform defined contribution scheme available to all Executive Directors and employees, or will offer a cash supplement if executives are unable to participate in the scheme. Only basic salaries are pensionable. 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.
- Variable pay – The Company operates a share option scheme covering permanent employees (including 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 an historic (and now discontinued) matching scheme, where certain Directors were granted nominal value options if they purchased an equal number of shares in the market. Those nominal value options could only vest if performance targets were met. All of our share option schemes are overseen by the Remuneration Committee which determines the terms under which eligible individuals may be invited to participate, including the level of awards.

Remuneration Committee Report continued

Directors' remuneration in 2023 continued

Employee share schemes

The Executive Directors of the Company are eligible to participate in our employee share schemes. The Group's principal scheme is the Employee Share Option Plan ("ESOP"), which is used to grant share options to employees in the UK and other European countries. In addition, the Company operates separate plans to grant cash-settled Share Appreciation Rights to its employees in the United States, Netherlands and Germany. Finally, some awards remain outstanding under a legacy UK employee share scheme, the Long Term Incentive Plan ("LTIP").

Long term incentive plan ("LTIP")

The LTIP was adopted upon the Company's IPO in 2016. It is a flexible plan, that could be operated as a tax-advantaged EMI plan, but which was also capable of granting non-EMI options either at the market value of the Company's shares at the date of grant, or their nominal value of 0.5p. We have used the LTIP in different ways at different times in the past, including as a matching scheme where senior executives invested in the Company's shares, as described above. All options granted have been subject to standard performance conditions, requiring material growth in the Company's audited Adjusted EPS. For more details of the performance condition, please see below.

We do not expect to issue any further options or awards under this plan.

Employee share option plan ("ESOP")

In 2020 the Company established the ESOP for employees and Executive Directors, which will enable them to acquire shares in the Company subject to stretching yet realistic performance criteria being met. The plan is a UK market standard tax-advantaged Company Share Option Plan, with supplementary sections to create an Unapproved Share Option Plan and a Share Appreciation Rights Plan on equivalent terms to the main plan. All options and awards are granted with an exercise price set at the market value of the Company's shares as at the date of grant. In each case, vesting is (or has been) subject to our standard performance conditions, requiring material growth in the Company's audited Adjusted diluted EPS.

Performance conditions

All of the historic and current options and awards granted under the LTIP, the ESOP and our SARs plans have been subject to the achievement of stretching yet realistic targets for growth in adjusted diluted earnings per share. This is measured over three financial years, using the EPS figure for the year of grant as the base and is calculated using audited results. Employees, including Executive Directors, are only able to exercise their options and awards as follows:

1. In respect of 20% of their shares, if reported adjusted EPS achieves compound annual growth of 8% over each of the next three financial years;
2. In respect of 100% of their shares, if 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 shares, on a straight-line basis, if EPS growth is between the targets in 1 and 2.

We expect to utilise the same performance conditions for any options and awards that may be granted in 2024.

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.

Non-executive Directors' remuneration

The Non-executive Directors receive a fixed fee for their service, with the Senior Independent Director receiving a supplement to recognise the additional contributions that he has been asked to provide. They receive no benefits in kind, no pension contributions and no performance-related pay. They are not eligible to participate in any of the Company's incentive arrangements.

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.

Remuneration Committee Report continued

Directors' remuneration in 2023 – single figure table (audited)

The remuneration payable to the Directors for the year ended 31 December 2023 was as follows:

Director	Salary or fees £	Benefits in kind £	Pension contributions £	**Total for 2023 £**	Comparison for 2022 £
Executive Directors					
Stephen Hemsley	256,563	10,500	–	**267,063**	196,500
Julia Choudhury[3]	112,000	3,750	–	**115,750**	138,750
Mark Fryer[2]	117,796	5,563	–	**123,359**	–
Tim Harris[3]	120,000	6,750	3,600	**130,350**	158,350
Andrew Mallows[1]	111,000	2,220	3,330	**116,550**	47,250
Peter Molloy[3]	180,000	12,645	5,400	**198,045**	203,053
Colin Rees[3]	120,000	3,750	3,600	**127,350**	150,488
Jason Sayers[3]	166,442	19,993	–	**186,435**	215,297
Non-executive Directors					
Rob Bellhouse[3]	26,250	–	–	**26,250**	33,750
Andy Brattesani	36,250	–	–	**36,250**	10,769
Pete Kear[4]	12,500	–	–	**12,500**	–
David Poutney[3]	26,250	–	–	**26,250**	33,750
Nigel Wray	36,250	–	–	**36,250**	33,750
Total	**1,321,301**	**65,171**	**15,930**	**1,402,402**	**1,221,707**

1 Resigned 2 August 2023.
2 Appointed 2 August 2023.
3 Resigned 2 October 2023.
4 Appointed 2 October 2023.

Jason Sayers is employed in the USA and remunerated in US dollars. The numbers above are translated at the monthly average USD:GBP rates for the year. No Executive Director exercises share options during the year, so there were no gains to be reported.

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

No Director received any compensation for loss of office upon resignation and no payments were made to them in respect of qualifying services after the date on which they ceased to serve as a Director.

Directors' share options (audited)

The table below shows the interests of those who serve, or have served, as Directors in share options granted under the Company's employee share schemes. For details of those schemes and of the performance conditions to which the vesting of awards are subject, please see page 100. The dates shown in the table during which currently unvested options can be exercised are dependent on upon the performance conditions being met, at least in part. If these conditions are not satisfied then the option will lapse on the third anniversary of the date of grant.

Stephen Hemsley and Jason Sayers both have significant personal shareholdings in the Company. As a result, they have not been granted options or awards under the Company's employee share schemes. For details of the interests of the Directors in the Company's shares during the year please see the Directors' Report on page 105.

No Non-executive Director participates, or has participated, in the Company's employee share schemes.

During 2023 the closing mid-market quote for the Company's shares ranged from a low of 132.5p to a high of 245p. The closing mid-market price on 29 December 2023 (being the last dealing day during the financial year) was 161.5p.

No Directors exercised options over the Company's shares during the year.

Remuneration Committee Report continued

Directors' share options (audited) continued

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

Executive Director	Date of grant	Plan	Exercise price (pence)	Performance condition	Number of shares (31.12.22 or later date of appointment)	Changes in the year: Granted	Changes in the year: Exercised	Changes in the year: Lapsed	**Number of shares (31.12.23 or earlier date of retirement)**	Status	Exercisable from	Exercisable to
Julia Choudhury (resigned 2 October 2023)	11-Dec-18	LTIP	69	EPS growth	71,970	–	–	–	**71,970**	Vested	11-Dec-21	10-Dec-28
	15-Sep-20	ESOP	88	EPS growth	34,091	–	–	–	**34,091**	Vested	15-Sep-23	14-Sep-30
	10-Mar-22	ESOP	150	EPS growth	60,000	–	–	–	**60,000**	Unvested	10-Mar-25	9-Mar-32
	10-May-23	ESOP	180	EPS growth	–	100,000	–	–	**100,000**	Unvested	10-May-26	9-May-33
Mark Fryer (appointed 2 August 2023)	2-Aug-23	ESOP	132.5	EPS growth	–	807,641	–	–	**807,641**	Unvested	2-Aug-26	1-Aug-33
Tim Harris (resigned 2 October 2023)	11-Dec-18	LTIP	69	EPS growth	71,970	–	–	–	**71,970**	Vested	11-Dec-21	10-Dec-28
	15-Sep-20	ESOP	88	EPS growth	34,091	–	–	–	**34,091**	Vested	15-Sep-23	14-Sep-30
	10-Mar-22	ESOP	150	EPS growth	60,000	–	–	–	**60,000**	Unvested	10-Mar-25	9-Mar-32
	10-May-23	ESOP	180	EPS growth	–	100,000	–	–	**100,000**	Unvested	10-May-26	9-May-33
Andrew Mallows (resigned 2 August 2023)	12-Dec-17	LTIP	49.5	EPS growth	75,758	–	–	–	**75,758**	Vested	12-Dec-20	11-Dec-27
	11-Dec-18	LTIP	69	EPS growth	99,242	–	–	–	**99,242**	Vested	11-Dec-21	10-Dec-28
	15-Sep-20	ESOP	88	EPS growth	34,091	–	–	–	**34,091**	Vested	15-Sep-23	14-Sep-30
	15-Sep-20	LTIP	0.5	EPS growth	96,591	–	–	–	**96,591**	Vested	15-Sep-23	14-Sep-30
	10-Mar-22	ESOP	150	EPS growth	75,000	–	–	–	**75,000**	Unvested	10-Mar-25	9-Mar-32
	30-Sep-22	ESOP	151.5	EPS growth	120,000	–	–	–	**120,000**	Unvested	30-Sep-25	29-Sep-32
	10-May-23	ESOP	180	EPS growth	–	50,000	–	–	**50,000**	Unvested	10-May-26	9-May-33
Peter Molloy (resigned 2 October 2023)	11-Apr-17	LTIP	67	EPS growth	150,000	–	–	–	**150,000**	Vested	11-Apr-20	10-Apr-27
	12-Dec-17	LTIP	49.5	EPS growth	153,030	–	–	–	**153,030**	Vested	12-Dec-20	11-Dec-27
	11-Dec-18	LTIP	69	EPS growth	106,000	–	–	–	**106,000**	Vested	11-Dec-21	10-Dec-28
	15-Sep-20	ESOP	88	EPS growth	34,091	–	–	–	**34,091**	Vested	15-Sep-23	14-Sep-30
	15-Sep-20	LTIP	0.5	EPS growth	28,409	–	–	–	**28,409**	Vested	15-Sep-23	14-Sep-30
	10-Mar-22	ESOP	150	EPS growth	155,000	–	–	–	**155,000**	Unvested	10-Mar-25	9-Mar-32
	10-May-23	ESOP	180	EPS growth	–	150,000	–	–	**150,000**	Unvested	10-May-26	9-May-33
Colin Rees (resigned 2 October 2023)	11-Dec-18	LTIP	69	EPS growth	71,970	–	–	–	**71,970**	Vested	11-Dec-21	10-Dec-28
	15-Sep-20	ESOP	88	EPS growth	34,091	–	–	–	**34,091**	Vested	15-Sep-23	14-Sep-30
	15-Sep-20	LTIP	0.5	EPS growth	39,773	–	–	–	**39,773**	Vested	15-Sep-23	14-Sep-30
	10-Mar-22	ESOP	150	EPS growth	90,000	–	–	–	**90,000**	Unvested	10-Mar-25	9-Mar-32
	10-May-23	ESOP	180	EPS growth	–	100,000	–	–	**100,000**	Unvested	10-May-26	9-May-33

Remuneration Committee Report continued

Directors' remuneration in 2024

As noted in my introductory remarks, the acquisition of Pirtek has caused us to revise the basis of remuneration for our most senior executives, including the Executive Directors from 1 October 2023 and to amend the fees payable to the Non-executive Directors from the same date.

Fixed pay – base salaries and benefits in kind

The Executive Chairman, Stephen Hemsley, receives a salary of £375,000 which our data confirms is no higher than the market rate for this role in a £300m market capitalisation company. The material in-year increase in his pay reflects the growth in the company which he has driven: Franchise Brands doubled in size in 2022 and again in 2023 taking adjusted EBITDA from £8.5m in 2021 to £30m in 2023, and is now a much more diverse, international and complex business. As I explained in the opening paragraphs of this report and again in the introduction to this section, the need to accommodate the senior management of Pirtek within our remuneration structures has resulted in a re-basing of pay for our entire leadership team. This was supported by benchmarking work undertaken by FIT Remuneration Consultants. The Chief Financial Officer, Mark Fryer, receives a salary of £275,000 which was set when he was recruited, using an external search firm, in August 2023. The next scheduled pay review date for our senior executives is 1 January 2025.

The fees payable to the Non-executive Directors were reviewed by the Board during the year, with each conflicted Director recusing themselves from the discussion and decision. The base fee payable is now £40,000 and the Senior Executive Director receives an overall fee of £50,000 reflecting the additional duties he performs, including serving as a member of the "Star Chamber". The next scheduled review date for NED fees is 1 January 2025.

Introduction of a short-term incentive plan

We are currently finalising the design of a new cash-settled annual bonus plan. We believe this is necessary to create the strongest possible alignment of our Executive Directors and key employees with short term financial and non-financial goals. The bonus scheme, in tandem with share options, will ensure there is appropriate focus on delivering short-, medium- and long-term objectives.

Our intention is to calculate a bonus pool as a percentage of Adjusted EBITDA achieved beyond budget or the City consensus expectation. Our belief is that senior executives should not receive a bonus payment for delivering an on-budget performance. The use of the Adjusted EBITDA metric reflects the measure of profit that best reflects that which is under the control or influence of operational management, as it excludes the effects of corporate funding decisions taken by the Board. It also complements the Adjusted EPS target used in determining the vesting of options.

The maximum bonus payable to any one individual, including the Executive Directors, will be capped at 50% of salary, with lower levels of maximum bonus set for some management board members (primarily those with functional, rather than business responsibilities). Targets will be set for delivery of Group profitability, the delivery of profits in any part of the business for which the relevant executive is accountable, and personal elements linked to specific deliverables. We will report fully on the bonus plan as it relates to the Executive Directors in future remuneration reports.

The rules of our bonus plan include market-normal malus and clawback provisions.

Grants of options under the employee share schemes

We expect to make a grant of market-value share options and awards under the ESOP in 2024, to a range of employees including eligible Executive Directors. The vesting of these awards is likely to be subject to our normal performance conditions, requiring the delivery of EPS growth. We regard this as a critical metric for shareholders, as it reflects all aspects of the Company's performance and influences both our share price and our ability to pay a dividend.

We have recently amended the rules of the ESOP so that the 2024 grant will be subject to market-normal malus and clawback provisions. We cannot retrospectively impose those forfeiture rights on existing options, but these will be applied to all options and awards made in future years.

Strategic alignment

We are satisfied that we have developed an effective remuneration policy which is aligned with the Company's purpose, strategy and culture, and relevant to this stage of its development. We expect that the remuneration we offer should motivate management and promote the long-term growth of shareholder value. There is a clear and easily understood link between performance and pay, with a significant proportion of potential reward being related to the growth in the Company's share price over the longer term. We are therefore comfortable that the interests of shareholders and senior management, including the Executive Directors, are fully aligned.

Peter Kear
Chairman, Remuneration Committee

Directors' Report

The Directors present their annual report on the affairs of the Group for the year ended 31 December 2023.

Introduction

Franchise Brands plc is a public limited company, registered in England and Wales as company number 10281033 and has its registered office at Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire, SK10 2XF. As such, it is subject to the reporting requirements set out in the Companies Act 2006. In addition, the ordinary shares of 0.5 pence each of the Company are admitted to trading on the Alternative Investment Market of the London Stock Exchange. As a result, the Company is obliged to report in accordance with the requirements of the AIM Rules for Companies. We have chosen to apply the QCA Corporate Governance Code, and our reporting is in line with the 2018 edition of that document.

Our reporting to shareholders

The Strategic Report on pages 1 to 79 of this Annual Report provides an overview of the development and performance of the Group's business for the year ended 31 December 2023 and likely future developments in the business of the Group. That information is presented in that part of the Annual Report, rather than this Directors' Report, as permitted by Regulations made under the Companies Act 2006. The various sections of the Strategic Report together provide the information which the Directors consider to be of strategic importance to the Group.

The following disclosures are hereby incorporated by reference into, and form part of, this Directors' Report:

- Data on greenhouse gas emissions and other climate change-related disclosures from page 45 onwards. This information was included in the Strategic Report as the Directors consider those matters to be of strategic importance to the Group;
- The reporting on corporate governance on pages 81-92, including the Directors' biographies on pages 82 and 83;
- Information relating to financial instruments and financial risk management, as provided in note 4 to the financial statements; and
- Related party transactions as set out in note 29 to the financial statements.

Principal activities

The principal activity of the Group is building market-leading businesses in selected customer segments, primarily via a franchised 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 82 to 83. In addition, the following served as Directors of the Company during the year:

- Rob Bellhouse – served as a Non-executive Director until 2 October 2023
- Julia Choudhury – served as an Executive Director until 2 October 2023
- Tim Harris – served as an Executive Director until 2 October 2023
- Andrew Mallows – served as an Executive Director until 2 August 2023
- Peter Molloy – served as an Executive Director until 2 October 2023
- David Poutney – served as a Non-executive Director until 2 October 2023
- Colin Rees – served as an Executive Director until 2 October 2023
- Jason Sayers – served as an Executive Director until 2 October 2023

Directors' Report continued

Directors continued

Directors' interests

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

Director	As at 31 December 2022 or later date of appointment	**As at 31 December 2023 or earlier date of resignation**
Executive Directors		
Stephen Hemsley[1]	22,179,844	**22,750,000**
Mark Fryer (appointed 2 August 2023)	–	**185,000**
Julia Choudhury (resigned 2 October 2023)[2]	1,546,701	**1,580,034**
Tim Harris (resigned 2 October 2023)[3]	1,385,365	**1,393,939**
Andrew Mallows (resigned 2 August 2023)[4]	115,957	**124,290**
Peter Molloy (resigned 2 October 2023)[5]	71,956	**71,956**
Colin Rees (resigned 2 October 2023)	706,039	**706,039**
Jason Sayers (resigned 2 October 2023)[6]	13,438,183	**13,288,183**
Non-executive Directors		
Rob Bellhouse (resigned 2 October 2023)	111,260	**152,926**
Andy Brattesani	–	**5,555**
Pete Kear (appointed 2 October 2023)	25,000	**25,000**
David Poutney (resigned 2 October 2023)[7]	3,696,495	**3,696,495**
Nigel Wray[8]	22,366,303	**22,921,858**

1 Included in the holding of Stephen Hemsley are 1,800,000 ordinary shares held by his wife, 9,000,000 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 2,600,000 ordinary shares held by his Self-Invested Personal Pension ("SIPP").

2 Included in the holding of Julia Choudhury are 384,286 ordinary shares held jointly with her husband, 431,500 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.

3 Included in the holding of Tim Harris are 74,156 ordinary shares held by his SIPP.

4 Included in the holding of Andrew Mallows are 99,007 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 Jason Sayers are 9,171,029 ordinary shares held by The Meredian Settlement Trust. Roy Sayers is the settlor and a trustee of the Trust. Jason Sayers is a life tenant and he and Mrs. Dawn Sayers, wife of Roy Sayers, are the beneficiaries of the Trust.

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.

8 Included in the holding of Nigel Wray are 2,371,318 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.

In addition, during their tenure as Directors each of Julia Choudhury, Tim Harris, Andrew Mallows, Peter Molloy and Colin Rees held options over shares of the Company through their participation in the Company's employee share schemes. These are detailed in the Remuneration Committee Report on pages 98 to 103. Stephen Hemsley and Jason Sayers do not participate in the employee share schemes given their significant personal investments in the Company's shares.

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.

Shares and shareholders

Share capital

The Company's entire issued share capital comprises ordinary shares of 0.5 pence each. Note 28 to the financial statements summarises the number in issue during 2023.

The Company has granted options to acquire its shares under its employee share schemes, as detailed in Note 10 to the financial statements and explained in the Remuneration Committee report on page 100. However, if and when these options are exercised, we anticipate that the vast majority of these requests will be satisfied by the transfer of existing shares held in the Company's employee benefit trust.

All of the Company's shares are freely transferable and carry the same rights in relation to voting, to appoint a proxy or proxies (or where relevant a corporate representative) to attend meetings, speak and vote, and to participate in distributions including the right to receive dividends. The rights attaching to the Company's shares are set out in the Articles of Association, which can only be amended with the approval of at least 75% of the votes cast at a General Meeting.

To the Directors' best knowledge, 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.

Directors' Report continued

Shares and shareholders continued

Major shareholders

In addition to the holdings of the Directors set out on the previous page, to the date of this report the Company has received formal notification of the following holdings in its shares pursuant to DTR 5 (being broadly a direct or indirect interest of 3% or more of the share capital). It should be noted that these holdings, or the percentage of the issued share capital they represent, may have changed since the Company was notified, but no further notification is required until the relevant threshold is crossed:

Shareholder	Date of last notification	Number of shares	Percentage of capital (at time of notification)
Slater Investments Limited	4 April 2024	21,236,266	10.96%
BGF Investment Management Limited	17 May 2023	9,996,103	5.16%
Rathbone Investment Management Limited	16 January 2024	9,768,179	5.04%
Gresham House Asset Management Limited	25 April 2023	8,409,812	4.34%
Victor Clewes	10 March 2022	5,274,473	4.27%
Canaccord Genuity Group Inc	11 March 2022	4,867,364	3.94%

Dividends

A final dividend of 1.1 pence per share was paid on 12 May 2023 in respect of the 2022 financial year.

