Printing.com plc

Final Results

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Printing.com plc
("Printing.com" or "the Company")

Preliminary Results for the period ended 31 March 2013

Printing.com, operating in the UK, Holland, Belgium, France, Ireland and under licence in New Zealand and the US today announces its preliminary results for the year ended 31 March 2013.

Financial Highlights

	2013	2012	**Change**
Turnover	**£20.66m**	£21.77m	**-5.1%**
EBITDA before exceptional costs*	**£2.81m**	£3.43m	**-18.1%**
EBITDA	**£2.63m**	£3.43m	**-23.3%**
Profit before tax and exceptional costs*	**£1.11m**	£1.30m	**-14.6%**
Exceptional costs*	**£0.18m**	-	
Profit before tax	**£0.89m**	£1.25m	**-28.8%**
EPS - Basic	**1.69p**	2.33p	**-27.4%**
EPS - Fully Diluted	**1.69p**	2.32p	**-27.2%**
Dividend	**2.55p**	2.55p	**-**
Capital Expenditure	**£1.56m**	£1.38m	
Net Cash	**£1.42m**	£1.87m	
Net Funds**	**£1.39m**	£1.77m	

***Exceptional costs of which £0.16m represented a severance payment.**
****Net funds is the net of cash and cash equivalents less other interest bearing loans and borrowings**

Operational highlights

- **Encouraging growth in online channels - Drukland.be and Flyerzone UK.**
- **Further growth in key accounts via BrandDemand**

- **Group Intellectual Property leveraged to launch 'Software-as-a-Service' (SaaS) offerings**
- **SaaS based W3P and TemplateCloud initiatives successfully launched**
- **Proposed Company name change reflects the Group's broader activity**
- **2013 final dividend maintained**

For further information:

Printing.com plc

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Chairman's Statement

The key development within the year under review was the successful launch of the Company's new 'Software as a Service' (SaaS), W3P.com and Templatecloud.com offerings. This type of service is also referred to as 'Cloud Computing'.

These SaaS offerings leverage the Group's software and other intellectual property and thereby significantly have reduced development costs to date. Notwithstanding this, establishing these SaaS offerings has incurred material operational costs during the year under review impacting on Company earnings.

However, moving forward we believe that these new SaaS offerings will open up material new opportunities for the Group.

Results

During the year, printing volumes contracted, resulting in a decrease in turnover of 5.1% to £20.66m *(2012: £21.77m)*. This decrease, together with the subsidy of the new SaaS initiatives, resulted in EBITDA before exceptional costs contracting by 18.1% to £2.81m from £3.43m last year. Operating profit, before exceptional costs, decreased by 14.6% to £1.11m *(2012: £1.30m).*

The exceptional costs of £0.18m, incurred in the period, were principally the severance payment made to the outgoing Director of the Group's Dutch subsidiary. Profit before tax reflected this and contracted by 28.8% to £0.89m *(2012: £1.25m)*

Cash

The Company had cash of £1.42m *(2012: £1.87m)* at the year end.

During the year, the Group repaid £0.08m of debt and finished the year with negligible legacy debt of £0.02m. Capital investment totalled £1.56m *(2012: £1.38m),* funded through operational cash flows. This principally reflected the ongoing investment in the Group's new SaaS offerings.

Capital Reduction

Having gained Shareholder support at the last AGM the Company received Court approval to the capital reorganisation on 8 August 2012 increasing distributable reserves in the Company by £4.08m through the cancellation of the share premium account.

Dividend

When updating the market on 20 February 2013, the Board reported its intention to recommend the payment of a final dividend at the same level as the previous year, having taking into account not just the Company's earnings but the near absence of debt together with the underlying cash generation. This remains the Board's position and it recommends a final dividend of 1.50p to be paid on 2 August 2013 to Shareholders on the register at the close of business on 5 July 2013. This would make a total dividend for the year of 2.55p *(2012: 2.55p).*

Moving forward, the Board believes that until the scalability and cash requirements of the new initiatives are established, a dividend policy requiring that proposed dividends are covered by earnings should be adopted.

People at Printing.com

With the advent of the new SaaS offerings, the endeavours of our employees and partners are becoming more diverse and demanding, and I accordingly thank them one and all for their respective efforts.

Proposed Change of Name

The Company's name previously represented the single focus of our business activities, today the Group and its offering are more diverse. In particular, the Printing.com plc name causes confusion and misunderstanding when marketing the TemplateCloud and W3P SaaS offerings.

