Grafenia plc

Preliminary Results

RNS Number : 4308P
Grafenia plc
08 June 2015

Grafenia plc
("Grafenia" or "the Company" or the "Group")

Preliminary Results for the period ended 31 March 2015

Financial Highlights

	2015	2014	Change
Turnover	**£17.00m**	£19.44m	**-12.6%**
EBITDA	**£2.52m**	£2.65m	**-4.9%**
Profit before tax	**£0.86m**	£0.76m	**13.2%**
Tax Charge/(Recovery)	**£0.01m**	£(0.11)m	
EPS - Basic	**1.80p**	1.82p	**-1.1%**
EPS - Fully Diluted	**1.80p**	1.82p	**-1.1%**
Dividend per share	**1.50p**	1.33p	**12.8%**
Capital Expenditure	**£1.26m**	£1.16m	
Net Cash	**£1.28m**	£1.40m	
Net Funds	**£1.27m**	£1.40m	

***Net funds is the net of cash and cash equivalents less other interest bearing loans and borrowings**

Operational highlights

· **Profit Before Tax up 13.2%**

- **MarqetSpace attracts over 1,000 trade professional buyers**
- **Nettl network now 25 studios**
- **Group remains cash generative and debt free**
- **Focus moving forward on Marqetspace and Nettl**

For further information:

Grafenia plc

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Chairman's Statement

Last year, I opened my report with the belief that we had the foundations in place to move forward from a period of change. During the year under review I believe that we have indeed built upon those foundations, albeit progress is not yet sufficient to offset the contraction of the Group's original Printing.com franchise.

It has always been our objective to negotiate this period of change maintaining profitable trading, delivering cash generation and the return of funds to shareholders. To this extent we are pleased to report a modest increase in pre tax profit during the year under review.

We are mindful that not all of the Group's new initiatives have progressed to the extent originally envisaged. However we now have two channels, Nettl and Marqetspace, which appear to have the potential to significantly increase in scale. Marqetspace, from a standing start, generated an annualised monthly run rate (AMRR) of revenue in excess of £1 million during March 2015, and Nettl by the same point had secured 25 outlets / partners.

Results

Group Turnover decreased by 12.6% to £17.00m *(2014: £19.44m)*. EBITDA contracted by 4.9% to £2.52m *(2014: £2.65m)*. Operating profit increased by 7.4% to £0.87m *(2014: £0.81m)*. Profit before tax increased by 13.2% to £0.86m *(2014: £0.76m)*.

As in previous years the effective tax rate has been reduced through gaining Research & Development Relief. This year there was a small Group tax charge £0.01m *(2014: repayment of £0.11m)*.

Cash

The Company had a net cash position of £1.28m *(2014: £1.40m)* at the year end, despite capital investment totalling £1.26m *(2014: £1.16m)*, which was funded through operational cash flows. This principally reflected investment in the

Group's SaaS platform.

Dividend

The Board recommends a maintained final dividend of 1.00p *(2014: 1.00p)* to be paid on 31 July 2015 to Shareholders on the register at the close of business on 3 July 2015. This would make a total dividend for the year of 1.50p *(2014: 1.33p),* an increase for the year of 12.8%.

People at Grafenia plc

The effort of the workforce is key to our organisation's success and for this, as ever, I am thankful for the dedicated and hardworking staff across the Group.

Outlook

During the current year, as the nature of our Printing.com franchise partners' businesses change and with our Dutch markets likely to be increasingly competitive it is probable that we will continue to see revenue contract.

However, with the advent of Marqetspace and Nettl we consider that we have moved beyond the foundations simply being in place. Each of these channels will, we believe, grow to a material size during the current year and form the mainstay of the Group's revenues over a two to three year timescale.

Given the change in our markets, and the focus on establishing Marqetspace and Nettl, it is anticipated that earnings for the current year will be weighted towards the second half as expected. However, by the close of the year we believe the potential of these two channels will have been validated.