An interim dividend of 1.0 pence per share was paid in respect of the 2023 financial year on 13 October 2023. The Directors are recommending a final dividend of 1.2 pence per share which, subject to shareholders' approval at the AGM, will be paid on 25 July 2024 to shareholders on the register at the close of business on 28 June 2024.

Our employees and wider workforce

Employment of disabled persons

The Group gives full and fair consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by that person. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Employee communications and engagement

The Group provides its entire workforce (including employees) with information on matters that could be of concern to them as our workforce. We regard it as crucial that our employees and wider workforce are aware of the factors affecting the performance of the Company, so that they can help us drive its future success. These communications are generally delivered at a brand level, with the CEO or other senior executives of that brand holding open forums with their employees and other workforce members. These are deliberately structured to facilitate and encourage two-way communications. In addition, informal communication takes place on a daily basis.

Where appropriate, we consult members of our workforce or their representatives on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

We encourage involvement in the Company's performance by our employees and workforce and offer awards under our employee share schemes to a wide range of employees who are best placed to influence that performance. Of our circa 700 employees, around 250 participate in our employee share schemes. We are implementing an online portal in 2024 to improve those employees' access to information on their share options and awards and company performance.

Board engagement with the wider workforce

All of the Directors are encouraged to engage with our employees, contractors and franchisees wherever possible. We arrange site visits for the Non-executive Directors and the Executive Directors will come into contact with a wide range of employees, franchisees and others as a matter of course, in their normal roles.

All of the Non-executive Directors attended the Growth Summit held in November 2023 in which around 65 of our senior managers participated. In addition, all Directors are invited to attend franchisee conferences for each of our brands and are encouraged to undertake personal visits whenever possible.

This mix of formal and informal interactions with a wide range of employees, contractors and franchisees enables the Directors to have regard to their interests in their deliberations, including on the principal decisions taken by the Company.

Directors' Report continued

Disclosures relating to the audited financial statements

Subsidiary audit exemption

Certain UK subsidiaries of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act. A full list of the Company's subsidiaries is provided in note 27 to the financial statements.

The outstanding liabilities at 31 December 2023 of those UK subsidiaries have been or will be guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the Directors, the possibility of the parent company guarantees being called upon is remote.

Going concern

In assessing the appropriateness of adopting the going concern basis in preparing the Annual Report and financial statements, the Directors have considered the current financial position of the Group, alongside its principal risks and uncertainties.

The review performed considers plausible financial and operational issues that could reasonably arise within a period of 12 months from the date of approval of the financial statements. This included credit risk, dependency on key suppliers and/or customers and economic risk. The budgets and business plans prepared for the next 12 months and beyond have been subjected to sensitivity analysis, considering the impact of a downturn in trade; and changes to the Group's financing costs.

On an individual customer basis, we do not have a concentration of credit risk. We have taken account of the bad debt risk in our expected credit loss provisions and believe this is sufficient.

The Group is not overly dependent on any one key customer or supplier. As at 31 December 2023, we had 644 franchisees spread over seven different franchise networks, operating collectively in ten jurisdictions. Within each network, there is no particular concentration of risk in any individual franchisee. We therefore regard each franchisee as posing relatively low risk to the Company. In addition, our networks are characterised by having a large number of small value jobs being completed for a wide variety of customers.

The acquisition of Filta in 2022 and Pirtek in 2023 has left the Group less reliant on the UK economy, with less than 60% of our revenues and profits being derived from the UK.

In April 2023 we entered into new bank facilities with a syndicate of four lending banks, comprising a term loan and a revolving credit facility. These facilities were initially stated to run to 3 April 2027, but in early 2024 we exercised an option to extend these by a further 12 month period. Subject to compliance with the terms of the facilities, we therefore have access to working capital until early April 2028. The facilities have only two covenants and the Group has significant headroom on each of these when tested on a quarterly basis.

We have modelled the Group's financial performance in a range of realistic downside scenarios, including combinations of risks, and applied sensitivities to this testing with regard to overall debt level and compliance with banking covenants. The Group's business is profitable and cash-generative and this provides resilience against the principal risks and uncertainties to which the Group is exposed. Following this modelling work, we concluded that in all realistically plausible scenarios the Group would maintain access to sufficient current financial assets to meet its current liabilities as they fall due.

We also undertook reverse stress-testing to identify the scenarios in which the materialisation of risk, or the combination of risks, could cause the Group to fail financially. We concluded that none of these scenarios was realistically plausible during the period covered by our review.

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.

Financial instruments and financial risk management

The Company's use of financial instruments and its financial risk management objectives and policies are set out in note 4 to the financial statements.

Relevant audit information

The Directors confirm that:

- so far as each of the Directors is aware, there is no relevant audit information (as that term is defined in the Companies Act 2006) 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.

Directors' Report continued

Disclosures relating to the audited financial statements continued

Auditor

A resolution to re-appoint BDO LLP as auditor will be proposed at the AGM. As noted on page 93, the Company intends to undertake an audit tender during the summer of 2024.

For further information on how we manage the relationship with the external auditor, please refer to the Audit Committee report on pages 96 and 97.

Other statutory disclosures

Branches

There are no branches of the Company in existence. Subsidiaries of the Company operate businesses in the UK, a number of continental European countries, Canada and the USA. For details of the subsidiary undertakings of the Company, please see note 27 to the financial statements.

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

In compliance with the Regulations the Directors make, in addition to the material contained elsewhere in this report, the following disclosures:

- The Company has not made any purchases of its own shares during the year;
- There were no material research and development activities undertaken by the Company or its subsidiaries during the year;
- A description of the actions taken to foster the Company's business relationships with suppliers, customers and others, and the effect of those actions, including on the principal decisions taken by the Company can be found in the section 172 statement on pages 57 to 61; and
- There have been no post-balance sheet events of the Company or its subsidiaries which the Directors believe need to be brought to the attention of its shareholders.

Political contributions

No political contributions were made during the period. The Company has not sought an authority from its shareholders to make political contributions and does not intend to do so.

Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 a.m. on Thursday 27 June 2024 at the offices of Gateley plc, 1 Paternoster Square, London, EC4M 7DX. The business of the AGM is set out in a circular containing the Notice of Meeting and an explanatory letter from the Chairman, which is being issued to shareholders with this Annual Report and is also available on the Company's website.

As noted in the AGM circular, when the meeting opens on 27 June 2024 it will immediately be adjourned to 11:00 a.m. on Thursday 18 July 2024. **No business will be transacted on Thursday 27 June 2024 and shareholders are strongly advised not to attend the meeting on that date.**

All of the business set out in the notice of meeting will be transacted upon the resumption of the AGM at 11:00 a.m. on Thursday 18 July 2024 at the offices of Gateley plc, 1 Paternoster Square, London, EC4M 7DX. We encourage our shareholders to attend the meeting when it re-convenes on that date.

The Directors of the Company regret the inconvenience that this may cause to shareholders.

This Directors' Report was approved by the Board on 19 June 2024 and is signed on its behalf.

Rob Bellhouse
Company Secretary

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.

This statement was approved by the Board on 19 June 2024.

Mark Fryer
Chief Financial Officer

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 2023 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 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity, and notes to the financial statements, including material accounting policy information. 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:

We obtained the Directors' assessment that supports the Board's conclusion with respect to going concern and performed the following:

- We considered the consistency of the Directors' cash flow forecasts with other areas of the audit, such as the impairment model;
- We challenged the rationale for the assumptions utilised in the forecasts, using our knowledge of the business with the support of our internal business restructuring experts;
- We considered the appropriateness of the Directors' forecasts by testing their mathematical accuracy, assessing historical forecasting accuracy and understanding the Directors' consideration of downside sensitivity analysis and reverse stress testing;
- We reperformed sensitivities on the Directors' base case and stressed case scenarios, considered the likelihood of these occurring and understood and challenged the mitigating actions the Directors' would take under these scenarios;
- We obtained an understanding of the new financing facilities, including the nature of the facilities, repayment terms, covenants and attached conditions;
- We assessed whether the terms and conditions therein were consistent with those applied by the Directors' in their base case and downside scenario forecasts;
- We reviewed the facility and covenant headroom calculations, and reperformed sensitivities on the Directors' base case and downside scenarios; and
- We assessed the going concern disclosures against the requirements of the accounting standards, and assessed the consistency of the disclosures with the Directors' forecasts.

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	91% (2022: 99%) of Group profit before tax		
	86% (2022: 94%) of Group revenue		
	88% (2022: 92%) of Group total assets		
Key audit matters		**2023**	2022
	Revenue recognition	**X**	—
	Acquisition accounting	**X**	X
	Impairment of goodwill and intangible assets	**X**	X
Materiality	Group financial statements as a whole		
	£546,950 (2022: £485,000) based on 5% of adjusted profit before tax (2022: 5% of profit before tax).		
	Profit before tax was adjusted for non-recurring current year costs.		

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.

Based on that assessment, our Group audit scope focused primarily on the audit work of the following significant components of the Group, all of which were subject to full scope audits:

- Franchise Brands Plc – the Parent Company,
- Metro Rod Limited,
- Willow Pumps Limited,
- Chips Away International Limited,
- The Filta Group Inc.
- Pirtek UK
- Pirtek Deutschland GmbH

Each of these entities were audited by the Group engagement team, apart from The Filta Group Inc. & Pirtek Deutschland GmbH whereby a non-BDO member firm & BDO Member firm were used as component auditors respectively.

In addition to the above, three components of the Group, The Filta Group Limited, Pirtek Hydraulique Services SAS and Kemac, were subject to an audit of specified account balances which was performed by the Group engagement team. Analytical review procedures were performed on the financial information of the remaining non–significant components of the Group by the Group engagement team.

At the Group level, we also performed audit procedures on the consolidation journals. In addition we carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to full scope audit or audit of specified account balances.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- We held discussions with the component auditors at the planning stage of the audit to assess their competence and to ensure their understanding of the Group audit engagement;
- We issued referral instructions to the component auditors detailing matters inclusive of materiality, Group audit risks and other key focus areas, and the required format of reporting to us as the Group auditor;
- We directed and supervised the work of the component auditors throughout the audit;
- We visited the component auditors and reviewed their audit working papers;
- We evaluated the work performed; and
- We attended the local close meeting remotely (utilising technology) with component management.

Independent Auditor's Report continued

to the members of Franchise Brands plc

An overview of the scope of our audit continued

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in pages 49-55 may affect the financial statements and our audit.

We also assessed the consistency of managements disclosures included as Other Information on pages 49-55 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

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
Revenue recognition Refer to the accounting policies in Note 2 and further details in Note 3 and Note 7	The Group has a number of revenue streams as detailed in Note 2. There is a level of judgement and estimation involved in recognising revenue according to the requirements of IFRS 15 Revenue from Contracts with Customers such as: identification of performance obligations in particular, whether the Group is the principal or an agent in the transaction; and allocation of transaction prices. In addition, we have identified prior period adjustments where the application of IFRS 15 was incorrectly applied. Please see note 1 where further information is provided. For these reasons, revenue recognition was determined to be a Key Audit Matter.	We obtained and reviewed management's paper on the application of IFRS 15 on key revenue streams within the Group by checking if this is in line with the requirements of IFRS 15. We assessed a sample of revenue contracts and challenged management's key judgements regarding identification of performance obligations and allocation of transaction prices. Our work included: – Evaluating the design and implementation of key controls within revenue systems and processes. – Reading a sample of customer contracts to understand the nature of these contracts and the performance obligations, in particular, whether the Group is the principal or an agent in the transaction; – For a sample of contracts, we challenged management on the identification of performance obligations and the point at which they have been met, and also on the allocation of transaction price by checking how these align with the requirements of IFRS 15 to determine if the correct revenue has been recognised; – In relation to the prior period errors for the year ending 31 December 2022, we assessed the facts and underlying transactions in relation to National Accounts revenue, assessing the contracts in place to consider whether the Group was acting as a principal or commission agent in line with the requirements of IFRS 15; and for Sales of Franchise revenue, assessing the contracts to determine whether the performance obligations were distinct and being recognised in line with the requirements of IFRS15; – For a sample of sale of franchise revenue, we checked if the territory fee has been correctly deferred over the length of the franchise agreement and released to the statement of comprehensive income on a straight-line basis, where it is not in relation to specific performance obligation; and – For National Accounts sales, where the Group is acting as a commission agent and not as a principal, we checked if only the agency fee has been recognised. **Key observations:** We deem management's application of IFRS 15 on revenue streams to be reasonable.

Independent Auditor's Report continued

to the members of Franchise Brands plc

Key audit matter		How the scope of our audit addressed the key audit matter
Acquisition accounting Refer to the accounting policies in Note 2 and further details in Note 3 and Note 6	The Group acquired Hydraulic Authority I Limited and its subsidiaries on 20 April 2023 via a share for share exchange and cash consideration. The recognition and valuation of assets and liabilities acquired, such as intangible assets, is inherently complex and requires significant estimates, judgement and assumptions to be made by management on the key inputs such as discount rate, profit margin assumption and revenue assumption, and as such, there is a risk of material misstatement in the fair value allocated to assets and liabilities acquired including intangible assets and the balance of goodwill recognised. Management have utilised a third party expert to support the preparation of detailed calculations to determine the fair value of the intangible assets acquired. For these reasons, acquisition accounting was determined to be a key audit matter.	We obtained and reviewed the sale and purchase agreement (SPA) to check if the appropriate accounting treatment had been applied in accordance with the requirements of the applicable accounting standard. Our work included: – With the support of our internal valuations experts we challenged the key inputs, assumptions and methodology used by management and their expert in determining the fair values of intangible assets acquired based on our knowledge of the industry; – Matching assumptions such as discount rate, profit margin and revenue and relevant data to internal expert reports or third party evidence in order to verify the input to the calculations. – We have assessed management's design and implementation of controls relating to acquisition accounting. – We have reviewed the historical trend and data along with external market data to further assist in the reasonability of the judgements and assumptions applied to the forecasts utilised. – We challenged the completeness of the intangible assets acquired by considering the criteria set out in the applicable standard, and recalculated the goodwill recognised. – We assessed the competence, objectivity and independence of managements expert. **Key observations:** Based on our procedures we found management's estimates, judgements and assumptions to be within a reasonable range.

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 further details in Note 3 and Note 14.	The Group has goodwill and intangible assets with indefinite life, which management are required to test 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. For these reasons, impairment of goodwill and intangible assets was considered to be a key audit matter.	In relation to the impairment analysis performed for each CGU we considered the reasonableness of management's key judgements. Our work included: – An assessment of whether the Goodwill and other intangible assets were correctly allocated to CGUs for monitoring purposes and in line with the requirements of the applicable financial reporting standards; – Challenging the future trading projections by reference to the 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; – With the assistance of our internal valuations experts, we assessed the appropriateness of the discount rate applied and challenged the discount rate using a range of sensitivities; – Checking the impairment analysis for logical and arithmetic accuracy and assessing if it has been undertaken in accordance with the requirements of the applicable financial reporting standards; – Performing sensitivity analysis to understand the relative impact of changes in the key assumptions within the impairment model. **Key observations:** Based on our procedures we found management's judgement underlying the impairment analysis to be reasonable.

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	
	2023	2022	**2023**	2022
Materiality	£546,950	£485,000	£6,282,360	£3,080,520
Basis for determining materiality	5% of adjusted profit before tax.	5% of profit before tax.	3% of net assets	3% of net assets
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. In the current period we have was adjusted for non-recurring current year costs.	Profit before tax is one of the principal considerations for users of the financial statements in assessing the financial performance of the business.	Materiality for the parent company financial statements was determined as 3% of net assets at £6,282,360. This was capped at £118,000 materiality given the assessment of the component aggregation risk. Materiality was therefore restricted to 22% Group materiality but errors in the Company only financial statements were assessed at the financial statement materiality determined for the parent company.	Materiality for the parent company financial statements was determined as 3% of net assets at £3,080,520. This was capped at £100,000 materiality given the assessment of the component aggregation risk. Materiality was therefore restricted to 20% Group materiality.
Performance materiality	£367,900	£339,500	£76,700	£70,000
Basis for determining performance materiality	65% of materiality based on the expected low level of misstatements however given the acquisition of Hydraulic Authority I Ltd ("Pirtek") and increase in the number of areas subject to estimation we have reduced performance materiality from the prior period.	70% of materiality based on the expected low level of misstatements however, given the acquisition of Filta Group Holdings Ltd and increase in the number of areas subject to estimation it was held at 70% of materiality.	65% of materiality based on the expected low level of misstatements however, given an increase in areas subject to estimation, performance materiality was set lower than the prior period.	70% of materiality based on the expected low level of misstatements however increase in areas subject to estimation therefore lower than prior period.

Independent Auditor's Report continued

to the members of Franchise Brands plc

Our application of materiality continued

Component materiality

For the purposes of our Group audit opinion, we set materiality for each component of the Group based on a percentage of between 22% and 67% (2022: 20% and 62%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £118,000 to £365,000 (2022: £100,000 to £300,000). In the audit of each component, we further applied performance materiality levels of 65% (2022: 70%) 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 £16,400 (2022: £14,550). 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 2023 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.

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.

Independent Auditor's Report continued

to the members of Franchise Brands plc

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, those charged with governance and the Audit Committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation and the AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the UK adopted international accounting standards, the Companies Act 2006, relevant taxation legislation, the Health and Safety, Data Protection Act, Equity Laws, Financial Services Act, and the Bribery Act 2010.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Made inquiries directly with external lawyers and legal counsel
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Use of forensic specialists to assist with the risk assessment at the planning stage and to help design appropriate audit procedures;
- Enquiry with management, those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.

- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.
- Inquiring and reviewing external documentation to assess the threat of Cyber attacks within the financial period.

Independent Auditor's Report continued

to the members of Franchise Brands plc

Auditor's responsibilities for the audit of the financial statements continued

Fraud continued

Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journal entries and management bias in accounting estimates, revenue cut-off within certain revenue streams, and the existence and accuracy of accrued income within certain revenue streams.

Our procedures in respect of the above included:

- identifying and testing journal entries to source documentation, in particular any journal entries posted with unusual account combinations, journals to revenue and cash that matched certain criteria, round journals that matched certain criteria and specific keywords, to source documentation;
- assessing revenue recognised on key revenue streams for a defined period around the year end, selecting a sample of revenue items within this defined period and identifying if the transactions have been reflected in the correct period in line with when the performance obligation was met;
- incorporating an element of unpredictability into the audit procedures, by testing a sample of credit card expenses incurred in the year to supporting documentation to assess their validity, and performing revenue recognition testing within insignificant components of the group;
- holding discussions with those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing minutes of Board meetings throughout the year and post year end for instances of non-compliance with laws and regulation and fraud;
- we have directed component auditors to review monthly franchisee revenue trends for Pirtek Deutschland GmbH for the period, for a cyber incident pre acquisition to ascertain that no anomalies were identified.
- Obtaining an understanding and documenting of the control environment in monitoring compliance with laws and regulations; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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.

Sakib Isa (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
19 June 2024

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 2023

	Note	2023 Total £'000	Restated* 2022 Total £'000
Revenue	7	**121,265**	69,839
Cost of sales		**(50,060)**	(33,898)
Gross profit		**71,205**	35,941
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments, impairment loss & non-recurring items ("Adjusted EBITDA")		**30,101**	15,257
Depreciation	8, 15, 16	**(3,492)**	(1,781)
Amortisation of software	8, 14	**(925)**	(500)
Amortisation of acquired intangibles	8, 14	**(7,718)**	(1,693)
Impairment loss	19	**(96)**	—
Share-based payment expense	8, 10	**(838)**	(535)
Non-recurring items	6, 8	**(6,159)**	(475)
Total administrative expenses		**(60,332)**	(25,668)
Operating profit		**10,873**	10,273
Foreign exchange losses		**(146)**	—
Finance expense	11	**(5,711)**	(235)
Profit before tax		**5,016**	10,038
Tax expense	12	**(1,979)**	(1,912)
Profit for the year attributable to equity holders of the Parent Company		**3,037**	8,126
Other comprehensive (expense)/income			
Actuarial gains	31	**63**	—
Exchange differences on translation of foreign operations		**(131)**	28
Total comprehensive (expense)/income attributable to equity holders of the Parent Company		**(68)**	28
Total Profit and other comprehensive income for the year attributable to equity holders of the Parent Company		**2,969**	8,154
Earnings per share			
Basic	13	**1.75**	6.65
Diluted	13	**1.73**	6.54

* See Note 1 for details.