It is therefore our intention to table a resolution at the AGM to change the Company's name from Printing.com plc to Grafenia plc to reflect the broad 'graphic nature' of the Group's activity.

Outlook

The Company embarks on its new SaaS initiatives with significant net cash and strong underlying cash generation.

In the short term, we believe that the majority of the Group's earnings will continue to be generated from the sale of printing. The print market remains competitive, but we believe the Group's channels Flyerzone, BrandDemand and Drukland together with the augmented Printing.com formula, position the Group well to compete.

We are now at the juncture where we believe the new SaaS formulas, W3P and Templatecloud.com, will gain momentum and by the end of the current year make a positive contribution to earnings on a monthly basis.

Various elements of the new SaaS offerings have already been 'internationalised' and readied for use in multiple languages. This reflects our belief that we can commercially exploit the SaaS technology in other territories via agents, master license owners and the like.

Given the early stage of exploiting the SaaS offerings it is appropriate that we remain cautious about the scope for earnings growth during the current financial year. However, moving forward we believe that the Group has a clearly defined strategy and significant opportunities for growth.

Les Wheatley
Chairman
10 June 2013

Chief Executive's Statement

Overview of Strategy

The sale of printing through the Printing.com franchise network and online via Flyerzone, Drukland, BrandDemand remains important to the Group. Indeed, in the short term, this activity is likely to continue to generate the majority of the Group's earnings and is strongly cash generative.

Worldwide, there are more printing companies wanting to sell online and needing the necessary systems to do so. This provides an opportunity to leverage the Group's software and make it available to companies wishing to sell online via a new SaaS formula. The SaaS revenue model is based on 'pay-per-month', 'pay-per-click' and 'pay per design'.

We are now at the point where our new SaaS initiatives, W3P and Templatecloud.com have moved from development to deployment.

Moving forward, the Group will have three distinct revenue streams;- printing services via its franchised and online channels, secondly W3P.com a SaaS based platform for the graphic arts sector and finally TemplateCloud.com, a SaaS based offering selling 'templated' graphic design.

Review of trading - UK&EI

Sales across the Printing.com network were £12.55m *(2012: £13.78m)* with the reduction reflecting a competitive marketplace and increased online competition.

To arrest this decline, we have configured W3P so that partners can order printing via the system. Indeed, to date a number of Printing.com Franchisees have converted to the W3P format yet continued to utilise the Group's printing facilities. Collectively this enables the Group to broaden its 'reseller' base and increase the lifetime value of its partners.

Review of trading - France

Sales from France across all channels progressed marginally to £0.57m *(2012: £0.54m).*

Review of trading - Belgium

Trading across the Group's Drukland.be channel exhibited encouraging progress to £1.21m (*2012: £0.80m).* In the period Drukland.be added the Group's TemplateCloud platform which contributed to sales.

Review of trading - Netherlands

Sales from the Group's Dutch channels, Flyerzone.nl and Drukland.nl contracted by 5.3% to £6.12m *(2012: £6.46m)* reflecting increased competition.

However, taking out the effect of exchange rate variations; the underlying contraction, measured in Euro sales, was just 2.3%.

TemplateCloud content was added during the second half to Drukland.nl and will follow shortly onto Flyerzone.nl when its website is upgraded.

BrandDemand

BrandDemand is an alternative brand used by the Company's Printing.com franchisees when offering a print management service. Its revenue for the year increased to £0.58m *(2012: £0.29m).* This reflected the addition of many new clients and the maturing of other accounts.

Moving forward we expect additional growth for BrandDemand UK. The formula has also been recently launched in the Netherlands.

Flyerzone UK

Flyerzone.co.uk is a low-cost, online only service targeting SOHO clients. Clients progress their orders by uploading a PDF file or by choosing a design Template from the Company's TemplateCloud system, which is featured on the site.

During the year revenues grew to £0.68m *(2012: £0.09m).* The run rate for March 2013 was circa £0.11m reflecting the ongoing growth.

Establishing Flyerzone has to date required significant marketing investment, thereby requiring subsidy from the Group's other activities. Our objective for Flyerzone UK is that it makes a positive contribution, on a monthly basis, by the close of the current financial year.

TemplateCloud.com

In the Interim Report we highlighted that the TemplateCloud formula was being positioned as a stand alone SaaS offering and a revenue stream in its own right, rather than as an element of the Group's own channels.

The concept of TemplateCloud is to 'crowdsource' graphic design from freelance contributors. The TemplateCloud software converts the 'graphic designer's work' from an industry standard file format into a proprietary format capable of being edited via a web browser.

Templates cover the promotional needs of a vast array of SOHO types. The English library now contains in excess of 11,000 templates. The content has been translated into French, Dutch, Spanish, Italian, Portuguese, Swedish and German along with US Imperial sizes.

The first such agreement is now in place via a partnership with Needaprint.co.uk and Needaprint.ie.

Terms have been agreed with a number of other online printers, in various territories, to add this functionality.

Moving forward we believe that TemplateCloud will be added to a material number of online printers thereby leveraging the Group's intellectual property.

W3P

W3P is the Company's new SaaS based formula for graphic designers, printers and the like. The system provides online ordering, proofing, studio management, in-house and third party production. It also includes the Company's template technology providing web-to-print functionality.

The foundation of W3P is the Company's established Flyerlink software, developed originally for use by Printing.com Franchisees. This has enabled the powerful and sophisticated W3P platform to be developed at a significantly lower cost and more expeditiously than would otherwise have been the case.

W3P partners pay a license fee of £99 - £199 per month depending on the chosen functionality. Above a certain threshold partners also pay micro fees, typically £2 or £3 per order.

During the final quarter of the year 11 of these agreements were completed - post the year end the user base has continued to grow.

The W3P platform is now being readied for use across many EU countries, the US and Australia. During the current year we looked to put in place agents to promote W3P in these other territories and anticipate that this will gain momentum.

Board Changes

Following taking up a new position in Canada, Christian Deckart has announced his intention to step down from his role as Non-executive Director at the Group's AGM on 19 July 2013. On behalf of the Board I would like to express our thanks to Christian for his hard work and contribution to the development of the Group.

Current Trading

Across our core markets the sale of printing remains broadly in line with the Company's internal budget and the prior year. The pipeline for new W3P partners remains encouraging and we believe this bodes well for the grant of additional licenses moving forward.

We are also engaged in meaningful discussions with a number of international partners who could, promote the W3P and TemplateCloud offerings in their respective countries.

Tony Rafferty
Chief Executive
10 June 2013

Financial Review

Revenue

Group revenues decreased by 5.1% to £20.66m *(2012: £21.77m).* Revenue from the Eurozone was 38.1% of the total *(2012: 35.8%).*

EBITDA for the Group, before exceptional costs, decreased by 18.1% to £2.81m *(2012: £3.43m).*

Pre Tax Profit, before exceptional costs, decreased to £1.11m *(2012: £1.30m).* Exceptional costs of £0.18m were incurred in the period, principally being the severance payment made to Hans Scheffer, the MD of the Group's Dutch subsidiary, reducing Pre Tax Profit to £0.89m *(2012: £1.26m)*

Gross Profit

The Group's simple definition of Gross Profit has been revenue less direct materials (including the cost of distribution when made direct to customers). MFG cost of sales included the manufacturing conversion cost, as they are supplied by third party commercial printers. Increased integration in the supply chain has meant that in the second half of the year more MFG production was supplied by the UK Hub resulting in Gross Profit increasing as a percentage from 53.4% to 54.3% although it reduced overall to £11.21m *(2012: £11.63m)* inline with the decrease in revenue.

EBITDA

The Group define EBITDA as operating profit, before exceptional costs, plus depreciation and amortisation. The year showed a decrease to £2.81m being 13.6% *(2012: £3.43m 19.9%)* of turnover.

Pre-Tax Profit

The Group recorded a pre-tax profit of £0.89m *(2012: £1.26m),* being 4.3% *(2012: 5.8%)* of Group revenue.

Staff costs increased in the year to £4.83m *(2012: £4.47m),* and rose as a percentage of revenue to 23.4% from 20.5%. The increase in staff costs reflected the investment in the establishment and development of the new sales Channels. The depreciation and amortisation charge for the year was £1.70m *(2012:* £2.13m*),* last year these charges had peaked as the investment in the Hub Infrastructure, Territory Rights and Customer Lists approach the end of their useful economic lives fall away. The most significant element remains the charge for the amortisation of Software Development.

Interest Received and Charged

Interest received and charged in the period were negligible.