The Notes on pages 127 to 173 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000	Restated* 2021 £'000
Assets				
Non-current assets				
Intangible assets	14	**305,328**	84,664	35,278
Property, plant and equipment	15	**4,418**	3,208	2,609
Right-of-use assets	16	**8,404**	2,568	2,723
Contract acquisition costs	17	**427**	402	—
Trade and other receivables	19	**641**	811	182
Total non-current assets		**319,218**	91,653	40,792
Assets in disposal groups classified as held for sale	23	**—**	5,455	—
Current assets				
Inventories	18	**7,062**	1,989	908
Trade and other receivables	19	**42,701**	24,991	18,685
Contract acquisition costs	17	**79**	92	—
Current tax asset		**1,104**	220	—
Cash and cash equivalents		**12,278**	10,935	9,057
Total current assets		**63,224**	38,227	28,650
Total assets		**382,442**	135,335	69,442
Liabilities				
Current liabilities				
Trade and other payables	20	**34,746**	20,778	13,882
Loans and borrowings	22	**9,251**	—	—
Obligations under leases	25	**2,617**	831	754
Deferred income	21	**1,318**	873	302
Current tax liability		**603**	—	213
Contingent consideration	24	**—**	—	345
Total current liabilities		**48,535**	22,482	15,496

	Note	2023 £'000	Restated* 2022 £'000	Restated* 2021 £'000
Liabilities directly associated with assets in Disposal groups classified as held for sale	23	**—**	2,561	—
Non-current liabilities				
Loans and borrowings	22	**76,908**	—	—
Obligations under leases	25	**5,787**	1,626	1,780
Deferred income	21	**2,894**	1,848	460
Contingent consideration	24	**—**	—	2,567
Deferred tax liability	26	**33,925**	4,134	2,139
Total non-current liabilities		**119,514**	7,608	6,946
Total liabilities		**168,049**	32,651	22,442
Total net assets		**214,393**	102,684	46,999
Issued capital and reserves attributable to owners of the Company				
Share capital	28	**969**	652	480
Share premium	28	**131,131**	37,293	36,966
Share-based payment reserve	28	**1,936**	1,217	789
Merger reserve	28	**69,754**	52,212	1,390
Translation reserve	28	**24**	155	—
EBT reserve	28	**(2,679)**	(2,871)	(501)
Retained earnings		**13,258**	14,026	7,875
Total equity attributable to equity holders		**214,393**	102,684	46,999

* See Note 1 for details.

The consolidated financial statements of Franchise Brands plc (Company number: 10281033) on pages 118 to 173 were approved and authorised for issue by the Board of Directors on 19 June 2024 and were signed on its behalf by:

Mark Fryer
Director

Company Statement of Financial Position

At 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000	Restated* 2021 £'000
Assets				
Non-current assets				
Investment in Group companies	27	**207,830**	92,514	42,823
Total non-current assets		**207,830**	92,514	42,823
Assets in disposal groups classified as held for sale	27	**—**	2,564	—
Current assets				
Trade and other receivables	19	**103,177**	1,876	1,158
Cash and cash equivalents		**875**	3,418	3,961
Total current assets		**104,052**	5,294	5,119
Total assets		**311,882**	100,372	47,942
Liabilities				
Current liabilities				
Trade and other payables	20	**16,311**	5,139	1,480
Loans and borrowings	22	**9,251**	—	—
Contingent consideration	24	**—**	—	344
Total current liabilities		**25,562**	5,139	1,824
Non-current liabilities				
Loans and borrowings	22	**76,908**	—	—
Contingent consideration	24	**—**	—	2,568
Total non-current liabilities		**76,908**	—	2,568
Total liabilities		**102,470**	5,139	4,392
Net assets		**209,412**	95,233	43,550

	Note	2023 £'000	Restated* 2022 £'000	Restated* 2021 £'000
Issued capital and reserves attributable to owners of the Company				
Share capital	28	**969**	652	480
Share premium	28	**131,131**	37,293	36,966
Share-based payment reserve	28	**1,936**	1,217	789
Merger reserve	28	**69,634**	52,092	1,270
Translation reserve	28	**—**	—	—
EBT reserve	28	**(2,679)**	(2,871)	(501)
Retained earnings		**8,421**	6,850	4,546
Total equity attributable to equity holders		**209,412**	95,233	43,550

* See Note 1 for details.

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 2023 of £5.00m (restated 2022: £4.64m). See Note 1c for further information on the restatement.

The Company financial statements of Franchise Brands plc (Company number: 10281033) on pages 120 to 173 were approved and authorised for issue by the Board of Directors on 19 June 2024 and were signed on its behalf by:

Mark Fryer
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000
Cash flows from operating activities			
Profit for the year		**3,037**	8,154
Adjustments for:			
Depreciation of property, plant and equipment	15	**1,066**	756
Depreciation of right-of-use assets	16	**2,427**	1,025
Amortisation of software & other intangibles	14	**925**	500
Amortisation of acquired intangibles	14	**7,718**	1,693
Non-recurring costs		**786**	—
Share-based payment expense	10	**838**	535
Willow Pumps contingent consideration	24	**—**	(1,232)
Gain on disposal of property, plant and equipment		**(54)**	—
Finance expense	11	**5,711**	235
Exchange differences on translation of foreign operations		**76**	(28)
Tax expense	12	**1,979**	1,912
Operating cash flow before movements in working capital		**24,509**	13,550
(Increase) in trade and other receivables	19	**(3,767)**	(3,062)
(Increase)/decrease in inventories	18	**338**	(401)
Increase/(decrease) in trade and other payables	20	**3,368**	1,950
Cash generated/(absorbed) from operations		**24,448**	12,037
Corporation taxes paid		**(4,498)**	(2,629)
Net cash generated from operating activities		**19,950**	9,408
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(1,183)**	(422)
Proceeds from the sale of property, plant and equipment	15	**251**	259
Purchase of software	14	**(1,350)**	(1,088)
Purchase of Intellectual Property	14	**(522)**	—
Loans to franchisees		**(149)**	(1,062)
Loans to franchisees repaid		**412**	548
Deferred consideration	24	**—**	(1,680)
Acquisition of subsidiaries including costs, net of cash acquired	6	**(48,894)**	4,320

Consolidated Statement of Cash Flows continued

For the year ended 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000
Net cash used in investing activities		**(51,435)**	875
Cash flows from financing activities			
Bank loans – received		**100,012**	—
Bank loans – repaid		**(62,097)**	(2,953)
Loan notes – repaid		**(29,155)**	—
Preference shares – repaid		**(58,520)**	—
Capital element of lease liability repaid	25	**(2,362)**	(1,037)
Interest paid – bank and other loan	11	**(5,374)**	(116)
Interest paid – leases	11, 25	**(325)**	(119)
Proceed from issue of shares		**94,106**	330
Proceeds from sale/(purchase) of shares by the Employee Benefit Trust		**192**	(2,370)
Dividends paid	30	**(3,371)**	(2,339)
Net cash generated/(absorbed) from financing activities		**33,106**	(8,604)
Net increase/(decreased) in cash and cash equivalents		**1,621**	1,679
Cash and cash equivalents at beginning of year		**10,935**	9,057
Exchange differences on cash and cash equivalents		**(278)**	199
Cash and cash equivalents at end of year		**12,278**	10,935

* See Note 1 for details.

Consolidated Statement of Cash Flows continued

For the year ended 31 December 2023

Reconciliation of cash flow to the Group net debt position

Group	Term Loan £'000	Revolving credit facility £'000	Loans & borrowings £'000	Preference shares £'000	Lease liabilities £'000	Total liabilities from financing activities £'000	*Restated Cash £'000	*Restated Total net cash/ (net debt) £'000
At 1 January 2022	—	—	—	—	(2,534)	(2,534)	9,057	6,523
Financing cash flows	(2,953)	—	—	—	1,155	(1,798)	—	(1,798)
Other cash flows*	—	—	—	—	—	—	1,679	1,679
Other changes	2,953	—	—	—	(1,377)	1,576	199	1,775
At 1 January 2023*	—	—	—	—	(2,756)	(2,756)	10,935	8,179
Financing cash inflows	(55,000)	(45,012)	—	—	—	(100,012)	—	(100,012)
Financing cash outflows	5,000	8,000	78,227	58,520	2,687	152,434	—	152,434
Leases interest expense	—	—	—	—	(325)	(325)	—	(325)
Other cash flows	—	—	—	—	—	—	(5,421)	(5,421)
Acquired through business combination	—	—	(78,227)	(58,520)	(6,127)	(142,874)	7,042	(135,832)
Amortised loan fees	749	—	—	—	—	749	—	749
Foreign exchange movements	—	104	—	—	(53)	51	(278)	(227)
Additions to New leases	—	—	—	—	(1,925)	(1,925)	—	(1,925)
Disposals	—	—	—	—	95	95	—	95
At 31 December 2023	**(49,251)**	**(36,908)**	**—**	**—**	**(8,404)**	**(94,563)**	**12,278**	**(82,285)**

* See Note 1 for details.

Company Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £'000	Restated* 2022 £'000
Cash flows from operating activities			
Profit for the year		**5,000**	4,639
Adjustments for:			
Non-recurring costs		**130**	—
Management charges		**(2,834)**	—
Finance expenses		**5,384**	40
Willow Pumps contingent consideration		**—**	(1,232)
Tax expense		**(1,377)**	(108)
Exchange differences on translation of foreign operations		**(105)**	—
Share-based payment expense		**211**	90
Operating cash flow before movements in working capital		**6,409**	3,429
(Increase) in trade and other receivables	19	**3,373**	(311)
Increase in trade and other payables	20	**11,071**	4,292
Cash (absorbed)/generated from operations		**20,853**	7,410
Corporation taxes paid		**(1,345)**	(930)
Net cash generated from operating activities		**19,508**	6,480
Cash flows from investing activities			
Deferred consideration	24	**—**	(1,680)
Investment in subsidiary		**(36,826)**	—
Loan to subsidiary		**(99,925)**	—
Acquisition of subsidiaries including costs		**(57,855)**	(924)
Net cash used in investing activities		**(194,606)**	(2,604)
Cash flows from financing activities			
Bank loans – received		**100,012**	—
Bank loans – repaid		**(13,000)**	—
Interest paid – bank and other loans		**(5,384)**	(40)
Proceed from issue of shares (net of costs)		**94,106**	330
Proceeds from sale/(purchase) of shares by the Employee Benefit Trust		**192**	(2,370)
Dividends paid	30	**(3,371)**	(2,339)
Net cash flows (used)/generated by financing activities		**172,555**	(4,419)
Net (decrease) in cash and cash equivalents		**(2,543)**	(543)
Cash and cash equivalents at beginning of year		**3,418**	3,961
Cash and cash equivalents at end of year		**875**	3,418

Reconciliation of cash flow to the Company net debt position

Group	Term Loan £'000	Revolving credit facility £'000	Total liabilities from financing activities £'000	*Restated cash £'000	*Restated Total net cash (net debt) £'000
At 1 January 2022	—	—	—	3,961	3,961
Financing cash flows	—	—	—	—	—
Other cash flows*	—	—	—	(543)	(543)
Other changes	—	—	—	—	—
At 1 January 2023*	**—**	**—**	**—**	**3,418**	**3,418**
Financing cash inflows	**(55,000)**	**(45,012)**	**(100,012)**	**—**	**(100,012)**
Financing cash outflows	**5,000**	**8,000**	**13,000**	**—**	**13,000**
Other cash flows	**—**	**—**	**—**	**(2,543)**	**(2,543)**
Amortised loan fees	**749**	**—**	**749**	**—**	**749**
Foreign exchange movements	**—**	**104**	**104**	**—**	**104**
At 31 December 2023	**(49,251)**	**(36,908)**	**(86,159)**	**875**	**(85,284)**

* See Note 1 for details.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Group	Share capital £'000	Share premium account £'000	Share-based payment £'000	Merger reserve £'000	Translation reserve £'000	*Restated EBT reserve £'000	*Restated Retained earnings £'000	Total £'000
At 1 January 2022	480	36,966	789	1,390	—	(504)	8,205	47,325
Correction of Errors	—	—	—	—	—	3	(329)	(326)
***Restated At 1 January 2022**	480	36,966	789	1,390	—	(501)	7,875	46,999
Profit for the year	—	—	—	—	—	—	8,154	8,154
Foreign exchange translation differences	—	—	—	—	155	—	—	155
Profit for the year and total comprehensive income	—	—	—	—	155	—	8,154	8,309
Contributions by and distributions to owners								
Shares issued	169	—	—	50,822	—	—	—	50,991
Dividend paid	—	—	—	—	—	—	(2,339)	(2,339)
Contributions to Employee Benefit Trust	3	327	—	—	—	(2,370)	—	(2,040)
Share-based payment	—	—	428	—	—	—	335	763
At 1 January 2023	**652**	**37,293**	**1,217**	**52,212**	**155**	**(2,871)**	**14,026**	**102,684**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**3,037**	**3,037**
Actuarial gain	**—**	**—**	**—**	**—**	**—**	**—**	**63**	**63**
Foreign exchange translation differences	**—**	**—**	**—**	**—**	**(131)**	**—**	**—**	**(131)**
Profit for the year and total comprehensive income	**—**	**—**	**—**	**—**	**(131)**	**—**	**3,100**	**2,969**
Contributions by and distributions to owners								
Shares issued	**317**	**96,392**	**—**	**17,542**	**—**	**—**	**—**	**114,251**
Share Placing costs charged to Share Premium	**—**	**(2,554)**	**—**	**—**	**—**	**—**	**—**	**(2,554)**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**(3,371)**	**(3,371)**
Contributions to Employee Benefit Trust	**—**	**—**	**—**	**—**	**—**	**192**	**—**	**192**
Share-based payment	**—**	**—**	**719**	**—**	**—**	**—**	**—**	**719**
Tax on share-based payment expense	**—**	**—**	**—**	**—**	**—**	**—**	**(496)**	**(496)**
At 31 December 2023	**969**	**131,131**	**1,936**	**69,754**	**24**	**(2,679)**	**13,258**	**214,393**

* See Note 1 for details.

Company Statement of Changes in Equity

For the year ended 31 December 2023

Company	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	*Restated EBT reserve £'000	*Restated Retained earnings £'000	*Restated Total £'000
At 1 January 2022	480	36,966	789	1,270	(504)	4,546	43,547
Correction of Errors	—	—	—	—	3	—	3
***Restated At 1 January 2022**	480	36,966	789	1,270	(501)	4,546	43,550
*Restated Profit for the year and total comprehensive income	—	—	—	—	—	4,639	4,639
Contributions by and distributions to owners							
Shares issued	169	—	—	50,822	—	—	50,991
Dividend paid	—	—	—	—	—	(2,339)	(2,339)
Contributions to Employee Benefit Trust	3	327	—	—	(2,370)	—	(2,040)
Share-based payment	—	—	428	—	—	4	432
At 1 January 2023	**652**	**37,293**	**1,217**	**52,092**	**(2,871)**	**6,850**	**95,233**
Profit for the year and total comprehensive income	**—**	**—**	**—**	**—**	**—**	**5,000**	**5,000**
Contributions by and distributions to owners							
Shares issued	**317**	**96,392**	**—**	**17,542**	**—**	**—**	**114,251**
Share Placing costs charged to Share Premium	**—**	**(2,554)**	**—**	**—**	**—**	**—**	**(2,554)**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**(3,371)**	**(3,371)**
Contributions to Employee Benefit Trust	**—**	**—**	**—**	**—**	**192**	**—**	**192**
Share-based payment	**—**	**—**	**719**	**—**	**—**	**—**	**719**
Tax on share-based payment expense	**—**	**—**	**—**	**—**	**—**	**(58)**	**(58)**
At 31 December 2023	**969**	**131,131**	**1,936**	**69,634**	**(2,679)**	**8,421**	**209,412**

* See Note 1 for details.

Notes forming part of the Financial Statements

For the year ended 31 December 2023

1 Restatements

During the year we have identified a number of errors that have given rise to a restatement of the prior year accounts.

1. We have identified errors that certain transactions in the Group's Metro Rod Limited, The Filta Group Limited, Filta Deutschland GmbH and ChipsAway International Limited subsidiaries had been incorrectly treated in respect of IFRS 15. National account revenue has historically been treated gross, with Metro Rod, The Filta Group, Filta Deutschland GmbH and ChipsAway being the principal. We are now treating this revenue net, as following consideration of the underlying contracts, facts and circumstances, we consider these subsidiaries to be acting as a commission agent for their franchisees. The businesses only have momentary control of the incoming order following acceptance of the job ahead of passing it to the incumbent franchise in a back-to-back arrangement where local franchisees have a right of first refusal on the order received. Operational fulfilment also rests with the franchisee. The impact of this is to reduce revenue in the year ended 31 December 2022 by £29.3m, with an equivalent reduction in cost of sales; there is no profit impact of this change. This affects Note 1a.
2. We have identified further transactions in the Metro Rod Limited subsidiary that have been treated incorrectly in respect of IFRS 15. National account revenue has historically been recognised at the point of invoice, as we considered this to be our performance obligation. We now consider our performance obligation to be the passing of the work order to the franchisee, having considered the underlying contracts, facts and circumstances. Therefore, revenue is now recognised at this point. The impact of this is to increase revenue and profit before tax in the year ended 31 December 2022 by £0.2m. In the Consolidated Statement of Financial Position this adjustment increases Trade and Other Receivables for Accrued Income by £3.5m (2021: £2.6m), increases Trade and Other Payables for Accruals by £2.7m (2021: £2.1m) and increases Retained Earnings by £0.7m (2021: £0.6m). In the Consolidated Statement of Cashflows the impact is an increase in profit of £0.2m, a £0.8m reduction in cash flows from trade and other receivables and a £0.7m reduction in cash flows to trade and other payables. This affects Note 1a, 1b and 1d.
3. We have identified errors that certain transactions in the Group had been incorrectly treated in respect of IFRS 15 in regard to the timing of recognising franchise sales and related training fees. Within Metro Rod Limited, ChipsAway International Limited, Ovenclean Limited and Barking Mad Limited in the past we have recognised the initial franchise fee when we have delivered the training for the new franchises to operate in line with the necessary standards on completion of the franchise sale (at a point in time). This is however considered a pre-opening activity necessary for the franchisee to operate and not a distinct performance obligation in the franchisee contracts of these subsidiaries. We are now recognising this revenue over the life of the franchise agreement on a straight line basis, as our obligation is to provide a licence for the franchise to operate, which extends over the life of the agreement. The impact of this is to reduce revenue and profit before tax in the year ended 31 December 2022 by £0.2m. At 31 December 2022 this also created current deferred income of £0.1m (2021: £0.3m) and non-current deferred income of £0.1m (2021: £0.5m), increased liabilities held for sale by £0.8m (2021: nil), decreased assets held for sale by £0.1m (2021: nil), reversed previously held other debtors of nil (2021: £0.1m) and decreased Retained Earnings by £1.1m (2021: £0.9m) in the Consolidated Statement of Financial Position. In the Consolidated statement of Cashflows this decreased profit by £0.2m, increased cashflows from receivables by £0.0m and decreased cashflows to payables by £0.2m. This affects Notes 1a, 1b and 1d.
4. Franchise Brands plc acquired Filta Group Holdings plc in March 2022. A valuation exercise was completed in the prior year as part of the purchase price allocation exercise as required by IFRS 3. Errors were identified in this valuation including incorrect rates being applied and unsuitable valuation models being used for certain intangibles. Another valuation was completed to correct these errors subsequent to the 12 month measurement period. The review occurred outside the permitted time period, and as such this is an error in the prior year accounts and requires amendment as a prior year adjustment not as fair value adjustment. The revaluation decreased the fair value of intangibles acquired by £1.0m (reduced software acquired by £2.7m, reduced indefinite life brands by £0.1m, patent technology by £0.4m and customer relations by £0.6m; however increased franchise agreements by £2.8m) and reduced the deferred tax liability by £0.3m at recognition with the corresponding impact being a £0.7m increase in goodwill. The impact on the Consolidated Statement of Income is a £0.2m increase in amortisation of acquired intangibles and a £0.0m increase in relation to the deferred tax credit. The impact on the Consolidated Statement of Financial Position is a £0.4m reduction in intangible assets, a £0.3m decrease in deferred tax liability and a £0.1m reduction in Retained Earnings. The impact on the Consolidated Statement of Cash Flows is a £0.1m reduction in profit, a £0.2m increase in the adjustment for amortisation of acquired intangibles and a £0.0m decrease in the adjustment for income tax with nil impact to operating cash flows. This affects Notes 1a, 1b and 1d.
5. In previous periods cash transferred to the Employee Benefit Trust ("EBT") which is under the control of the Group, was assumed to be used immediately, and therefore part of the EBT reserve. However, some of this cash is held on our behalf, and as we have immediate access to this cash, it is now accounted for in cash and cash equivalents. This has increased cash at 31 December 2022 by £0.1m and increased cash at 31 December 2021 by £0.0m in the Consolidated and Company Statement of Financial Position with the corresponding decrease in the EBT reserve. In both the Consolidated and Company Statement of Cash Flows this has decreased the purchase of shares by the EBT by £0.1m, increased cash at the beginning of the period by £0.0m and increased cash at the end of the period by £0.1m. This affects Notes 1b, 1c, 1d, 1e and the reconciliation of cash flow to the net debt position of the Group and the Company.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1 Restatements continued

6. Cash outflows of £1.7m for the year ended 31 December 2022 with regards to deferred consideration were incorrectly presented as operating cash outflows. As the deferred consideration was related to the purchase of Willow Pumps Limited these should be recorded as investing activities. As a result these have been reclassified in the Consolidated and Company Statement of Cash Flows for the year ended 31 December 2022 decreasing cash flows to trade and other payables by £1.7m and increasing cash outflows for deferred consideration by £1.7m with no overall impact on cash flows. This affects Notes 1d and 1e.
7. The Company incurred costs of £1.0m in the acquisition of Filta Group Holdings, expensed as non-recurring costs. However, of this £0.9m were directly attributable costs therefore the treatment of this was incorrect, in accordance with IAS 27 that requires measurement of investment in subsidiaries at cost for the Company. The correction removes these non-recurring costs and increases the investment in Group companies. This change is reversed on consolidation in line with IFRS 3 and therefore has no impact on the Consolidated Statement of Comprehensive Income. In the Company Statement of Comprehensive Income it decreases non-recurring costs by £0.9m and increases profit by £0.9m. In the Company Statement of Financial Position, it increases investment in subsidiaries by £0.9m and retained earnings by £0.9m. The impact on the Company Statement of Cash Flows is a £0.9m increase in cash flows used in the acquisition of subsidiaries with an increase in profit for the year of £0.9m. This affects Notes 1c and 1e.
8. It was identified that an error had been made recording intercompany debtors in the Company, whereby they had been incorrectly netted off against creditors in the prior periods. These were originally shown within Trade and Other Payables, so adjustments to the Company Statement of Financial Position were required to increase both Trade and Other Receivables and Trade and Other Payables by £0.6m (2021: £0.3m). There is no change to profit or reserves. The adjustments had no overall impact on cash flows. In the Company Statement of Cash Flows it decreased cash flows from trade and other receivables by £0.3m, with an equivalent decrease in cash flows to trade and other payables. This affects Notes 1c and 1e.
9. We have identified errors in relation to the treatment of trade debtors recognised in Metro Rod Limited for local account sales. In such transactions, the work is sourced by the franchisee but billed by Metro Rod Limited. The Group is obtaining royalty income only on the transaction and does not have the credit risk for the full amount. Trade debtors should therefore reflect only the amounts due to the Group being the royalty fee. If advanced payments are made to the franchisee before receipt of the full payment from the customer, this should be recorded as a franchisee loan debtor. Given this is a contractual obligation to the franchisee, the Group has recorded the open commitments at year end in Note 22. When payment is collected from the customer the assets recorded are de-recognised and a trade payable recorded for the amounts due to the franchisee. The total impact to the Consolidated Statement of Financial Position is a £0.1m (2021: £0.4m) reduction in trade and other receivables and a reduction of £0.1m (2021: £0.4m) in trade and other payables. This is broken down as a reduction in trade receivables of £2.4m (2021: £2.1m), and increase in other debtors of £2.3m (2021: £1.7m); an increase in trade payables of £0.1m (2021: a reduction of £0.1m), an increase in other creditors of £1.4m (2021: £1.1m), a reduction in accruals of £1.4m (2021: £1.2m) and a reduction in social security and other taxes of £0.2m (2021: £0.1m). The impact on the Consolidated Statement of Cash Flows is a £0.2m reduction in cash flows from trade and other receivables and a £0.2m reduction in cash flows to trade and other payables. This affects Notes 1b and 1d.

Restatements have been made to the following notes to improve disclosures:

1. Within Note 7 of the financial statements prior year revenue has been disaggregated further to give a greater understanding of the Group's revenue streams to ensure compliance with the requirements of IFRS 15. There is no impact on revenue.
2. Within Note 14 of the financial statements prior year intangible assets with indefinite useful lives have been disaggregated further, to show Filta International and Filta UK as separate CGUs in line with the conclusions reached by Group management in the prior year. There is no impact on intangibles. The note now also includes the recoverable amount for all CGUs as required by IFRS (UK).
3. Within Note 5 of the financial statements, we have restated the segment reporting note to show the assets arising from consolidation as unallocated assets as opposed to within the other segment.
4. Within Note 6 of the financial statements additional disclosures have been made within the Filta Group Holdings section regarding the primary reasons for the business combination, and the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the Consolidated Statement of Comprehensive Income for 2022 as required by IFRS 3.
5. Within Note 4 of the financial statements we have restated trade and other payables within the categories of financial instruments table, as it previously included deferred income, which is not defined as a financial instrument.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1a Consolidated Statement of Comprehensive Income (restated)

For the year ended 31 December 2022

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	(Restated) 31 December 2022 £'000
Revenue	1, 2, 3	**99,152**	(29,313)	69,839
Cost of sales	1	**(63,187)**	29,289	(33,898)
Gross profit		**35,965**	(24)	35,941
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items ("Adjusted EBITDA")		**15,281**	(24)	15,257
Depreciation		**(1,781)**	—	(1,781)
Amortisation of software		**(500)**	—	(500)
Amortisation of acquired intangibles	4	**(1,504)**	(189)	(1,693)
Share-based payment expense		**(535)**	—	(535)
Non-recurring items		**(475)**	—	(475)
Total administrative expenses		**(25,479)**	(189)	(25,668)
Operating profit		**10,486**	(213)	10,273
Finance expense		**(235)**	—	(235)
Profit before tax		**10,251**	(213)	10,038
Tax expense	4	**(1,961)**	49	(1,912)
Profit for the year attributable to equity holders of the Parent Company		**8,290**	(164)	8,126
Other comprehensive income				
Exchange differences on translation of foreign operations		**28**	—	28
Total comprehensive income attributable to equity holders of the Parent Company		**28**	—	28
Earnings per share				
Basic		**6.81**	(0.16)	6.65
Diluted		**6.70**	(0.16)	6.54

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1b Consolidated Statement of Financial Position (restated)

As at 1 January 2022 and 31 December 2022

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	As at 31 December 2022 (restated) £'000	As previously reported 1 January 2022 £'000	Correction of errors £'000	As at 1 January 2022 (restated) £'000
Assets							
Non-current assets							
Intangible assets	4	85,113	(449)	84,664	35,278	—	35,278
Property, plant and equipment		3,208	—	3,208	2,609	—	2,609
Right-of-use assets		2,568	—	2,568	2,723	—	2,723
Contract acquisition costs		402	—	402	—	—	—
Trade and other receivables		811	—	811	182	—	182
Total non-current assets		92,102	(449)	91,653	40,792	—	40,792
Assets in disposal groups classified as held for sale	3	5,576	(121)	5,455	—	—	—
Current assets							
Inventories		1,989	—	1,989	908	—	908
Trade and other receivables	2, 3, 9	21,660	3,331	24,991	16,514	2,171	18,685
Contract acquisition costs		92	—	92	—	—	—
Current tax asset		220	—	220	—	—	—
Cash and cash equivalents	5	10,799	136	10,935	9,054	3	9,057
Total current assets		34,760	3,467	38,227	26,476	2,174	28,650
Total assets		132,438	2,897	135,335	67,268	2,174	69,442

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1b Consolidated Statement of Financial Position (restated) continued

As at 1 January 2022 and 31 December 2022

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	As at 31 December 2022 (restated) £'000	As previously reported 1 January 2022 £'000	Correction of errors £'000	As at 1 January 2022 (restated) £'000
Liabilities							
Current liabilities							
Trade and other payables	2, 9	18,160	2,618	20,778	12,144	1,738	13,882
Obligations under leases		831	—	831	754	—	754
Deferred income	3	807	66	873	—	302	302
Current tax liability		—	—	—	213	—	213
Contingent consideration		—	—	—	345	—	345
Total current liabilities		19,798	2,684	22,482	13,456	2,040	15,496
Liabilities directly associated with assets in disposal groups classified as held for sale	3	1,786	775	2,561	—	—	—
Non-current liabilities							
Obligations under leases		1,626	—	1,626	1,780	—	1,780
Deferred income	3	1,744	104	1,848	—	460	460
Contingent consideration		—	—	—	2,567	—	2,567
Deferred tax liability	4	4,444	(310)	4,134	2,139	—	2,139
Total non-current liabilities		7,814	(206)	7,608	6,486	460	6,946
Total liabilities		29,398	3,253	32,651	19,942	2,500	22,442
Total net assets		103,040	(356)	102,684	47,325	(326)	46,999
Issued capital and reserves attributable to owners of the Company							
Share capital		652	—	652	480	—	480
Share premium		37,293	—	37,293	36,966	—	36,966
Share-based payment reserve		1,217	—	1,217	789	—	789
Merger reserve		52,212	—	52,212	1,390	—	1,390
Translation reserve		155	—	155	—	—	—
EBT reserve	5	(3,007)	136	(2,871)	(504)	3	(501)
Retained earnings	2, 3, 4	14,518	(492)	14,026	8,204	(329)	7,875
Total equity attributable to equity holders		103,040	(356)	102,684	47,325	(326)	46,999

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1c Company Statement of Financial Position (restated)

As at 1 January 2022 and 31 December 2022

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	(Restated) 31 December 2022 £'000	As previously reported 31 December 2021 £'000	Correction of errors £'000	(Restated) 31 December 2021 £'000
Assets							
Non-current assets							
Investment in Group companies	7	91,590	924	92,514	42,823	—	42,823
Total non-current assets		91,590	924	92,514	42,823	—	42,823
Assets in disposal groups classified as held for sale		2,564	—	2,564	—	—	—
Current assets							
Trade and other receivables	8	1,268	608	1,876	859	299	1,158
Cash and cash equivalents	5	3,282	136	3,418	3,958	3	3,961
Total current assets		4,550	744	5,294	4,817	302	5,119
Total assets		98,704	1,668	100,372	47,640	302	47,942
Liabilities							
Current liabilities							
Trade and other payables	8	4,531	608	5,139	1,181	299	1,480
Contingent consideration		—	—	—	344	—	344
Total current liabilities		4,531	608	5,139	1,525	299	1,824
Non-current liabilities							
Contingent consideration		—	—	—	2,568	—	2,568
Total non-current liabilities		—	—	—	2,568	—	2,568
Total liabilities		4,531	608	5,139	4,093	299	4,392
Net assets		94,173	1,060	95,233	43,547	3	43,550
Issued capital and reserves attributable to owners of the Company							
Share capital		652	—	652	480	—	480
Share premium		37,293	—	37,293	36,966	—	36,966
Share-based payment reserve		1,217	—	1,217	789	—	789
Merger reserve		52,092	—	52,092	1,270	—	1,270
Translation reserve		—	—	—	—	—	—
EBT reserve	5	(3,007)	136	(2,871)	(504)	3	(501)
Retained earnings	7	5,926	924	6,850	4,546	—	4,546
Total equity attributable to equity holders		94,173	1,060	95,233	43,547	3	43,550

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1d Consolidated Statement of Cash Flows (restated)

For the year ended 31 December 2022

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	(Restated) 31 December 2022 £'000
Cash flows from operating activities				
Profit for the year	2, 3, 4	8,318	(164)	8,154
Adjustments for:				
Depreciation of property, plant and equipment		756	—	756
Depreciation of right-of-use assets		1,025	—	1,025
Amortisation of software		500	—	500
Amortisation of acquired intangibles	4	1,504	189	1,693
Share-based payment expense		535	—	535
Willow Pumps contingent consideration		(1,232)	—	(1,232)
Finance expense		235	—	235
Exchange differences on translation of foreign operations		(28)	—	(28)
Tax expense	4	1,961	(49)	1,912
Operating cash flow before movements in working capital		13,574	(24)	13,550
(Increase)/decrease in trade and other receivables	2, 3, 9	(2,022)	(1,040)	(3,062)
(Increase) in inventories		(401)	—	(401)
Increase/(decrease) in trade and other payables	2, 3, 6, 9	(794)	2,744	1,950
Cash generated from operations		10,357	1,680	12,037
Corporation taxes paid		(2,629)	—	(2,629)
Net cash generated from operating activities		7,728	1,680	9,408
Cash flows from investing activities				
Purchases of property, plant and equipment		(422)	—	(422)
Proceeds from the sale of property, plant and equipment		259	—	259
Purchase of software		(1,088)	—	(1,088)
Loans to franchisees		(1,062)	—	(1,062)
Franchisee loans repaid		548	—	548
Deferred consideration	6	—	(1,680)	(1,680)
Acquisition of subsidiaries including costs, net of cash acquired		4,320	—	4,320
Net cash used in investing activities		2,555	(1,680)	875

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1d Consolidated Statement of Cash Flows (restated) continued

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	(Restated) 31 December 2022 £'000
Cash flows from financing activities				
Bank loans – repaid		(2,953)	—	(2,953)
Capital element of lease liability repaid		(1,037)	—	(1,037)
Interest paid – bank and other loan		(116)	—	(116)
Interest paid – leases		(119)	—	(119)
Proceed from issue of shares		330	—	330
Purchase of shares by the Employee Benefit Trust	5	(2,503)	133	(2,370)
Dividends paid		(2,339)	—	(2,339)
Net cash generated from financing activities		(8,737)	133	(8,604)
Net increase in cash and cash equivalents		1,546	133	1,679
Cash and cash equivalents at beginning of year	5	9,054	3	9,057
Exchange differences on cash and cash equivalents		199	—	199
Cash and cash equivalents at end of year		10,799	136	10,935

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

1e Company Statement of Cash Flows (restated)

For the year ended 31 December 2022

	Restatement number	As previously reported 31 December 2022 £'000	Correction of errors £'000	(Restated) 31 December 2022 £'000
Cash flows from operating activities				
Profit for the year	7	3,715	924	4,639
Adjustments for:			—	
Finance expenses		40	—	40
Willow Pumps contingent consideration		(1,232)	—	(1,232)
Tax expense		(108)	—	(108)
Share-based payment expense		90	—	90
Operating cash flow before movements in working capital		2,505	924	3,429
Decrease/(increase) in trade and other receivables	8	(2)	(309)	(311)
Increase/(decrease) in trade and other payables	6, 8	2,303	1,989	4,292
Cash generated from operations		4,806	2,604	7,410
Corporation taxes paid		(930)	—	(930)
Net cash generated from operating activities		3,876	2,604	6,480
Cash flows from investing activities				
Deferred consideration	6	—	(1,680)	(1,680)
Acquisition of subsidiaries including costs	7	—	(924)	(924)
Net cash used in investing activities		—	(2,604)	(2,604)
Cash flows from financing activities				
Interest paid – bank and other loans		(40)	—	(40)
Proceed from issue of shares		330	—	330
Purchase of shares by the Employee Benefit Trust	5	(2,503)	133	(2,370)
Dividends paid		(2,339)	—	(2,339)
Net cash flows (used)/generated by financing activities		(4,552)	133	(4,419)
Net (decrease)/increase in cash and cash equivalents		(676)	133	(543)
Cash and cash equivalents at beginning of year	5	3,958	3	3,961
Cash and cash equivalents at end of year		3,282	136	3,418

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 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 UK-adopted international accounting standards, in accordance with the Companies Act 2006 as they apply to the financial statements of the Group for the year ended 31 December 2023. 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.

Going concern

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. In assessing the appropriateness of adopting the going concern basis in preparing the Annual Report and financial statements, the Directors have considered the current financial position of the Group, alongside its principal risks and uncertainties. The review performed considers plausible financial and operational issues that could reasonably arise within the period. This included credit risk, dependency on key suppliers and customers; and economic risk. The budgets and plans prepared for the next 12 months to June 2025 have been subjected to sensitivity analysis, considering the impact of a downturn in trade.

In all cases, the business model remained robust. 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's strong operating cash flow allows for expected repayment of the bank Group facilities prior to the extended repayment date (as extended in April 2024) of April 2028; and allows for contractual partial repayment of term loan with interest, and lease costs, in 2024. The Directors have stress-tested the banking covenants, considered mitigating actions, and concluded that there is sufficient headroom. All these provide resilience against these factors and other principal risks the Group is exposed to. The Directors have made appropriate enquiries and consider that the Group 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.

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 in line with the divisions of Pirtek Europe, Water & Waste Services, Filta International and B2C. Within the Water & Waste Services 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 six different operating segments:

- Pirtek Europe, the franchise and direct labour operations of Pirtek across eight European countries;
- Water & Waste Services, which is made up of Metro Rod and Metro Plumb, Willow Pumps and Filta UK;
- Filta International, which is made up of Filta US and Filta Europe;
- B2C, which is made up of ChipsAway, Ovenclean and Barking Mad;
- Azura, which is made up of the software business of Azura; and
- Other operations including central administration costs and non-trading companies.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 Significant accounting policies continued

Business combinations

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings. An undertaking is regarded as a subsidiary if the Group has control over its operating and financial policies. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

In the Group, costs of acquisition are charged directly to the income statement as non-recurring costs, unless directly relating to equity issuance, in which case these costs have been charged to share premium account. In the Company, directly attributable costs of acquisition have been capitalised as investment in subsidiaries.

Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the profit and loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Pounds Sterling are translated into Pounds Sterling upon consolidation.

On consolidation, assets and liabilities have been translated into Pounds Sterling at the closing rate at the reporting date. Income and expenses have been translated into Pounds Sterling at the average monthly rate, as an approximation of the rates on the dates of the transactions over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the translation reserve in equity.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 Significant accounting policies continued

Intangible assets

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships, acquired franchise relationships, acquired licence trade agreements 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.

Corporate brand names, trademarks, customer relationships, acquired franchise 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 5-10 years. Franchise contracts have a useful life of 10 years. Others (including capitalised computer software) have a useful life of 3-10 years. Brands that have a finite life have a useful life of 10-50 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 restatements to revenue within Metro Rod, Filta UK and ChipsAway (see Note 1). The following criteria must also be met before revenue is recognised:

National accounts and commission agent revenue

Within Metro Rod and Filta UK, national account revenue is recognised net, or on an agent commission basis, as the Group only has momentary control of the work between receiving the work and passing it to the incumbent franchise. Franchisees have right of first refusal, and maintain operational fulfilment; if they cannot carry out the work, they must find someone else to complete the work. Within ChipsAway the franchisees are passed a lead, which may or may not be converted into a job, and as such we treat national account revenue in the same way as above. In each case our performance obligation is to pass the work order or lead to the franchisee, as such we recognise revenue at this point.

Local accounts and royalty fee income

Management service fees ("MSF") is a sales-based royalty, charged for the continuing use of the rights and continuing services provided during the franchise period agreements term. They are recognised as the service is provided and the right to access the licence 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.

Where the underlying transaction belongs to the franchisee MSF is recorded as a royalty fee. The work is sourced, and jobs are priced and completed, by the franchisees. For national account sales at Pirtek, and local account sales in all subsidiaries, this is deemed to be when the work is invoiced, as we play no part in passing the work to the franchise (see Note 3 for critical accounting judgements).

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 Significant accounting policies continued

Revenue continued

Sale of new franchise territories

Revenue from the sales of new franchise territories represent the charges for packages which include start-up support and equipment, and the right to access the licence to operate in a designated territory for a stated length of time. The territory fee is deferred over the length of the franchise agreement and released to the combined statements of comprehensive income on a straight-line basis, as our performance obligation is to provide a licence to operate.
If equipment or stock is provided, this is considered a distinct performance obligation and recorded at a point in time when transferred over to the franchisee.

When a new franchise joins the Group, they are given extensive training. Within Metro Rod, Filta UK and the B2C business the revenue associated with this training is recognised over the life of the franchise agreement, as it is deemed to be a pre-opening activity which is fundamental for a new franchise to begin operating.

Resale of franchise territories

Revenue from re-sales of franchise territories is recognised when the sale has been contractually transferred. It is recognised at a point in time as a termination fee.

Training facility revenue

Revenue from training within Filta International and Pirtek is recognised at the point at which the training is completed, as they are distinct performance obligations in the context of these specific contracts, and at that point we have completed our performance obligations. Filta International and Pirtek have their own training centres, providing ongoing industry-specific training to franchisee engineers in their respective industries which go beyond training franchisees on how to work with Filta International and Pirtek as franchisees respectively. As such, training is a separate revenue stream in these entities and this revenue is distinct from franchise sales.