Taxation

In the year the standard rate for tax was 24% *(2012: 24%).* The charge for the current year is £0.09m or 9.7% of PBT *(2012: £0.16m or 12.7%)*. The effective tax rate was reduced through the inclusion of enhanced tax relief on research and development expenditure.

Earnings Per Share (EPS)

Basic EPS achieved was 1.69p *(2012: 2.33p)*, the weighted average number of shares used was 47,557,835. Diluted EPS achieved was 1.69p *(2012:2.32p)*, the weighted average number of shares used was 47,610,446. The year closed with 47,557,835 ordinary shares in issue.

Cash Flow

At the year end the Group had cash balances of £1.42m *(2012: £1.87m).* After debt of £0.02m in MFG legacy bank loans Net Funds were £1.39m *(2012: £1.77m)*. Operational cash inflow remained strong at £2.72m *(2012: £3.54m)*. The most significant cash outflow being dividends paid of £1.21m *(2012: £1.49m)*.

Capital Expenditure

The total expenditure for the year was £1.56m *(2012: £1.38m)*. The major item being Software Development charges for the online initiatives and computing infrastructure £1.17m *(2012: £0.86m).* There were no Franchises reverting to Company ownership in the period and no Customer Lists were acquired *(2012: £0.33m)*.

Manufacturing capacity at the Manchester Hub provides scope for growth without additional capital expenditure.

Capital expenditure will therefore continue to be mainly incurred on software development and enhancement at levels similar to that seen in 2013

Share Capital and Share Options

No employee options were exercised or granted during the year.

During the year the Company did not purchase any of its own shares.

Treasury Policies and Financial Risk

Surplus funds are intended to support the Group's short term working capital requirements. These funds are invested through the use of short term deposits and the policy is to maximise returns as well as provide the flexibility required to fund on-going operations. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes.

Interest rate risk, liquidity risk and currency risk

Interest rate risks are minimal, having cleared all finance lease agreements. The Group uses leasing or hire purchase at periods of up to 5 years to finance purchases of major items of plant where it is considered to be a more effective use of funds.

The Group operates in Holland, Belgium, France, Ireland and Switzerland and therefore has overseas assets and liabilities which are income generating and thus any currency movements are considered to be a low risk.

Alan Q. Roberts
Finance Director
10 June 2013

Group Share Price

The Group's share price performance for the period under review ranged between 21.00 pence to 32.50 pence. The market price of shares as at 31 March 2013 was 21.75 pence (31 March *2012: 28.00 pence)*.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2013

	Note	**2013**	2012
		£000	£000
Revenue	*3*	**20,664**	21,768
Raw materials and consumables used		**(9,453)**	(10,134)

Gross profit		**11,211**	11,634
Staff costs		**(4,825)**	(4,473)
Other operating charges		**(3,577)**	(3,727)
Depreciation and amortisation		**(1,698)**	(2,134)
Total expenses		**(10,100)**	(10,334)
Operating profit before exceptional costs		**1,111**	1,300
Exceptional costs		**(183)**	-
Operating profit		**928**	1,300
Financial income		**13**	14
Financial expenses		**(50)**	(56)
Net financing expense		**(37)**	(42)
Profit before tax		**891**	1,258
Taxation	*4*	**(86)**	(158)
Profit for the year		**805**	1,100
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**805**	1,100
Basic earnings per share	*5*	**1.69p**	2.33p
Diluted earnings per share	*5*	**1.69p**	2.32p

Consolidated Statement of Changes in Equity

Group - year ended 31 March 2012	**Share Capital £000**	**Share premium £000**	**Merger reserve £000**	**Retained Earnings £000**	**Total £000**
Balance at 31 March 2011	469	3,881	838	1,311	6,499
Profit and total comprehensive income for the year	-	-	-	1,100	1,100
Dividends paid	-	-	-	(1,492)	(1,492)
Shares issued	6	198	-	-	204
Total movement in equity	6	198	-	(392)	(188)
Balance at 31 March 2012	475	4,079	838	919	6,311
Group - year ended 31 March 2013					
Profit and total comprehensive income for the year	-	-	-	805	805
Capital Reorganisation	-	(4,079)	-	4,079	-
Dividends paid	-	-	-	(1,213)	(1,213)
Shares issued	-	-	-	-	-
Total movement in equity	-	(4,079)	-	3,671	(408)
Balance at 31 March 2013	**475**	**-**	**838**	**4,590**	**5,903**