Product sales

Revenue from sales of products is recognised upon dispatch from the warehouse, as this is when control is deemed to have been transferred. Where freight costs are charged to the franchise, revenue is recognised in line with product sales. Pirtek franchisees may order direct from suppliers on a central account; in this instance we recognise both the revenue from recharging franchisees and cost of goods from the supplier under revenue, in a back-to-back agreement as an agent where no profit is recorded.

Direct labour income

Direct labour income is where labour employed by the Group carry out revenue-earning work. Revenue from our direct labour organisations is recognised at the point of which the job is completed, with the exception of Willow Pumps.

Within Willow Pumps revenue is recognised when our performance obligations are met in relation to an individual job. Willow Pumps performs installation and commissioning work using its own labour as well as bought-out material by integrating them into a single performance obligation where control over goods is transferred in advance of rendering services. Due to the bespoke nature of work performed and contracts being non-cancellable, it meets the requirements of IFRS 15.35c for recognising revenue on over-time basis. However, practically, the entity recognises revenue on completion of each phase (which takes 1-2 days). This is not considered to be material by the Group. Due to the nature of work that requires use of labour, it is appropriate to use the input method to measure stage of completion. Also, observable inputs to measure the stage of completion based on an output method is not available.

Due to the above, it is appropriate to recognise revenue at nil margin for transfer of control over bought-out standard material before providing installation and commissioning services. It is to be noted that 'nil margin' recognition is available only when the measure of progress is based on input method and not output method (see Note 3). The performance obligations are defined in our underlying contracts with customers.

Waste oil

Revenue from sales of waste oil is recognised on a principal basis; although it is the franchisees that collect and transfer the waste oil, Filta places restrictions on the inventory, insofar as the franchisees can only sell to Filta, and the onward sale of the waste oil is at Filta's contractual risk. Filta retains control over the oil for a period of time, it is not a back-to-back arrangement. Revenue is recognised when the oil is collected by the customer, as this is when control is deemed to have transferred.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 Significant accounting policies continued

Revenue continued

IT contribution

Franchisees are charged a monthly fee for use of IT systems. Revenue is recognised when the franchisees are invoiced; this is when the monthly service of providing the IT that allows the franchise to operate their franchise has been fulfilled.

Central billing

In certain circumstances the franchisees are charged a fee to invoice certain national account customers on their behalf. This is recognised when the customer has been invoiced, at which point we are able to invoice the franchisee for our customer invoicing.

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. Advertising is not seen to be a separate performance obligation from licence (local) and agency (national) sales, it is merely an add-on that the franchisee contributes towards. Advertising of our brands, our franchisees, and the services that they offer, does not constitute a service to the customer, hence advertising does not represent a separate performance obligation. The Directors have concluded that the Group will recognise the costs expended by the funds in the year, and will recognise a fixed royalty 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 impact on profit.

Other income

The Group has a number of other revenue streams, which are immaterial for reporting purposes. These include freight charges to franchisees, lending vans to franchisees, and other charges to franchisees.

Contract acquisition costs

Internal staff-related costs to obtain a customer are expensed to the income statement as incurred. Where these are external i.e. broker fees, these costs are capitalised and recognised within contract assets where management expects to recover those costs. Contract assets are amortised, through cost of sales, over the period consistent with the Group's transfer of the related goods and services to the customer.

The costs capitalised primarily include broker fees paid to third parties where payment is identified as relating directly to the sale of a territory licence and initially recognised upon the signing of a customer contract. The costs are amortised over the contract life. Management is required to determine the recoverability of contract-related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the Group expects to receive in exchange for providing the associated goods and services under the relevant contract. Any impairment is recognised immediately where such losses are forecast. The movement in the contract asset balance in the period, therefore, represents additional payments made, subsequent amortisation and any required impairment.

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.

For any bank borrowings denominated in foreign currency, the balances are translated at the relevant exchange rate at the reporting date. Any applicable gains or losses are taken through other comprehensive income.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 Significant accounting policies continued

Long-term employee benefits

A one-off bonus is payable to staff who remain with the French businesses until they retire based on French law. Under IAS 19 obligations for one-off employee bonuses are recognised in the balance sheet under provisions for liabilities based on assessment of the current value of those benefits. The current value is calculated using criteria including earnings, life expectancy, estimated length of service and wage inflation which is then discounted to give an estimated current value. The annual movement in provision is charged to Other Comprehensive Income.

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.

Inventories are stated at the lower of cost and net realisable value. The cost of goods for resale is based on a weighted average cost methodology. At the end of each reporting period inventories are assessed for impairment.

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.

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
Freehold property	–	2%-10% straight line
Motor vehicles	–	10%-25% straight line
Plant & equipment	–	10%-33% straight line
Fixtures & fittings	–	20%-33% straight line
Computer equipment	–	20%-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 equity-settled 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. Share-based payment costs are charged to the subsidiary companies in line with their allocation of share options.

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.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 Significant accounting policies continued

Share-based payment continued

Additionally, all qualifying US and European employees have been awarded stock appreciation rights ("SARs") which are cash settled. The SARs are conditional bonuses whose value will be calculated by reference to the amount by which the price of the Company's ordinary shares have risen above the base price at the date of exercise, thus providing holders of SARs the same reward value as if the SARs were share options. The qualifying conditions and timing of vesting are identical to those within the share options scheme for UK employees. For these cash settled share-based payments, a liability is initially recognised at fair value based on the estimated number of awards that are expected to vest, adjusting for market-based performance conditions. Subsequently at each reporting period until the liability is settled, it is remeasured to fair value with any changes in the fair value recognised in the statement of comprehensive income. There are no SARs within the Company.

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

In line with IFRS 16, all leases are accounted for by recognising a right-of-use asset and a lease liability except for leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The range of incremental borrowing rates used is between 2.95 and 5.5%, depending on the type of asset and its characteristics. There are no variable lease payments to consider.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

2 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.

Adjusted performance measures (“APMs”)

APMs are utilised throughout this report as key performance indicators for the Group and are calculated by adjusting the relevant IFRS measurement by amortisation of acquired intangibles, impairment losses, share-based payments and other non-recurring items including acquisition costs.

The three main APMs which are used are System sales, Adjusted EBITDA and Adjusted EPS.

System sales are the total aggregate sales of franchisees and the DLO operations net of VAT to third party customers. The Directors use this measure to compare the underlying revenues of each business.

Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, share-based payment expenses and non-recurring items. This measure is used to give the Chief Operating Decision Maker (“CODM”) and the Board visibility of the true operational metrics of the business. The Directors use the Adjusted EBITDA measure when making decisions about the Group’s activities. As these are non-GAAP measures, Adjusted EBITDA measures used by other entities may not be calculated in the same way and are not directly comparable.

Adjusted EPS is before amortisation of acquired intangibles, share-based payment expenses, exchange differences and non-recurring items. Once again this provides a more operationally focused view of the relevant subsidiaries.

Non-recurring costs which are material in size and infrequent in nature are disclosed separately in the consolidated income statement. These include acquisition-related fees, restructuring costs and other material one-off costs. The separate recording of these items, along with the details disclosed in Note 8 of these accounts help provide an indication of the underlying business performance of the Group.

The reconciliation of these items to IFRS measurements can be found in the Chief Financial Officer’s Review on page 62. APMs are non-GAAP measures and are not intended to replace those measurements, but are the measures used by the Directors in their day-to-day operational management of the business, and are, therefore, considered important key performance indicators (“KPIs”).

Adoption of new standards

At the date of authorisation of these financial statements, the following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective. None of the standards are expected to have a material impact on the Group financial statements on application.

	Effective for periods beginning on or after:
International Accounting Standards (“IAS”)	
IFRS 17 insurance contracts	1 January 2023
Disclosure of accounting policies – Amendments to IAS 1 and IFRS practice statement 2	1 January 2023
Definition of accounting estimates – Amendments to IAS 8	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023
Classification of liabilities as current or non-current – Amendments to IAS 1	1 January 2024
Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

3 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

National account sales

Within Metro Rod, and parts of Filta UK and ChipsAway, historically statutory revenue in relation to national account customers was recognised gross, as we treated national account revenue acting as principal. We create a national customer framework; this will set out the price of a range of services to be provided, the service level agreement, what work should be carried out, and how it should be carried out. Within Metro Rod and Filta UK orders are received centrally, and this creates a contract with the customer. This work is passed to the incumbent franchisee, who has right of first refusal, and will carry out the work. Within ChipsAway a lead is passed to franchisees who quote for the work, and that quote may or may not be successful. The responsibility for operational fulfilment lies with the local franchise. If they cannot carry out the work, the franchise must find someone else to do the work or cancel the job. As such, following an assessment of the contracts, facts and circumstances, the Group has concluded that we are acting as a commission agent (not as principal), as we only have momentary control of the contract as it is a back-to-back arrangement, and operational fulfilment rests with the franchisee.

Metro Rod, Filta UK and ChipsAway's performance obligations are deemed to have been met when the work is passed to the relevant franchise, and this is the point of recognition for revenue. However, the value of each job is unknown as this point, therefore the revenue is estimated using historical averages, and retrospectively assessed on the basis of the invoice value to the customer. Metro Rod charges its franchisees a management service fee at the rate of up to 22.5% of their underlying System sales as a commission agent, and it is this management service fee that Metro Rod recognises as statutory sales.

Local account sales

Local account customers are sourced, and jobs are priced and completed, by the incumbent franchisee. Our performance obligations are to grant the licence to operate to the franchisees; Metro Rod also provides invoicing and cash collection services as a performance obligation, however we have concluded these are not where the significant allocation of consideration applies. As such we are generating royalty income, and therefore are only recognising our management fee on a net basis.

Franchise fees

The territory fee is deferred over the length of the franchise agreement and released to the combined statements of comprehensive income on a straight-line basis, as our performance obligation is to provide a licence to operate. Internal costs are expensed to the income statement as incurred; external costs directly related to the acquisition of a new franchisee are deferred and released to the statement of comprehensive income to match the revenue recognition. These are not a significant quantum, please see Note 17.

Where franchise territories are resold, on an arm's length basis between a franchisee and a third party, it is the Group's policy to recognise the original deferred revenue over the life of the original franchise agreement, and the resale fee is recognised immediately, as a termination fee, as we have completed our obligations as facilitators for the resale. If a franchise agreement is terminated by either party the remainder of any revenue and cost is recognised immediately, and any subsequent sale is treated as a new territory sale.

In the past Metro Rod and B2C would have recognised all franchise sales immediately. The impact of this change to franchise fees policy is to increase revenue and statutory sales by £0.1m (2022: £0.1m reduction).

Training fees revenue recognition

We have deemed that training fees for new franchisees in Metro Rod and Filta UK should be recognised over the life of the franchise agreement, as this is a pre-opening activity as the franchise cannot operate without this training.

Pirtek and Filta International have their own training centres and provide training externally wider than the franchise network. As such, training is a distinct revenue stream in these instances. All training revenues are judged to be revenue at the point the training takes place, as at that point we have performed our obligations to train the franchise staff to a necessary standard.

Notes forming part of the Financial Statements continued
For the year ended 31 December 2023

3 Critical accounting estimates and judgements continued
Revenue recognition continued

Willow Pumps revenue recognition
As part of its range of services, Willow Pumps undertakes the supply and installation of pumps in adoptable pump stations. These are typically projects which are performed over a number of accounting periods. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. Where a job spans a number of accounting periods but only one performance obligation exists, revenue and associated costs are recognised at each stage of the job using an input method. However, profit margin is deferred until the point the single performance obligation where control over goods is transferred in advance of rendering services. For most contractual fee arrangements, costs incurred are used as an objective input measure of performance. The primary input for assessing that 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, in particular whether the underlying contract contains a single or multiple performance obligations as to when revenue is recognised over time.

Waste oil revenue recognition
Filta recognises revenue from the sale of waste oil. We have judged that this is on a principal basis; although it is the franchisees that collect and transfer the waste oil, Filta places restrictions on the inventory, giving it more than momentary control, insofar as the franchisees can only sell to Filta, and the onward sale of the waste oil is at Filta's contractual risk. Filta retains control over the oil for a period of time, it is not a back-to-back arrangement. There is no right of first refusal for the franchisees, so Filta retains control of the sale of the oil. It is Filta that agrees the price with the end customer. Filta invoices the customer and arranges all the relevant paperwork.

Direct labour organisations revenue recognition
Within our direct labour organisations, we act as a principal in arranging, completing, invoicing and cash collecting from each contract. As such, we recognise revenue gross at the point at which our performance obligations are met, which is on invoicing the customer.

Direct sales from third party suppliers
Where a franchisee buys directly from a third party supplier, but the supplier invoices the Group and we invoice the franchisee, no revenue is recorded. In these cases, control over the goods is momentary: the term of the delivery from the supplier to franchisee is delivered at place.

The Group does not carry any inventory risk and the transaction is to facilitate the work of the franchisee only.

National advertising funds revenue recognition
As per Note 2, National Advertising Funds are collected from franchisees, and then spent on their behalf on advertising. Franchise Brands' subsidiaries performance obligations are to receive and manage the funds, and then spend it for the benefit of the franchise community; this is completed, and therefore recognised as revenue, at the point at which consideration is given for the advertising. We take a judgement on estimating the amount to collect from franchisees; this is held on the statement of financial position until it is recognised as revenue. An assessment is made annually on whether a constraint needs to be applied, depending on whether the amount held on the statement of financial position is in credit or debit.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

3 Critical accounting estimates and judgements continued

Business combinations

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 future growth rates, new franchise sales and timing of such sales. Management has determined that acquired brands, licences and trademarks 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, with the exception of Barking Mad and Pirtek. Given the higher level of regulatory and legal uncertainty in the sector the Directors have decided to amortise the Barking Mad brand over ten years from 1 January 2023 as a change in estimate. Pirtek has already operated for over 40 years' and has consistently grown over this period. The Directors have therefore chosen to amortise the Pirtek perpetually licensed brand over 50 years. 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 6.

Other intangible assets with finite lives are customer relationships and franchise contracts. In both cases management has determined that they have a useful life of 5-10 years, based on historic duration of customer relationships and franchise contract duration.

The intangible assets within Filta International have been remeasured, based on an external revaluation report received more than 12 months after the original date of acquisition and errors noted in the original valuation utilised. As such these have been treated as a prior period adjustment. See Notes 1 and 6 for further details.

Performing impairment tests

Subsequent impairment reviews based on long-term forecasts for the Group require estimates. The main estimates used have been the level of sales growth, gross margin, return on sales, operational leverage, level of working capital, capital expenditure and tax rates. These estimates have been performed on a CGU basis and when averaged have resulted in a compound annual sales growth rate in excess of 10% across the Group, a marginal increase in return on sales from the current level, a consistent tax rate and consistent levels of operating cash flow divided by Adjusted EBITDA. The WACC has been sourced using key variables obtained from independent market sources.

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 14.

4 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 and revolving credit facilities are used to finance long-term investment such as acquisitions. Revolving credit facilities are used to manage short-term cash requirements and minimise interest costs. The Group's financing facilities have two financial covenants: minimum interest cover and maximum net debt to Adjusted EBITDA. The Group comfortably 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 2023

4 Financial instruments – risk management continued

Categories of financial instruments

Group	2023 £'000	*Restated 2022 £'000
Financial assets at amortised cost		
Cash and cash equivalents	**12,278**	10,935
Trade and other receivables	**40,117**	25,380
Financial liabilities at amortised cost		
Trade and other payables	**(31,788)**	(19,833)
Loans and borrowings	**(95,312)**	(2,568)
Financial liabilities at fair value through profit and loss ("FVTPL")	**(86)**	(107)

Company	2023 £'000	*Restated 2022 £'000
Financial assets at amortised cost		
Cash and cash equivalents	**875**	3,418
Trade and other receivables	**100,558**	608
Financial liabilities at amortised cost		
Trade and other payables	**(15,995)**	(5,097)
Loans and borrowings	**(86,908)**	—
Financial liabilities at fair value through profit and loss ("FVTPL")	**—**	—

* See Note 1 for further information.

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.

Financial and market risk management objectives

The Group does not 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.

Foreign currency sensitivity

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are the US Dollar, Canadian Dollar, Euro and Swedish Krona. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group maintains a natural hedge wherever possible, by matching the cash inflows (revenue streams) and cash outgoings in foreign currencies.

The following table demonstrates the sensitivity to a reasonable possible change in Sterling against the foreign currencies with all other variables held constant.

	Change in rate %	Effect on profit before tax £'000	Effect on net assets £'000
USD	+10%	(490)	(170)
USD	-10%	599	208
CAD	+10%	(13)	(17)
CAD	-10%	15	21
EUR	+10%	(21)	(13)
EUR	-10%	26	16
SEK	+10%	(3)	(50)
SEK	-10%	4	61

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.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

4 Financial instruments – risk management continued

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 2023 £'000	Sensitivity equity 2023 £'000	Sensitivity income 2022 £'000	Sensitivity equity 2022 £'000
0.25% increase in interest rates	(215)	(215)	—	—
0.25% decrease in interest rates	215	215	—	—

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.

Group	Trade and other payables 2023 £'000	Loans and borrowings 2023 £'000	Total 2023 £'000	*Restated Trade and other payables 2022 £'000	Loans and borrowings 2022 £'000	*Restated Total 2022 £'000
On demand	—	—	—	—	—	—
Within one year	36,000	17,286	53,286	22,554	1,058	23,612
More than one year and less than two years	—	15,071	15,071	—	735	735
More than two years and less than five years	—	72,842	72,842	—	979	979
In more than five years	—	453	453	—	186	186
Total	36,000	105,652	141,652	22,554	2,958	25,512

* See Note 1 for further information.

Company	Trade and other payables 2023 £'000	Loans and borrowings 2023 £'000	Total 2023 £'000	*Restated Trade and other payables 2022 £'000	Loans and borrowings 2022 £'000	Total 2022 £'000
On demand	—	—	—	—	—	—
Within one year	15,995	14,323	30,318	5,097	—	5,097
More than one year and less than two years	—	12,873	12,873	—	—	—
More than two year and less than five years	—	69,222	69,222	—	—	—
In more than five years	—	—	—	—	—	—
Total	15,995	96,418	112,413	5,097	—	5,097

* See Note 1 for further information.

5 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 Pirtek, Water & Waste Services, Filta International and B2C businesses.

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

- Pirtek Europe, the franchise and direct labour operations of Pirtek across eight European countries;
- Water & Waste Services, which is made up of Metro Rod and Metro Plumb, Willow Pumps and Filta UK;
- Filta International, which is made up of Filta US and Filta Europe;
- B2C, which is made up of ChipsAway, Ovenclean and Barking Mad;
- Azura, which is made up of the software business of Azura; and
- Other operations including central administration costs and non-trading companies.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

5 Operating segments continued

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.

2023	Pirtek £'000	Water & Waste £'000	Filta International £'000	B2C £'000	Azura £'000	Unallocated assets £'000	Total £'000
Revenue	41,947	48,880	27,117	6,106	745	(3,530)	121,265
Gross profit	30,539	25,597	9,768	4,899	745	(343)	71,205
Adjusted EBITDA*	13,318	10,907	6,097	2,316	214	(2,751)	30,101
Depreciation & amortisation of software	(1,808)	(2,147)	(222)	(178)	(89)	27	(4,417)
Amortisation of acquired intangibles	(5,468)	—	(35)	—	—	(2,215)	(7,718)
Share-based payment expense	(290)	(329)	(86)	(28)	(4)	(101)	(838)
Non-recurring costs	(1,864)	(1,189)	(98)	(16)	(43)	(2,949)	(6,159)
Finance expense	(403)	(54)	(93)	(12)	(2)	(5,389)	(5,953)
Other gains and losses	—	—	—	—	—	—	—
Profit before tax*	3,485	7,188	5,563	2,082	76	(13,378)	5,016
Tax expense	(1,042)	(1,315)	(1,605)	(409)	(20)	2,412	(1,979)
Profit after tax*	2,443	5,873	3,958	1,673	56	(10,966)	3,037
Additions to non-current assets	2,573	1,928	319	136	270	223,539	228,765
Reportable segment assets	88,141	49,315	8,013	3,836	545	232,592	382,442
Reportable segment liabilities	(115,533)	(30,165)	(6,910)	(2,322)	(206)	(12,913)	(168,049)

* Operating segments presented before inter-company management recharges which eliminate on consolidation.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

5 Operating segments continued

2022 (restated)**	Pirtek £'000	Water & Waste £'000	Filta International £'000	B2C £'000	Azura £'000	Unallocated assets £'000	Total £'000
Revenue	—	42,473	23,749	6,138	797	(3,318)	69,839
Gross profit	—	22,362	8,090	5,076	796	(383)	35,941
Adjusted EBITDA*	—	9,250	5,214	2,457	171	(1,835)	15,257
Depreciation & amortisation of software	—	(1,998)	(180)	(188)	(32)	117	(2,281)
Amortisation of acquired intangibles	—	(4,620)	(30)	—	—	2,957	(1,693)
Share-based payment expense	—	(303)	(107)	(25)	(10)	(90)	(535)
Non-recurring costs	—	(363)	(11)	—	—	(101)	(475)
Finance expense	—	(210)	31	(14)	(2)	(40)	(235)
Other gains and losses	—	—	—	—	—	—	—
Profit before tax*	—	1,756	4,917	2,230	127	1,008	10,038
Tax expense	—	(75)	(1,203)	(405)	(16)	(213)	(1,912)
Profit after tax*	—	1,681	3,714	1,825	111	795	8,126
Additions to non-current assets	—	1,593	798	55	212	52,564	55,222
Reportable segment assets	—	34,866	9,189	5,456	328	85,496	135,335
Reportable segment liabilities	—	(16,397)	(4,871)	(2,562)	(9)	(8,812)	(32,651)

* Operating segments presented before inter-company management recharges which eliminate on consolidation.
** See Note 1.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

6 Business combination

Acquisition of Pirtek

At close of business on 20 April 2023, the Company completed the acquisition of the entire share capital of Hydraulic Authority I Limited ("HAI") and its subsidiaries (together "Pirtek Europe") for consideration of £73,527,000. Accordingly, the Company owns 100% of the entire issued share capital of Hydraulic Authority I Limited. The acquisition was announced to the Stock Exchange on 21 April 2023.

Pirtek Europe was acquired to purchase a complementary high growth B2B essential services business in a franchise and direct labour operation with operations throughout Europe so increasing the Group footprint. Pirtek Europe is also the clear market leader in Europe, with a long-standing and highly regarded brand, excellent customer services and a range of long-standing customers across a wide range of industries. Pirtek Europe has multiple growth opportunities itself as well as potential synergies through cross selling to Group customers and operational leverage in purchasing, IT and finance with the rest of the Group.

	£'000
Cash	55,936
Consideration shares	17,591
Fair value of consideration	**73,527**

Cash flows	Group £'000	Company £'000
Cash	(55,936)	(55,936)
Cash acquired	7,042	—
Capitalised acquisition costs	—	(1,919)
Acquisition of subsidiaries including costs, net of cash acquired	**(48,894)**	**(57,855)**

The gross cost of the acquisition of £210.8m was funded through a combination of cash and equity. Cash was raised via £100.0m debt, £94.1m from the issue of new shares (after costs), and £17.6m new shares were given as consideration shares. Immediately following the acquisition Franchise Brands settled Pirtek Europe's preference shares as well as loans and borrowings in order to consolidate Group borrowings. The total value of this post-acquisition settlement is £137.3m comprising of £78.2m loans and borrowings, £0.6m acquisition costs paid by HAI on behalf of the Company (recorded as an intercompany payable in the Company and an intercompany receivable in HAI), £21.7m interest on preference shares (recorded as an intercompany receivable in the Company and an intercompany payable in HAI), and £36.8m in relation to the nominal value of the preference shares (which were converted to ordinary shares in HAI); these were recorded as an investment in subsidiary in the Company and reallocated to eliminate share capital on consolidation.

In total £7.6m costs were incurred relating to this transaction. £2.6m of these costs related to the new share issue have been disclosed as a reduction in share premium with the remaining £5.0m disclosed within the consolidated statement of comprehensive income in non-recurring costs. Of the £5.0m non-recurring costs £3.5m were acquisition-related costs and £1.5m were reorganisation costs.

The Company incurred costs totalling £6.1m; £1.6m has been disclosed within the Company statement of comprehensive income in non-recurring costs, £2.6m as a reduction in share premium and £1.9m of directly attributable costs were capitalised as investment in Group companies and reallocated to non-recurring costs on consolidation.

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	64,927	50,418	115,345
IT systems	768	—	768
Property, plant and equipment	1,219	—	1,219
Right-of-use assets	6,127	—	6,127
Inventories	5,225	—	5,225
Trade and other receivables	14,577	—	14,577
Cash	7,042	—	7,042
Trade and other payables	(10,969)	152	(10,817)
Deferred income	(1,126)	—	(1,126)
Loans and borrowings	(78,227)	—	(78,227)
Lease liability	(6,127)	—	(6,127)
Dilapidation provision	—	(334)	(334)
Preference shares	(58,520)	—	(58,520)
Deferred tax liability	(10,669)	(20,519)	(31,188)
Total fair value of the identifiable assets and liabilities acquired	(65,753)	29,717	(36,036)
Fair value of consideration			73,527
Goodwill			109,563

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

6 Business combination continued

Acquisition of Pirtek continued

On acquisition net assets have been reviewed and adjusted to Fair value. Adjustments have been made to intangible assets, which were revalued at acquisition, giving rise to a £50.4m adjustment. Adjustments have also been made to trade and other payables to remove pre-acquisition tax charges at the point of acquisition and a dilapidation provision has been created for warehouse relocation costs. The book value acquired has been amended to align with the relevant IFRS standards for rights-of-use assets, lease liabilities, IT systems and deferred income.

A deferred tax liability adjustment has been calculated on the value of intangible assets using a blended deferred tax rate of 27.3% followed by the deduction of the existing deferred tax liability relating to acquired intangibles. Two deferred tax assets were created in relation to the adjustment of IT systems at 25% and the dilapidation provision at 30%. An additional deferred tax asset was created in relation to pre-acquisition tax credits not recognised.

The fair value of consideration was calculated using a 13.6 times earnings multiple (and discounted future cash flows), which is comparable with other entities within the Group. The rationale behind this allowed for significant growth and performance enhancement in the future due to operational leverage that management believe can be achieved given the similar business model to current operations.

The goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature, such as the assembled workforce and synergies that are expected to be achieved. 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 2023 Group revenue would have been £139.2m and Group loss before tax would have been £2.4m; the revenue for Pirtek Europe would have been £59.9m and loss before tax would have been £5.0m (both profit figures include a £5.8m goodwill amortisation adjustment in Pirtek in March 2023). Since acquisition Pirtek Europe has contributed £41.9m revenue and profit before tax of £2.4m to the Group.

In Austria, Pirtek 24/7 HydraulikService GmbH is a subsidiary where Pirtek Austria GmbH (acquired by Franchise Brands) owns 51% of the ordinary shares. This gives rise to an immaterial non-controlling interest which has not been disclosed within these accounts.

Acquisition of Filta Group Holdings Plc

On 10 March 2022, the Company announced that its all-share offer for Filta Group Holdings Plc and its subsidiaries (together, "Filta") became unconditional. On 1 June 2022 the Company announced that the compulsory acquisition of the remaining Filta shares was completed. Accordingly, the Company owns 100% of the entire issued share capital of Filta.

Filta was purchased to buy a high growth complementary B2B franchisee business, in a niche market with no direct competitor. Filta delivers cost savings to clients and distinct positive environmental outcomes. Filta has opportunity to grow complementary services, increase revenue per customer, upgrade existing franchisees and achieve operational leverage as it grows. It also increases the Group's presence in North America.

	£'000
Consideration shares	50,991
Fair value of consideration	**50,991**

The consideration paid was made up of £50,991,000 through the issue of 33,788,008 new ordinary shares of 0.5p each in the Company at 151 pence per share.

Acquisition costs relating to this transaction amounted to £1,011,000 and have been disclosed within the consolidated statement of comprehensive income in non-recurring items. The Company's financial statements have been amended for the period to capitalise £924,000 of directly attributable acquisition costs as investment in subsidiaries that were previously reported as non-recurring costs; this change has no impact on the Group financial statements.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

6 Business combination continued

Acquisition of Filta Group Holdings Plc continued

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

	Book value £'000	*Restated Adjustments £'000	*Restated Fair value £'000
Intangible assets	6,701	9,594	16,295
Property, plant and equipment	1,191	(44)	1,147
Right-of-use assets	656	—	656
Inventories	1,466	—	1,466
Trade and other receivables	4,436	(250)	4,186
Cash	4,229	91	4,320
Trade and other payables	(7,507)	33	(7,474)
Loans and borrowings	(2,953)	—	(2,953)
Deferred tax asset/(liability)	570	(3,458)	(2,888)
Total fair value of the identifiable assets and liabilities acquired	8,789	5,966	14,755
Fair value of consideration			50,991
Goodwill			36,236

* See Note 1 for further information.

On acquisition intangible assets were reviewed and adjusted by £10.6m to a deemed fair value. In 2023 we completed a further review of the fair value of intangible assets at acquisition and subsequently reduced this by £1.0m; this has reduced the deferred tax liability by £0.3m, and increased goodwill by £0.7m. There were no changes to the original forecasts used at acquisition date. The review reduced software acquired by £2.7m, reduced indefinite life brands by £0.1m, patent technology by £0.5m and customer relations by £0.5m; however it has increased franchise agreements by £2.8m. As this review was performed more than 12 months after the date of acquisition this adjustment has been processed as a prior period correction and further information can be seen in Note 1.

On acquisition adjustments were made to write off £0.25m of other receivables which management does not believe to be supported at the acquisition date; to cash and other payables for pre-acquisition share option exercises that were not reflected in the financial statements at acquisition; and to PPE to better reflect the fair value of assets acquired.

A deferred tax liability adjustment has been calculated on the fair value of intangible assets using a blended deferred tax rate of 26% followed by the deduction of the existing deferred tax liability relating to acquired intangibles.

The fair value of consideration was calculated as the present value of future expected free cash flows using a discount rate of 18.9%, slightly above our WACC of 16.6% at acquisition. The rationale behind this allowed for significant growth and performance enhancement in the future due to synergies that management believe can be achieved given the similar business model to current operations.

The goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature, such as the assembled workforce and synergies that are expected to be achieved. 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 2022, Group revenue would have been £74.5m and Group profit before tax would have been £10.0m; the revenue for Filta would have been £37.1m and loss before tax would have been £0.0m.

As at 9 March 2022 the Company had received acceptances equal to 82% from the holders of Filta Group Holdings plc shares. As at 25 March 2022 this had risen to above 90%. This gave rise to an immaterial non-controlling interest which has not been disclosed within these accounts.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

7 Revenue

	2023 £'000	2022 (*restated) £'000
Management service fee income – commission agent revenue	**7,393**	5,358
Management service fee income – royalty fee income	**32,827**	11,339
Franchise sales and resales – licence fees – recognised over time	**1,754**	1,209
Franchise sales and resales – termination fees and immediate sales – recognised at point in time	**1,030**	787
Product sales	**18,415**	3,605
Waste oil	**17,469**	16,139
Direct labour income	**39,165**	29,017
IT Contribution SAAS	**436**	433
National advertising funds	**1,632**	1,446
Central billing fee	**268**	—
Training facility income	**304**	41
Other income	**572**	465
	121,265	69,839

The table shows revenue from contracts disaggregated into major classes of revenue and reconciled to the Group revenue reported.

Revenue and non-current assets by origin of geographical segment for all entities in the Group are as follows:

Revenue	2023 £'000	2022 (*restated) £'000
North America	**26,507**	23,273
United Kingdom	**68,327**	46,089
Europe	**26,431**	477
	121,265	69,839

Non-current assets	2023 £'000	2022 (*restated) £'000
North America	**44,251**	44,985
United Kingdom	**167,989**	47,605
Europe	**107,414**	(937)
	319,654	91,653

Contract assets	2023 £'000	2022 £'000
At 1 January	**—**	53
Revenue recognised in the year	**—**	(53)
At 31 December	**—**	—

* See Note 1 for further information.

Contract assets are included within trade and other receivables. They have historically arisen from advance payments made to our franchisees.

8 Operating profit

Operating profit is stated after charging:	2023 £'000	2022 (*restated) £'000
Depreciation	**3,492**	1,781
Amortisation	**8,643**	2,193
Share-based payment expense	**838**	535
Auditors' remuneration:		
Fees for audit of the Company	**44**	24
Fees for the audit of the Group	**618**	249
Fees for non-audit services:		
Taxation services	**113**	80
Corporate finance services	**726**	106
Other services	**66**	10

* See Note 1 for further information.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

8 Operating profit continued

Of the total fee for the audit of the Group, £662,000 (2022: £273,000) was paid to the Group statutory auditors BDO LLP. 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.

	2023 £'000	2022 £'000
Acquisition-related costs	**3,514**	1,011
Reorganisation expense	**1,496**	686
Intellectual property dispute	**516**	—
Write-off software intangibles	**314**	—
Other exceptional costs	**319**	—
	6,159	1,697

A summary of the separately disclosed items for the current year is as follows:

Acquisition-related costs £3,514,000 (2022: £1,011,000).

At close of business on 20 April 2023, the Group acquired the entire share capital of Hydraulic Authority I Limited and its subsidiaries (together "Pirtek" or "Pirtek Europe"). The Group incurred total professional costs of £2,855,000 for the acquisition of Pirtek. These fees were primarily related to legal, financial and IT due diligence £763,000, Group legal fees including legal due diligence £756,000, stamp duty £659,000, Pirtek legal fees funded by the Group £343,000, legal fees paid by the Group on behalf of the four bank lending syndicate £201,000, legal fees paid by the Group on behalf of the Group brokers £77,000 that helped raise the equity to part fund the acquisition, debt advisory fees £435,000 for raising the debt to partially fund acquisition, underwriting and other debt costs fees £91,000, and other professional costs of £189,000 including the AIM stock exchange fee for listing the shares. In addition to these costs, which have been separately disclosed as non-recurring costs in the Consolidated Statement of Comprehensive Income additional costs of £2,554,000 have been charged to the share premium account as these costs directly related to the equity issuance on the acquisition of Pirtek. The 2022 acquisition related fees all relate to the acquisition of Filta Group Holdings PLC.

Reorganisation costs £1,496,000 (2022: £686,000)

Following the acquisition of Pirtek, a restructuring plan has been completed that has been the departure from the Group of several long-serving Directors of Pirtek including the Chief Executive, Chief Financial Officer, Financial Controller, IT Director and Operations Director. The total cost of this restructuring is £1,350,000 and the legal and other associated costs are £146,000. The 2022 restructuring costs of £686,000 were for redundancies £250,000, loss of office for the Chief Financial Officer £319,000 and other reorganisation costs of £117,000.

Intellectual property dispute £516,000 (2022: Nil)

The Group has been in a long-standing relationship with Fog Fellow Designs Limited ("FF") that manufactures the cyclone GRU used by Filta UK. The dispute arose over ownership of the intellectual property and loans to FF to enable the development of GRU. The total separately disclosed costs for this dispute were £516,000 broken down as loan written off to FF when this went into administration in the second half of 2023 £233,000, write-off of non-compliant GRU inventory £220,000, legal fees £23,000 and other associated costs £40,000.

Software costs £314,000 (2022: Nil)

The Group's accounting policy has historically been to capitalise all costs related to the configuration or customisation of software as intangible assets. Following the agenda decision of the International Financial Reporting Standards Interpretations Committee (IFRIC) certain previously recognised intangible assets have been treated as an expense.

Other costs £319,000 (2022: Nil)

Other exceptional costs are made up of costs such as relocation fees, redundancies and the abortive sale of B2C.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

9 Staff costs

	2023 £'000	2022 £'000
Wages and salaries	**28,783**	15,927
Social security costs	**3,764**	1,618
Defined contribution pension cost	**805**	302
Share-based payment expense (see Note 10 for further information)	**838**	535
	34,190	18,382

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

Administration	**285**	193
Sales	**64**	37
Operations	**313**	170
Directors	**10**	11
	672	411

Directors' remuneration

	2023 £'000	2022 £'000
Directors' emoluments	**1,402**	1,649
Share-based payment expense	**204**	169
	1,606	1,818

The highest paid Director's remuneration was £267,063 (2022: £485,336 which included £334,848 for gain on share exercises). The costs to the Group for the Directors is £1,550,384 (2022: £1,948,154), after including employer's National Insurance. The Company had an average of four employees during the period (2022: four) (other than the Directors) incurring staff costs of £550,000 (2022: £351,000). Directors' emoluments include £151,398 (2022: £173,373) paid to companies controlled by Directors (see Note 29).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. These are considered to be the Directors of the Company. Directors' emoluments above comprise of: £1,321,000 salary and fees (2022: £1,242,000), £39,000 car allowance/benefit (2022: £40,000), £26,000 healthcare benefits (2022: £42,000), £16,000 defined pension contributions (2022: 16,000) and £nil compensation for loss of office (2022: £310,000). In addition to the emoluments the Directors benefitted from £nil gain on share exercises (2022: £689,000).

10 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 284 (2022: 277) 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 £752,000 (2022: £428,000). This all arises on equity-settled share-based payment transactions.

Additionally, all qualifying US and European employees have been awarded stock appreciation rights ("SARs"), which are conditional bonuses whose value is calculated by reference to the amount by which the price of the Company's ordinary shares has risen above the base price at the date of exercise. The qualifying conditions and timing of vesting are identical to the LTIP above. Currently 36 (2022: 19) members of staff hold options for shares in the Company under the scheme. A total of £86,000 (2022: £107,000) was recognised during the year in respect of SARs. This all arises on cash-settled share-based payment transactions.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

10 Share-based payments continued

	Share options	**SARs**	**2023**	**Weighted average exercise price**	Share options	SARs	2022	Weighted average exercise price
Outstanding at the beginning of the period	**6,009,014**	**558,000**	**6,567,014**	**106p**	5,219,376	—	5,219,376	71p
Granted during the period	**5,862,641**	**618,000**	**6,480,641**	**167p**	2,437,924	1,126,000	3,563,924	150p
Lapsed during the period	**(1,303,774)**	**(5,000)**	**(1,308,774)**	**148p**	(701,596)	(568,000)	(1,269,596)	125p
Exercised during the period	**(220,650)**	**—**	**(220,650)**	**87p**	(946,690)	—	(946,690)	54p
Outstanding at the end of the period	**10,347,231**	**1,171,000**	**11,518,231**	**136p**	6,009,014	558,000	6,567,014	106p
Exercisable at the end of the period	**3,207,666**	**—**	**3,207,666**	**71p**	1,457,576	—	1,457,576	63p

The fair value of the options and SARs 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-180p (2022: 33p-156.5p), and the weighted average remaining contractual life was 8.1 years (2022: 7.7 years).

In order to facilitate the scheme, 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.

Expected volatility for the Black-Scholes valuations has been determined using the Company's share price in the 6.5 years preceding the grant date; and for the Mark-to-Market using the Company's share price from 6.5 years prior to date of grant to 31 December 2023.

The total carrying amount at the end of the period for liabilities arising from share-based payment transactions is £193,000 (2022: £107,000). The total intrinsic value at the end of the period for the 3,207,666 (2022: 1,457,576) exercisable share options is £2,899,000 (2022: £1,955,000).

Option pricing models

	Black-Scholes 10 May 2023	Black-Scholes 2 August 2023	Black-Scholes 2 November 2023	Black-Scholes 4 December 2023	Mark-to-Market 10 May 2023	Mark-to-Market 18 December 2023
Closing share price, £	1.80	1.325	1.340	1.525	1.80	1.62
Exercise price, £	1.80	1.325	1.325	1.525	1.80	1.64
Risk-free interest rate	3.70%	4.38%	4.22%	4.05%	3.70%	3.37%
Expected life of option (years)	5.5	5.5	5.5	5.5	5.5	5.5
Volatility	36.2%	35.8%	35.6%	35.8%	36.4%	35.7%
Dividend yield	1.1%	1.5%	1.5%	1.3%	1.1%	1.2%

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

11 Finance expense

	2023 £'000	2022 £'000
Interest element on lease agreements	**325**	119
Interest expense on defined benefit obligation	**12**	—
Loan interest	**5,374**	116
	5,711	235

For further information please see Notes 16, 22 and 31.

12 Corporation tax

	2023 £'000	*Restated 2022 £'000
Current tax expense		
Current tax on profits for the period	**4,169**	2,509
Adjustment for prior period	**(325)**	(44)
Deferred tax expense		
Origination and reversal (see Note 26)	**(1,853)**	(553)
Adjustment for prior period	**(12)**	—
Total tax expense	**1,979**	1,912
Accounting profit multiplied by the UK statutory rate of corporation tax of 23.52% (2022: 19%)	**1,180**	1,913
Expenses not deductible / (income not taxable) in determining taxable profits	**795**	(410)
Deferred tax assets not recognised	**222**	—
Effect of UK tax rate change	**10**	—
Different tax rates applied in overseas jurisdictions	**109**	453
Adjustment for prior period	**(336)**	(44)
Effects of additional tax relief	**(1)**	—
Total tax expense	**1,979**	1,912
Effective tax rate	**39%**	19%

* The prior period reconciliation has been restated in line with corrections seen in Note 1, the deferred tax expense change relates to intangibles acquired, see Note 1 for further information.