Consolidated Statement of Financial Position

At 31 March 2013

	2013 £000	2012 £000
Non-current assets		
Property, plant and equipment	**1,976**	2,173
Intangible assets	**4,681**	4,615
Deferred tax assets	**2**	2
Total non-current assets	**6,659**	6,790
Current assets		
Inventories	**183**	147
Trade and other receivables	**2,543**	2,898

Cash and cash equivalents	**1,417**	1,874
Total current assets	**4,143**	4,919
Total assets	**10,802**	11,709
Current liabilities		
Other interest-bearing loans and borrowings	**(23)**	(80)
Trade and other payables	**(2,826)**	(2,889)
Current tax payable	**(157)**	(372)
Accruals and deferred income	**(1,075)**	(1,315)
Other liabilities	**(365)**	(243)
Total current liabilities	**(4,446)**	(4,899)
Non-current liabilities		
Other interest-bearing loans and borrowings	**-**	(23)
Deferred tax liabilities	**(453)**	(476)
Total non-current liabilities	**(453)**	(499)
Total liabilities	**(4,899)**	(5,398)
Net assets	**5,903**	6,311
Equity attributable to equity holders of the parent		
Share capital	**475**	475
Share premium	**-**	4,079
Merger reserve	**838**	838
Retained earnings	**4,590**	919
Total equity	**5,903**	6,311

Consolidated Statement of Cash Flows

for year ended 31 March 2013

	Group 2013 £000	Group 2012 £000
Cash flows from operating activities		
Profit for the year	**805**	1,100
Adjustments for:		
Depreciation, amortisation and impairment	**1,698**	2,134
Net finance expense	**37**	10
Foreign exchange (loss)/gains	**(45)**	32
Tax expense	**86**	158
Operating cash flow before changes in working capital and provisions	**2,581**	3,434
Change in trade and other receivables	**355**	609
Change in inventories	**(36)**	43
Change in trade and other payables	**(181)**	(544)
Cash generated from Operations	**2,719**	3,542
Interest paid	**(5)**	(24)
Income tax paid	**(324)**	(337)
Net cash inflow from operating activities	**2,390**	3,181
Cash flows from investing activities		
Proceeds from sale of plant and equipment	**-**	4
Interest received	**13**	14
Acquisition of plant and equipment	**(303)**	(183)
Capitalised development expenditure	**(574)**	(322)
Acquisition of other intangible assets	**(687)**	(872)
Dividends received	**-**	-
Net cash used in investing activities	**(1,551)**	(1,359)

Cash flows from financing activities

Proceeds from the issue of share capital	**-**	204
Payment of finance lease liabilities	**-**	(200)
Repayment of bank loans	**(80)**	(127)
Repayment of loan notes	**-**	(355)
Dividends paid	**(1,213)**	(1,492)
Net cash used in financing activities	**(1,293)**	(1,970)
Net decrease in cash and cash equivalents	**(454)**	(148)
Exchange (loss)/gain on cash and cash equivalents	**(3)**	20
Cash and cash equivalents at start of year	**1,874**	2,002
Cash and cash equivalents at 31 March	**1,417**	1,874

Notes
(forming part of the interim financial statements)

1 Basis of preparation

Printing.com plc (the "Company") is a company incorporated and domiciled in the UK.

These financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2013.

The comparative figures for the year ended 31 March 2012 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivererd to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated preliminary financial statements were approved by the Board of Directors on 10 June 2013.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2012.

3 Segmental information

As in the prior year the Group's primary operating segments are geographic being UK & Ireland, Europe and others. The segmental analysis by nature of service is also consistent with the prior year being conventional printing services, online printing services and licence income.

This disclosure correlates with the information which is presented to the Chief Operating Decision Maker, the Chief Executive (CEO), who reviews revenue (which is considered to be the primary growth indicator) by segment. The Group's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the CEO at a consolidated level and therefore have not been allocated between segments in the analysis below.

Of the Group revenue of £20,664,000, £12,216,000 was generated in the UK *(2012: £13,389,000).* Revenue generated outside the UK is primarily attributable to Holland & Belgium £7,327,000 *(2012: £7,258,000),* France £566,000 *(2012: £536,000)* and Republic of Ireland £333,000 *(2012: £392,000).* No single customer provided the Group with over 10% of its revenue.