The Finance Act 2021, which was substantively enacted in May 2021, increased the UK 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 UK deferred tax balances at the reporting date. Deferred tax balances relating to overseas entities have been calculated using the latest substantively enacted relevant overseas tax rates, including a rate of approximately 28% for balances relating to the Group's US business. Deferred tax balances relating to intangible assets have been calculated at rates between 25% - 27.3% based on the geography of the underlying intangible assets.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

13 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.

	2023 £'000	*Restated 2022 £'000
Profit attributable to owners of the Parent Company	**3,037**	8,126
Non-recurring costs (Note 8)	**6,159**	1,708
Amortisation of acquired intangibles (Note 14)	**7,718**	1,693
Change in the fair value of deferred consideration (Note 24)	**—**	(1,232)
Share-based payment expense (Note 10)	**838**	535
Tax on adjusting items	**(3,174)**	(649)
Adjusted profit attributable to owners of the Parent Company	**14,578**	10,181

	2023 Total Number	2022 Total Number
Basic weighted average number of shares	**173,090,691**	122,126,350
Dilutive effect of share options	**2,241,161**	2,042,848
Diluted weighted average number of shares	**175,331,852**	124,169,198

	Pence	*Restated Pence
Basic earnings per share	**1.75**	6.65
Diluted earnings per share	**1.73**	6.54
Adjusted earnings per share	**8.42**	8.34
Adjusted diluted earnings per share	**8.31**	8.20

* See Note 1 for further information.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

14 Intangible assets

	*Restated Goodwill £'000	*Restated Brands, trade-marks & other intangibles £'000	*Restated Customer relationships £'000	*Restated Software £'000	*Restated Total £'000
Cost					
At 1 January 2022	24,125	10,081	3,022	1,980	39,208
Additions*	36,269	14,225	610	2,549	53,653
Transfer to assets held for sale	(1,315)	(763)	—	(53)	(2,131)
Foreign exchange rate movements	5	—	5	11	21
At 31 December 2022*	59,084	23,543	3,637	4,487	90,751
Additions on acquisition	—	—	—	768	768
Additions	109,563	81,683	34,184	1,351	226,781
Disposals	—	—	—	(502)	(502)
Transfer from assets held for sale	1,315	763	—	53	2,131
Foreign exchange rate movements	(5)	—	(5)	(20)	(30)
At 31 December 2023	**169,957**	**105,989**	**37,816**	**6,137**	**319,899**
Amortisation					
At 1 January 2022	—	(1,791)	(1,418)	(721)	(3,930)
Charge for year*	—	(1,006)	(444)	(743)	(2,193)
Transfer to assets held for sale	—	—	—	37	37
Foreign exchange rate movements	—	—	(1)	—	(1)
At 31 December 2022*	—	(2,797)	(1,863)	(1,427)	(6,087)
Charge for year	—	(4,604)	(2,828)	(1,211)	(8,643)
Disposals	—	—	—	194	194
Transfer from assets held for sale	—	—	—	(37)	(37)
Foreign exchange rate movements	—	—	1	1	2
At 31 December 2023	**—**	**(7,401)**	**(4,690)**	**(2,480)**	**(14,571)**
Net book value					
At 31 December 2023	**169,957**	**98,588**	**33,126**	**3,657**	**305,328**
At 31 December 2022*	59,084	20,746	1,774	3,060	84,664
At 1 January 2022	24,125	8,290	1,604	1,259	35,278

* The prior period restatement is due to a remeasurement of Filta's intangibles acquired, see Notes 1 and 6 for further information.

Carrying amount of assets with indefinite useful lives

	Goodwill £'000	Indefinite life intangibles £'000	2023 £'000	*Restated Goodwill £'000	*Restated Indefinite life intangibles £'000	*Restated 2022 £'000
Pirtek – Franchisor	**109,563**	**—**	**109,563**	—	—	—
Pirtek – DLO	**—**	**—**	**—**	—	—	—
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
Filta UK*	**6,156**	**367**	**6,523**	6,156	367	6,523
Filta International*	**30,080**	**1,789**	**31,869**	30,080	1,789	31,869
B2C	**1,315**	**—**	**1,315**	—	—	—
Azura	**856**	**—**	**856**	856	—	856
Foreign exchange movement	**—**	**—**	**—**	5	—	5
	169,957	**9,683**	**179,639**	59,084	9,683	68,767

* Prior year has been restated to display Filta International as a separate CGU, rather than aggregated with Filta UK. The value of goodwill and indefinite life intangibles within Filta has also been restated, see Notes 1 and 6 for further information.

Given the higher level of regulatory and legal uncertainty in the sector the Directors have decided to amortise the Barking Mad brand over ten years from 1 January 2023. In the prior period this was £763,000 held for sale in discontinuing operations.

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 four years from the statement of financial position dates.

Management estimates 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. The WACC for each CGU is shown in the table below.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

14 Intangible assets continued

Carrying amount of assets with indefinite useful lives continued

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 four 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 profit margin.

For the Metro Rod, Willow Pumps, Filta UK and Pirtek businesses, revenue growth rates have been set at between 7% and 21%, which is consistent with historical averages. Greater opportunities are perceived in Filta International, with growth rates between 19% and 21% in the future, as there is greater market opportunity in the USA given our modest existing footprint. For the B2C brands franchisee recruitment and churn is consistent with historical averages, with the revenue growth of between 0% and 8% per annum being driven by the net new franchisees being introduced to the networks. Historic and future investment in IT will result in profit margins continually improving in all CGUs. A 2% perpetual growth rate has been assumed when extrapolating cash flow projections beyond the four-year period used in the long-term business plans, on the basis that this is a reasonable long-term growth rate for the UK, European and US economies. Based on the calculations prepared the recoverable amount for all CGUs exceed their carrying amount.

	WACC %	Value in group £'000	Value in use £'000	Headroom £'000
Pirtek – Franchisor	9.3%	230,314	317,506	87,192
Pirtek – DLO	10.5%	3,200	5,361	2,161
Metro Rod	10.1%	36,654	106,208	69,554
Willow Pumps	12.0%	11,572	22,931	11,359
Filta UK	12.0%	11,423	24,826	13,403
Filta International	10.5%	42,388	115,741	73,353
B2C	10.4%	3,001	19,851	16,850
Azura	10.4%	1,323	7,376	6,053
Total		**339,875**	**619,800**	**279,925**

Sensitivity analysis

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. However, a sensitivity analysis has been performed on the base case assumptions used for assessing the level of headroom in each CGU. These are summarised as follows:

- A 5% reduction in annual sales in perpetuity, with all other assumptions remaining the same. All CGUs would have headroom, with the exception of Pirtek DLO, where a 5% reduction in revenue would cause the carrying value of the unit to exceed the recoverable amount. We do not believe this to be an issue; whilst any reduction in revenue would be partially offset by a reduction in revenue-related costs, the Board would also take actions to mitigate the loss of gross profit by reducing other costs.
- Changing the WACC to 11% for each CGU, with all other assumptions remaining the same. At this rate there remains headroom in all CGUs, including Pirtek DLO.
- Increasing the WACC to the point at which all headroom is eliminated in each CGU. The most sensitive CGU to this is Pirtek Franchisor, with an elimination WACC of 12.0%. As this is an established profitable business across multiple countries we do not believe that this is a reasonable WACC. Pirtek DLO would need a WACC of 15.7% to have no headroom.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

15 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost							
At 1 January 2022	—	346	196	509	2,481	929	4,461
Reclassified (to)/from ROU	—	—	—	—	169	—	169
Additions on acquisition	758	20	20	63	29	257	1,147
Additions	—	3	30	87	168	134	422
Disposals	—	—	—	—	(399)	(100)	(499)
Transfer to assets held for sale	—	(113)	(63)	(110)	(50)	(138)	(474)
Foreign exchange movements	63	—	1	2	3	4	73
At 31 December 2022	821	256	184	551	2,401	1,086	5,299
Reclassified (to)/from ROU	—	—	—	—	123	—	123
Additions on acquisition	202	—	124	311	51	531	1,219
Additions	16	53	32	196	719	167	1,183
Disposals	—	—	(1)	—	(476)	(113)	(590)
Transfer from assets held for sale	—	113	63	110	50	138	474
Foreign exchange movements	(35)	—	(1)	(4)	(5)	(7)	(52)
At 31 December 2023	**1,004**	**422**	**401**	**1,164**	**2,863**	**1,802**	**7,656**
Depreciation							
At 1 January 2022	—	(193)	(177)	(361)	(630)	(490)	(1,851)
Reclassified (to)/from ROU	—	—	—	—	(94)	—	(94)
Charge for year	(26)	(26)	(32)	(86)	(378)	(218)	(766)
Disposals	—	—	—	—	194	48	242
Transfer to assets held for sale	—	113	63	107	36	60	379
Foreign exchange movements	—	—	—	—	—-	(1)	(1)
At 31 December 2022	(26)	(106)	(146)	(340)	(872)	(601)	(2,091)
Reclassified (to)/from ROU	—	—	—	—	(123)	—	(123)
Charge for year	(55)	(45)	(31)	(176)	(444)	(315)	(1,066)
Disposals	—	—	1	—	318	100	419
Transfer from assets held for sale	—	(113)	(63)	(107)	(36)	(60)	(379)
Foreign exchange movements	2	—	—	—	—	—	2
At 31 December 2023	**(79)**	**(264)**	**(239)**	**(623)**	**(1,157)**	**(876)**	**(3,238)**
Net book value							
At 31 December 2023	**925**	**158**	**162**	**541**	**1,706**	**926**	**4,418**
At 31 December 2022	795	150	38	211	1,529	485	3,208
At 1 January 2022	—	153	19	148	1,851	439	2,610

The Company has no fixed assets at 31 December 2023 or 31 December 2022.

"ROU" assets are those categorised as Right-of-Use. Please see Note 16.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

16 Right-of-use assets

	Land and buildings £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2022	2,709	2,452	392	5,553
Reclassified (to)/from PPE	—	(169)	—	(169)
Additions on acquisition	119	534	3	656
Additions	266	302	7	575
Disposals	(34)	(113)	—	(147)
Transfer to assets held for sale	(316)	(960)	(32)	(1,308)
Foreign exchange movements	—	7	—	7
At 31 December 2022	2,744	2,053	370	5,167
Reclassified (to)/from PPE	—	(123)	—	(123)
Additions on acquisition	3,726	2,246	155	6,127
Additions	1,092	782	52	1,926
Disposals	(168)	(203)	—	(371)
Transfer from assets held for sale	316	960	32	1,308
Foreign exchange movements	37	21	1	59
At 31 December 2023	**7,747**	**5,736**	**610**	**14,093**
Depreciation				
At 1 January 2022	(1,487)	(1,270)	(73)	(2,830)
Reclassified (to)/from PPE	—	94	—	94
Charge for year	(425)	(538)	(62)	(1,025)
Disposals	34	98	—	132
Transfer to assets held for sale	264	736	31	1,031
Foreign exchange movements	—	(1)	—	(1)
At 31 December 2022	(1,614)	(881)	(104)	(2,599)
Reclassified (to)/from PPE	—	123	—	123
Charge for year	(1,106)	(1,215)	(107)	(2,428)
Disposals	91	163	—	254
Transfer from assets held for sale	(264)	(736)	(31)	(1,031)
Foreign exchange movements	(3)	(5)	—	(8)
At 31 December 2023	**(2,896)**	**(2,551)**	**(242)**	**(5,689)**
Net book value				
At 31 December 2023	**4,851**	**3,185**	**368**	**8,404**
At 31 December 2022	1,130	1,172	266	2,568
At 1 January 2022	1,222	1,182	319	2,723

"PPE" assets are those categorised as Property, Plant & Equipment. Please see Note 15.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

16 Right-of-use assets continued

Amounts recognised in profit and loss

	2023 £'000	2022 £'000
Depreciation expense on right-of-use assets	**2,427**	1,025
Interest expense on lease liabilities	**325**	119
Expense relating to short-term leases	**314**	277
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	**109**	—

For further information please see Notes 11 and 25.

17 Contracts acquisition costs

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to third party broker fees. The Group has elected to use the practical expedient as allowed by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contractual term on a systematic basis consistent with the transfer of the underlying goods and services to which these costs relate. Expense recognised in 2023 was £113,000 (2022: £110,000) whilst impairment of capitalised contract costs was £nil in 2023 (2022: £nil).

The amount of capitalised contract cost expected to be recovered within one year is £79,000 (2022: £92,000); after more than one year it is £427,000 (2022: £402,000).

18 Inventories

Group	2023 £'000	2022 £'000
Finished goods and goods for resale	**7,062**	1,989

All amounts are carried at cost and therefore no amounts are carried at fair value less costs to sell. There is a provision of £1.5m against stock at the period end (2022: £0.1m) with the increase due to the acquisition of Pirtek. No material amounts have been written off in either year ended 31 December 2023 or 31 December 2022. Within the income statement of the Group £21.0m of inventories were recognised as an expense within the year (2022: £9.5m).

19 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. The expected credit loss rates are based on the Group's subsidiaries' historic credit losses experience and a 12 month assessment of expected credit loss on a franchisee-by-franchisee and customer-by-customer basis. As there has been no significant increase in credit risk a longer-term assessment is not required. The differing segmental risks to which the Group is exposed in respect of the franchisee and customer base have been considered.

	2023 £'000	2023 %	2023 £'000	2023 £'000	*Restated 2022 £'000	2022 %	2022 £'000	*Restated 2022 £'000
	Gross		Provision	Net	Gross		Provision	Net
No provision*	**24,830**	**0%**	**—**	**24,830**	12,966	0%	—	12,966
Low risk	**2,763**	**6%**	**(163)**	**2,600**	2,795	6%	(157)	2,638
Medium risk	**821**	**38%**	**(314)**	**507**	741	32%	(238)	503
High risk	**1,345**	**70%**	**(947)**	**398**	596	84%	(498)	98
Total*	**29,759**	**5%**	**(1,424)**	**28,335**	17,098	5%	(893)	16,205

* The prior period restatement relates to Metro Rod debtors, further information can be seen in Note 1.

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.

Group	2023 £'000	*Restated 2022 £'000
Non-current other receivables	**641**	811
Trade receivables*	**29,759**	17,098
Provision at the year end	**(1,424)**	(893)
Other receivables*	**11,141**	8,364
Total current financial assets other than cash and cash equivalents*	**39,476**	24,569
Prepayments	**3,225**	422
Total current trade and other receivables*	**42,701**	24,991
Total trade and other receivables*	**43,342**	25,802

* The prior period restatement relates to Metro Rod debtors and point of revenue recognition; further information can be seen in Note 1.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

19 Trade and other receivables continued

	2023 £'000	2022 £'000
Credit loss provision:		
Brought forward	**(893)**	(532)
Transfer from assets held for sale	**(65)**	—
Additions on acquisition	**(538)**	(259)
Provision for the year	**(96)**	(341)
Utilised	**163**	244
Foreign exchange movement	**5**	(5)
Carried forward	**(1,424)**	(893)

	2023 £'000	*Restated 2022 £'000
The ageing of the trade receivables is as follows:		
Due*	**12,392**	9,077
Past due*		
0-30 days*	**5,055**	2,643
31-60 days*	**5,370**	784
61-90 days*	**1,093**	580
91-120 days*	**959**	444
121+ days*	**3,529**	3,021
Past due and impaired		
Due	**—**	—
0-30 days	**10**	7
31-60 days	**45**	7
61-90 days	**145**	5
91-120 days	**41**	3
121+ days	**1,120**	527
Total*	**29,759**	17,098

* The prior period restatement relates to Metro Rod debtors, further information can be seen in Note 1.

Company	2023 £'000	* Restated 2022 £'000
Amounts owed by Group undertakings*	**100,558**	608
Prepayments	**4**	11
Corporation tax	**2,615**	1,257
Total current trade and other receivables	**103,177**	1,876

* The prior period restatement relates to intercompany debtors and creditors, further information can be seen in Note 1c.

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

20 Trade and other payables

Group	2023 £'000	*Restated 2022 £'000
Current		
Trade payables*	**12,234**	6,634
Accruals*	**14,123**	9,102
Other creditors*	**5,431**	4,097
Social security and other taxes*	**2,958**	945
Total trade and other payables*	**34,746**	20,778

* The prior period restatement relates to Metro Rod debtors and point of revenue recognition; further information can be seen in Note 1.

Company	2023 £'000	* Restated 2022 £'000
Trade payables	**169**	122
Accruals	**1,506**	293
Other creditors	**14**	11
Social security and other taxes	**315**	42
Amounts owed to Group undertakings*	**14,307**	4,671
Total trade and other payables	**16,311**	5,139

* The prior period restatement relates to intercompany debtors and creditors, further information can be seen in note 1c.

Carrying values approximate to fair value. Included within Group other creditors is an amount of £135,000 (2022: £192,000) which represents the net payable in relation to the National Advertising Funds.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

21 Deferred income

Within the franchise subsidiaries deferred income relates to certain performance obligations from franchise sales that are deferred over the life of the franchise agreement. The deferral period is determined by the length of the franchise agreement. Revenue is recognised equally over the deferral period.

	2023 £'000	*Restated 2022 £'000
At 1 January	**2,721**	762
Additions on acquisition	**1,126**	2,359
Additions in the year	**2,251**	2,747
Utilisation	**(2,552)**	(2,593)
Transfer (to)/from liabilities held for sale	**776**	(776)
Foreign exchange	**(110)**	222
At 31 December	**4,212**	2,721

	2023 £'000	*Restated 2022 £'000
Current	**1,318**	873
Non-current	**2,894**	1,848
Total deferred income	**4,212**	2,721

* The prior period restatement relates to the franchise sales, further information can be seen in Note 1.

22 Loans and borrowings

Group and Company	2023 £'000	2022 £'000
Current		
Term loan	**9,251**	—
Total current loans and borrowings	**9,251**	—
Non-current		
Revolving credit facility	**36,908**	—
Term loan	**40,000**	—
Total non-current loans and borrowings	**76,908**	—

The loans are comprised of a £50m term loan, which at 31 December 2023 carries a 7.94% interest rate, comprising 5.19% SONIA rate and 2.75% margin (subsequently reduced to 2.5% in February 2024), and is repayable in instalments until 2027; and a £60m RCF (2022: £5m), of which £36.9m (2022: £nil) is utilised, which is fixed until 2027 and is not renewed annually, and carries the same 7.94% interest rate. The Group debt facilities are secured by way of an English debenture, with cross-guarantees to cover, at all times, the aggregate of the EBITDA, turnover and gross assets and net assets of the guarantor Group companies (being all material companies contributing in excess of 5% of gross assets, net assets or turnover) and these should contribute at any time 85% or more of the consolidated EBITDA, consolidated turnover and consolidated gross assets respectively of the Group at that time. The Group has only two bank covenants: net debt divided by EBITDA and EBITDA divided by interest payable. The Group had comfortable headroom on both these bank covenants at 31 December 2023. This position has continued in 2024. On 8 April 2024, the Group extended the Group banking facilities by 12 months from a termination date of 3 April 2027 to 3 April 2028. The Group expects to have repaid these facilities before this extended date.

The Company's present and future assets are subject to a fixed and floating charge in favour of HSBC UK Bank plc, National Westminster Bank plc, Citibank N.A., and Bank of Ireland in respect of certain borrowings of fellow Group companies Franchise Brands plc, Metro Rod Limited, Willow Pumps Limited, The Filta Group Limited, ChipsAway International Ltd, The Filta Group Inc, WPL Group Holdings Limited and Filta Group Holdings Limited. At 31 December 2023, the net borrowings encompassed by the charges amounted to £86,159,000 (2022: £nil).

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, £1.0m (2022: £0.4m) had been lent through this scheme. There are no expected credit losses to recognise in respect of the asset financing scheme.

Based on contractual undertakings, Metro Rod Limited franchisees can request for payment for local account sales that have been invoiced, but not yet collected from the customer, and not yet paid on the typical standard monthly payment run to franchisees. The value of this open commitment at 31 December 2023 is £2.1m (2022: £1.8m).

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

23 Discontinuing operations

In 2022, following a strategic review the Company instructed Cavendish Corporate Finance to assist in finding a buyer for the B2C business. Having only received an offer for part of the business, which would leave a sub-scale operation in the remaining B2C businesses, the Directors declined this offer and subsequently decided to no longer actively market the division for sale. There was no indication of impairment based upon the offer received. Trade and other receivables held for sale in the prior period have been restated due to a review on the timing of the recognition of franchise sales, see Note 1a for further information.

	2023 £'000	*Restated 2022 £'000
Assets held for sale		
Intangible assets	–	2,094
PPE	–	95
Right-of-use assets	–	277
Inventories	–	763
Trade and other receivables	–	2,180
Deferred tax asset	–	46
Total assets held for sale	–	5,455
Liabilities held for sale		
Trade and other payables	–	1,097
Deferred income	–	776
Obligations under leases	–	298
Current tax liability	–	390
Total liabilities held for sale	–	2,561

* See Note 1 for further information.

Following this change of intention the Consolidated Statement of Cash Flows has been re-presented to include the B2C business as a continuing operation.

24 Contingent consideration

On 25 May 2022, the Group announced the early settlement of the contingent consideration relating to the 2019 acquisition of Willow Pumps Limited. Under the terms of the original acquisition agreement, further consideration of up to £7.5m was payable in respect of the five years to 31 December 2024, linked to sales and profits growth over the period.

During 2022 £345,000 was paid in respect of the performance conditions met in 2021. A further £1.34m was paid as a result of a Deed of Variation during the year to fully settle this liability. The net gain of £1.2m was taken to the income statement within non-recurring expenses within administrative expenses. There is no deferred consideration in 2023.

25 Lease liabilities

Group	2023 £'000	2022 £'000
Current	**2,617**	831
Non-current (between one and five years)	**5,371**	1,626
Non-current (greater than five years)	**416**	—
Total lease liabilities	**8,404**	2,457

	Land & buildings £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
At 1 January 2022	1,273	951	310	2,534
Additions on acquisition	126	568	3	697
Additions	261	297	7	565
Interest expense	38	74	7	119
Lease payments	(463)	(643)	(50)	(1,156)
Disposals	—	(11)	—	(11)
Transfer to liabilities held for resale	(54)	(243)	(1)	(298)
Foreign exchange movements	—	7	—	7
At 31 December 2022	**1,181**	**1,000**	**276**	**2,457**
Additions on acquisition	**3,726**	**2,246**	**155**	**6,127**
Additions	**1,092**	**782**	**52**	**1,926**
Interest expense	**176**	**135**	**14**	**325**
Lease payments	**(1,169)**	**(1,429)**	**(89)**	**(2,687)**
Disposals	**(77)**	**(18)**	**—**	**(95)**
Transfer to liabilities held for resale	**54**	**243**	**1**	**298**
Foreign exchange movements	**34**	**18**	**1**	**53**
At 31 December 2023	**5,017**	**2,977**	**410**	**8,404**

The Company has no lease liabilities.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

26 Deferred tax liability

Deferred tax is calculated in full on temporary differences under the liability method using the latest substantively enacted tax rates in the relevant countries, including 25% for the UK, approximately 28% for the US and rates of between 25% - 27.3% for intangibles depending on the geography of the underlying assets.

Group	*Restated Intangibles £'000	Losses £'000	Accelerated allowances £'000	Provisions £'000	Share-based payment £'000	ROU assets £'000	Lease liabilities £'000	*Restated Total £'000
At 1 January 2022	(2,474)	—	(314)	3	646	—	—	(2,139)
Acquired in the year	(4,237)	1,163	(312)	497	—	—	—	(2,888)
Recognised through the statement of changes in equity	—	—	—	—	334	—	—	334
Foreign exchange movements	—	—	(2)	55	—	—	—	53
Transfer to assets held for resale	—	—	36	—	(82)	—	—	(46)
Credit/(charge) in the year	457	(31)	162	(95)	60	—	—	553
At 31 December 2022	**(6,254)**	**1,132**	**(430)**	**460**	**958**	**—**	**—**	**(4,134)**
Acquired in the year	**(31,478)**	**300**	**(27)**	**16**	**—**	**(1,532)**	**1,532**	**(31,189)**
Recognised through the statement of changes in equity	**—**	**—**	**—**	**—**	**(496)**	**—**	**—**	**(496)**
Foreign exchange movements	**—**	**—**	**—**	**(17)**	**—**	**—**	**—**	**(17)**
Transfer from assets held for resale	**—**	**—**	**(36)**	**—**	**82**	**—**	**—**	**46**
Credit/(charge) in the year	**2,051**	**(551)**	**213**	**(8)**	**139**	**258**	**(237)**	**1,865**
At 31 December 2023	**(35,681)**	**881**	**(280)**	**451**	**683**	**(1,274)**	**1,295**	**(33,925)**

* The prior period restatement relates to the deferred tax liability and charge on intangibles acquired, see Note 1 for further information.

27 Subsidiaries and audit exemption

The investment in Group companies held by the Company are as follows:

	*Restated £'000
Cost	
At 1 January 2022	42,823
Additions in year	52,255
Assets held for sale	(2,564)
At 31 December 2022	**92,514**
Additions in year	**112,752**
Assets held for sale	**2,564**
At 31 December 2023	**207,830**

* The prior period restatement relates directly attributable costs in the acquisition of Filta Group Holdings, see Note 1 for further information.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

27 Subsidiaries and audit exemption continued

The subsidiaries of the Company included in the consolidated financial statements are as set out below.

Name of undertaking	Country of incorporation and operation	Share class owned	% of share class held by the Group	Principal activity	Registered office address
Azura Business Solutions Limited[2]	England & Wales	£1.00 Ordinary shares	100	Dormant	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Azura Design Studio Limited[2]	England & Wales	£1.00 Ordinary shares	100	Dormant	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Azura Group Limited[1,2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Barking Mad Limited[1,2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
ChipsAway International Limited[1,2]	England & Wales	£0.10 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
CSK Hydraulics Limited[2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
CSS Hydraulics Limited[2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
CST Hydraulics Limited[2]	England & Wales	£1.00 Ordinary shares	100	Dormant	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
CSY Hydraulics Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
DentsAway Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Edwin Investments Limited[2]	England & Wales	£0.25 Ordinary shares	100	Dormant	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Environmental Biotech Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
FB Holdings Limited[1,2]	England & Wales	£0.01 Ordinary shares	100	Dormant	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Filta Environmental Canada Limited	Canada (British Columbia)	Common Stock (no par value)	100	Non-trading	27th Floor – PO Box 49123 595 Burrard Street Vancouver, British Columbia, Canada, V7X 1J2
Filta Group Europe BV	Netherlands	€1.00 Ordinary shares	100	Trading	Maasstraat 1A, 7071 VR, Ulft, Netherlands
Filta Group Holdings Limited[1,2]	England & Wales	£0.10 Ordinary shares	100	Holding	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Filta Refrigeration Limited[2]	England & Wales	£1.00 Ordinary A shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

27 Subsidiaries and audit exemption continued

Name of undertaking	Country of incorporation and operation	Share class owned	% of share class held by the Group	Principal activity	Registered office address
FiltaFry Deutschland GmbH	Germany	€25,500 Ordinary 1 share and €24,500 Ordinary 2 share	100	Trading	Pliniusstrasse 8, 48488, Emsbüren, Germany
FiltaFry Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Grease Management Limited[2]	England & Wales	£1.00 Ordinary A shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Hydraulic Authority I Limited[1,2]	England & Wales	£0.10 Ordinary shares	100	Holding company	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Hydraulic Authority II Limited[2]	England & Wales	£1.00 Ordinary shares	100	Holding company	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Hydraulic Authority III Limited[2]	England & Wales	£1.00 Ordinary shares	100	Holding company	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Kemac Services Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
M&M Asset Maintenance Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Metro Plumb Limited[2]	England & Wales	£1.00 Ordinary shares	100	Dormant	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Metro Rod Limited[1,2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
MRB Drainage Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
MRE Drainage Limited[2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Oven Clean (Ontario) Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Oven Clean Domestic Limited[1,2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Pirtek (UK) Limited[2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Pirtek 24/7 HydraulikService GmbH	Austria	€1.00 Ordinary shares	51	Trading	Brückenkopfgasse 1/6 , 8020, Graz, Austria
Pirtek Austria GmbH	Austria	€35.00 Ordinary shares	100	Trading	Gonzagagasse 4, 1010, Wien, Austria
Pirtek Brussel BV	Belgium	€100.00 Ordinary shares	100	Trading	Avenue Newton 7, 1300, Wavre, Belgium
Pirtek BV	Netherlands	€1.00 Ordinary shares	100	Trading	Hongkongstraat 29, 3047BR, Rotterdam, Netherlands

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

27 Subsidiaries and audit exemption continued

Name of undertaking	Country of incorporation and operation	Share class owned	% of share class held by the Group	Principal activity	Registered office address
Pirtek (Deutschland) GmbH	Germany	€100.00 Ordinary shares	100	Trading	Maarweg 165, D-50825, Köln, Germany
Pirtek Europe Limited[2]	England & Wales	£1.00 Ordinary shares	100	Holding company	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Pirtek Europoort BV	Netherlands	€1.00 Ordinary shares	100	Trading	Moezelweg 104, 3198 LS, Europoort, Netherlands
Pirtek France Holding SAS	France	€1.00 Ordinary shares	100	Holding	3 rue des Lancés, 94310, Orly, France
Pirtek Hydraulique Service SAS	France	€21.95 shares	100	Trading	3 rue des Lancés, 94310, Orly, France
Pirtek Liége BV	Belgium	€100.00 shares	100	Trading	Rue de l'Informatique 10/3, 4460 Grâce-Hollogne, Belgium
Pirtek Lummen BV	Belgium	€100.00 Ordinary shares	100	Trading	Klaverbladstraat 16, 3560, Lummen, Belgium
Pirtek Rotterdam Noord BV	Netherlands	€1.00 Ordinary shares	100	Trading	Schuttevaerweg 88, 3044BB, Rotterdam, Netherlands
Pirtek Sweden AB	Sweden	SEK100 Ordinary shares	100	Trading	Vendevägen 85B 6tr, 182 91, Danderyd, Sweden
The Filta Group Limited[2]	England & Wales	£1.00 Ordinary shares	100	Trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
The Filta Group, Inc	USA (Delaware)	Common Stock (no par)	100	Trading	7075 Kingspointe Parkway, Suite 1, Orlando, Florida, 32819, United States
The Handyman Van Limited[1,2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Watbio Holdings Limited[2]	England & Wales	£1.00 A Ordinary shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Watbio Limited[2]	England & Wales	£1.00 Ordinary shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Watling Hope (Installations) Limited[2]	England & Wales	£1.00 B Ordinary shares	100	Non-trading	The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP, United Kingdom
Willow Drainage Limited[2]	England & Wales	£1.00 Ordinary shares and £1.00 Ordinary A shares	100	Non-trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
Willow Pumps Limited[2]	England & Wales	£1.00 Ordinary shares	100	Trading	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom
WPL Group Holdings Limited[1,2]	England & Wales	£1.00 Ordinary shares	100	Holding company	Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF, United Kingdom

1. Entities directly owned by Franchise Brands plc
2. For the purposes of section 479A to 479C, Companies Act 2006 (the 'Act') the Company confirms that the UK subsidiaries of the Company, all of which are included in these consolidated accounts, are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of s479A of the Act. The outstanding liabilities at 31 December 2023 of the UK subsidiaries have been (or will be) guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the Directors, the possibility of the guarantee being called upon is remote.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

28 Share capital and other reserves

Allotted, called up and fully paid	2023 £'000	2022 £'000	2023 No. of shares	2022 No. of shares
At 1 January 2023	**652**	480	**130,311,112**	95,865,609
Placing	**268**	—	**53,700,180**	—
Acquisition of Filta Group plc	**—**	169	**—**	33,788,008
Acquisition of Hydraulic Authority I Limited	**49**	—	**9,772,788**	—
Exercise of share options	**—**	3	**—**	657,495
At 31 December 2023	**969**	652	**193,784,080**	130,311,112

Share capital comprises the nominal value of the Company's ordinary shares of 0.5 pence each. During the year the Group completed the placing of 63,472,968 ordinary shares at a price of 180p raising £110.7m (net of expenses), and issued 9,772,788 ordinary shares as consideration for the acquisition of Hydraulic Authority I Limited.

Share premium: The share premium reserve is the premium paid on the Company's 0.5 pence ordinary shares. During the year costs of £2.6m were charged against share premium representing directly attributable costs of issuing shares for the acquisition of Hydraulic Authority I Limited.

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.

EBT reserve: This represents the amount that the Company paid for its own shares held in the EBT. During the year, the EBT purchased 18,420 ordinary shares (2022: 1,852,870 ordinary shares) at an average price of 200 pence per share (2022: 143 pence per share). 226,418 ordinary shares (2022: 301,427 ordinary shares) have been used to satisfy the exercise of options. Accordingly, at the year end the EBT held 1,562,685 ordinary shares (2022: 1,770,683 ordinary shares) which represents 0.81% (2022: 1.36%) of the Company's current issued share capital.

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

29 Related party transactions

Remuneration of Directors and other transactions

During the year the Group employed family members of two of the Directors. The total remuneration paid was the same as other employees at an equivalent level in the organisation. During the year £151,398 (2022: £173,373) was paid to Roxanna Inc, a company which Jason Sayers is a Director of under a consultancy arrangement with Filta US in relation to Jason Sayers. This is included within the Director's remuneration. During the year £12,300 (2022: £nil) was paid to Robin Bellhouse, who at the time was a Non-executive Director, for corporate secretarial and governance services, prior to his permanent appointment as Company Secretary on 2 October 2023.

We operate a number of businesses which provide consumer-facing services. From time-to-time, Directors of the Parent Company and other Group companies may use some of these to provide services to them or their immediate family members in a personal capacity. These transactions are conducted at arm's length and no discounts or special terms are offered by virtue of the Director's position. The value of these transactions, individually and collectively, are not material for either the individual or the Group company involved. There are no other transactions with Directors.

Notes payable to related party

On 31 January 2018, FiltaFry Deutschland GmbH entered into notes totalling £48,201, bearing interest at 2.5%, with companies which held the master licences acquired in the acquisition. The Managing Director of FiltaFry Deutschland GmbH is the sole Director of one of these companies. The notes matured on 31 January 2023 and were fully repaid; at year end the total amount outstanding under these notes was £nil (2022: £25,004). Interest accrued on the notes amounted to £nil at 31 December 2023 (2022: £609).

30 Dividends

	2023 £'000	2022 £'000
Final 2022 dividend of 1.1p per ordinary share paid and declared (2022: Final 2021 dividend of 0.9p)	**1,433**	1,169
Interim dividend of 1.0p per ordinary share paid and declared (2022: 0.9p)	**1,938**	1,170
	3,371	2,339

A final dividend of 1.2 pence per ordinary share is proposed.

Notes forming part of the Financial Statements continued

For the year ended 31 December 2023

31 Employee benefits

Country	France
Valuation date	31 December 2023
Fiscal year	31 December 2023
Currency	Euro (€)
Plan	Pension
Actuarial methodology	OCI

Key assumptions	
Discount rate	3.17%
Measurement date	31 December 2023
Salary increase rate	2.50%
Mortality table	Insee 2022

	2023 £'000
Movement in defined benefit obligation	
At 1 January 2023	**—**
Additions in year	**514**
Current service cost	**50**
Interest expense on defined benefit obligation	**12**
Actuarial gain – financial assumption charges	**(6)**
Actuarial gain – demographic changes	**(57)**
Foreign exchange movements	**(6)**
At 31 December 2023	**507**

	2023 £'000
Funded status	
Defined benefit obligation at end of year	**507**
Funded status liability	**—**
Net pension liability	**507**

Net liability reconciliation	2023 £'000
Balance sheet reconciliation	
At 1 January 2023	**—**
Additions in year	**514**
Expense recognised in consolidated statement of comprehensive income	**62**
Remeasurement amounts recognised in other comprehensive income	**(63)**
Foreign exchange movements	**(6)**
At 31 December 2023	**507**

	2023 £'000
Expense	
Current service costs	**50**
Interest costs	**12**
Total expenses recognised	**62**

The Group assumed defined benefit retirement schemes for all qualifying employees in France as part of the acquisition of Pirtek Europe. The scheme is an unfunded plan, therefore there are no separately identifiable assets associated with the scheme. The Group recorded expenses of £62k (2022: £nil) in the consolidated income statement for the year. That expense represents contributions payable to the trust fund for this scheme by the Group at rates specified in the rules of the scheme. The unfunded benefit obligation for this scheme reflected on the consolidated statement of financial position as at 31 December 2023 is £507k (2022: £nil).

Pirtek France operates a post-employment bonus scheme which is as required by French law. Under this national scheme, employees accrue a bonus based on years of service and a bonus is paid out at retirement. The scheme is an unfunded plan, therefore there are no separately identifiable assets associated with the scheme. The following sensitivities have been modelled by the Group actuaries: 1% increase/ decrease in the discount rate has a potential impact of £56k, a 1.5% increase / decrease in salary inflation £59k and a 2% change in social contribution £11k.

Five Year Financial Summary (Unaudited)

For the year ended 31 December 2023

Five year financial summary	**2023 £'000**	2022 Restated £'000	2021 Restated £'000	2020 Restated £'000	2019 Restated £'000
System sales	**350,053**	**186,353**	**93,571**	**75,849**	**76,652**
Statutory revenue	**121,265**	**69,839**	**34,133**	**30,454**	**24,822**
Adjusted EBITDA	**30,101**	**15,257**	**8,474**	**6,640**	**5,182**
Depreciation & amortisation of software	**(4,417)**	(2,281)	(1,716)	(1,357)	(755)
Finance expense	**(5,953)**	(235)	(292)	(446)	(357)
Adjusted profit before tax	**19,731**	**12,741**	**6,465**	**4,836**	**4,069**
Tax expense	**(5,153)**	(2,560)	(1,154)	(899)	(687)
Adjusted profit after tax	**14,578**	**10,181**	**5,311**	**3,937**	**3,382**
Amortisation of acquired intangibles	**(7,718)**	(1,693)	(393)	(393)	(260)
Other gains & losses	**—**	1,232	223	151	(26)
Share-based payment	**(838)**	(535)	(334)	(205)	(238)
Non-recurring items	**(6,159)**	(1,707)	(187)	(707)	(270)
Tax on adjusting items	**3,174**	648	(387)	9	121
Statutory profit	**3,037**	**8,126**	**4,233**	**2,793**	**2,710**
Basic EPS	**1.75p**	6.65p	4.42p	3.09p	3.48p
Adjusted basic EPS	**8.42p**	8.34p	5.55p	4.35p	4.34p
Dividend	**2.20p**	2.00p	1.50p	1.10p	0.95p

Glossary of key terms

Term	Definition
CRM	Customer Relationship Management
DLO	Direct Labour Organisation
FOG	Fats, Oil and Grease
GRU	Grease Recovery Unit
MFU	Mobile Filtration Unit
MSU	Mobile Service Unit
MST	Mobile Service Technician
THM	Total Hose Management

Company Information

Directors and Company Secretary

Stephen Hemsley	Executive Chairman
Mark Fryer	Chief Financial Officer
Peter Kear	Senior Independent Non-executive Director
Andy Brattesani	Independent Non-executive Director
Nigel Wray	Non-executive Director
Rob Bellhouse	Company Secretary

Management Board

Stephen Hemsley	Executive Chairman
Mark Fryer	Chief Financial Officer
Robin Auld	Group Marketing Director
Rob Bellhouse	Company Secretary
Julia Choudhury	Corporate Development Director
Tim Harris	Managing Director, B2C Division
Andrew Mallows	Group Commercial Director
Peter Molloy	CEO, Water & Waste Services
Colin Rees	Chief Information Officer
Jason Sayers	CEO, Filta International
Chris Stuckey	CEO, Pirtek Europe

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Joint brokers

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E14 5HQ

Other syndicate banks

National Westminster Bank
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250 Bishopsgate
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EC2M 4AA

Citibank
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB

Bank of Ireland
26 Cross Street
Manchester
M2 7AF

Notes

Warning to shareholders – investment fraud
We are aware that shareholders in UK companies sometimes receive unsolicited telephone calls or correspondence offering to buy or sell their shares on very favourable terms. The callers can be extremely persistent and very persuasive and often have professional-looking websites and telephone numbers to support their activities. These callers will sometimes imply a connection to the company and provide incorrect or misleading information. This type of call should be treated as an investment scam – the safest thing to do is hang up and ignore any written communications.

You should always check that any firm calling you about potential investment opportunities is properly authorised and regulated by the FCA. If you deal with an unauthorised firm, you will not be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website www.fca.org.uk/consumers, or by calling the FCA's helpline on 0800 111 6768.

If you have already paid money to share fraudsters contact Action Fraud immediately on 0300 123 2040 or through their website, www.actionfraud.police.uk.

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Certain statements contained in this document relate to the future and constitute 'forward-looking statements'. These forward-looking statements include all matters that are not historical facts. In some case, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", "could", "shall", "risk", "aims", "predicts", "continues", "assumes", "positioned" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the directors, Franchise Brands or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of Franchise Brands and the industry sectors in which it operates.

By their nature, forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the Group's control, and which may cause the Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry and business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue in the future. Accordingly, readers of this documents are cautioned not to place undue reliance on these forward-looking statements.

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