Of the Group's non-current assets (excluding deferred tax) of £6,657,000, £6,356,000 are located in the UK. Non-current assets located outside the UK are in Holland £207,000, (*2012: £663,000*), France £93,000, (*2012: £91,000*) and the Republic of Ireland £1,000, (*2012: £1,000*).

Analysis by location of sales

	UK & Ireland £000	Europe £000	Other £000	Total £000
Period ended 31 March 2013				

Segment revenues	**12,549**	**7,893**	**222**	**20,664**
Operating Expenses				**(19,553)**
Results from operating activities				**1,111**
Exceptional expense				**(183)**
Net finance expense				**(37)**
Profit before tax				**891**
Tax				**(86)**
Profit for the period				**805**
Assets				
Unallocated net assets				**5,903**

	UK & Ireland £000	Europe £000	Other £000	Total £000
Period ended 31 March 2012				
Segment revenues	13,781	7,794	193	21,768
Operating Expenses				20,468
Results from operating activities				1,300
Net finance income				(42)
Profit before tax				1,258
Tax				(158)
Profit for the period				1,100
Assets - Unallocated net assets				6,311

Analysis by type

	Printing services - online sales £000	**Printing services £000**	**Licence Income £000**	**Total £000**
Period ended 31 March 2013				
Segment revenues	**8,755**	**11,031**	**878**	**20,664**
Operating Expenses				**(19,553)**
Results from operating activities				**1,111**
Exceptional expense				**(183)**
Net finance income				**(37)**
Profit before tax				**891**
Tax				**(86)**
Profit for the period				**805**
Assets				
Unallocated net assets				**5,903**

Analysis by type

	Printing services - online sales £000	Printing services £000	Licence Income £000	Total £000
Period ended 31 March 2012				
Segment revenues	7,399	13,324	1,045	21,768
Operating Expenses				20,468
Results from operating activities				1,300
Net finance income				(42)
Profit before tax				1,258
Tax				(158)
Profit for the period				1,100
Assets				
Unallocated assets				6,311

4 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Recognised in profit and loss

	2013	2012
	£000	£000
Current tax expense		
Current year	**292**	459
Foreign tax	**158**	152
Adjustments for prior years	**(341)**	(325)
	109	286
Deferred tax expense		
Origination and reversal of temporary differences	**(181)**	(252)
Movement due to change in rate of tax	**(27)**	(62)
Adjustment in respect of prior year	**185**	186
Total tax in profit and loss	**86**	158

The adjustment in the tax expense for prior years is primarily due to R&D tax reclaims. These amounts are only recognised by the Group when the claims have been completed and cash received. The amounts reclaimed differ from the development costs capitalised under IAS and therefore the difference is not recognised as part of the tax base of these assets.

Reconciliation of effective tax rate

	2013	2012
	£000	£000
Profit for the period	**891**	1,258
Total tax expense	**(86)**	(158)
Profit after taxation	**805**	1,100
Tax using the UK corporation tax rate of 24% (*2012: 26%*)	**193**	327
Permanent differences	**19**	28
Overseas tax losses not recognised	**2**	12
Difference in overseas tax rate	**27**	(22)
Adjustments in respect of prior periods - current tax	**(341)**	(325)
Adjustments in respect of prior periods - deferred tax	**185**	186
Movement due to change in tax rate	**(20)**	(48)
Total tax expense	**86**	158

The Group Tax Creditor amounts to £157,000 *(2012: £372,000)*. The deferred tax assets and liabilities as at 31 March 2013 have been calculated using the tax rate of 24% which was substantively enacted at the balance sheet date.

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

5 Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares.

	2013	2012
	£000	£000

Profit after taxation for the financial year	**805**	1,100
Weighted average number of shares		
	Number of Shares	Number of Shares
For basic earnings per ordinary share	**47,557,835**	47,302,191
Exercise of share options	**52,611**	203,901
For diluted earnings per ordinary share	**47,610,446**	47,506,092

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of deferred shares shall not be entitled to any participation in the profits or the assets of the Company and the deferred shares do not carry any voting rights.

6 Dividends

	2013 £000	2012 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**713**	993
Interim dividends paid in respect of the current year	**500**	499
Total dividend paid in the year	**1,213**	1,492

After the balance sheet date dividends of £713,000/1.50p per qualifying ordinary share (*2012: £713,000/1.50p per qualifying ordinary share)* were proposed by the Directors. The dividends have not been provided for.

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