Les Wheatley
Chairman
8 June 2015

Strategic Report

Chief Executive's Statement

Overview and re-focussing of Strategy

From its launch in December 2012 it was envisaged that W3P (SaaS based web-to-print) could supersede the Printing.com formula in terms of its importance to the Group.

W3P has expanded to some 80 partners (paying typically £200 a month), however it has become clear that material revenue growth was frustrated by a protracted marketing cycle and print revenue per W3P partner overall proved to be lower than expected. I am mindful that this initiative consumed resource and has proven to be a hiatus in the Group's progress.

During the year under review we launched Nettl and Marqetspace. We are aware that these channels could simply be perceived as another two 'innovative ideas'. However, I believe that Nettl and Marqetspace move the Group back to its core competencies. Both of these initiatives utilise the SaaS platform developed for W3P and I believe, establish a scalable way to generate revenue.

KPIs

The Board monitors a variety of KPIs as set out in this report, covering the generation of print revenue, licence fees and the number of strategic partners from the Group's various channels and geographic operations.

Marqetspace

Marqetspace was launched during the first quarter of the year under review and sells print online to professional buyers (i.e. graphic designers and small printers). Unlike W3P, or indeed Printing.com there is no formal licence agreement. It was envisaged that using this approach a significant client base of professional buyers who place regular orders could be established quickly.

To date Marqetspace has attracted over 1,000 professional buyers and it is believed that this client base will continue to grow significantly.

In the Interim Results we set the objective of achieving an AMRR of £1million before the end of the year - an objective that we achieved. During the current year we expect this figure to show material progress and indeed AMRR to exceed £3 million. We believe that the scope exists to develop Marqetspace into a £10 million channel over a time period of approximately three years.

Printing.com and Nettl

Whilst Printing.com still generates significant revenues and is much cherished, many Printing.com bolt-on partners now position their business with a bias towards web design and digital media. Consequently a typical Printing.com partner generates less print revenue.

Accordingly in last year's Annual Report I set out our intention to launch Nettl as a cross-media bolt-on formula. This formula is bolted onto established graphic design or print businesses enabling the simplified delivery of websites, ecommerce shops and the like.

The first Nettl opened in Birmingham, September 2014, and the performance of Nettl Birmingham was encouraging delivering some 50 web projects in its first six months.

In the interim report, we set ourselves the objective of establishing 25 Nettls by March 2015, an endeavour in which we were successful. To date, the 25 Nettls comprise 20 former Printing.com partners who have adopted the new format, together with the conversion of five Company owned Printing.com outlets.

The DIY market for low cost websites contains a number of significant international operators. However the Nettl target market is for projects above the DIY space with projects typically in the £300 - £3,000 range. This market segment is extremely fragmented and we believe we can establish Nettl to become a market leader.

Post the year end our focus has been in assisting the first wave of Nettl partners to get going with the Nettl system. Interest from prospective Nettl partners is encouraging and we expect the next wave of Nettls to be secured during the interim period.

In the current year our objective is to secure an additional 50 partners, with half originating from outside the Printing.com network. Moving forward our two to three year objective is to grow the Nettl network to in excess of 200 partners across the UK and Ireland.

The Nettl revenue model is now centred on a 17.5% royalty, with a progressive minimum monthly fee, typically £750.

Sales of Printing

Print revenue from the Printing.com network in the UK and Ireland was £6.2m *(2014: £8.2m)*. Franchisees who switched to the W3P format accounted for an additional £1.02m *(2014: £0.6m)*.

At the close of the year under review, the Group had 104 Printing.com franchisees *(2014: 156)*, together with 80 that had converted to the W3P format *(2014:*

72). Nettl partners principally switching from Printing.com in the final quarter of the year accounted for £0.08m of print revenue *(2014: nil)*.

In the year Marqetspace together with W3P generated print revenues of £0.85m *(2014: £0.31m)*.

Flyerzone UK and Flyerzone IE generated revenues of £0.60m *(2014: £0.92m)* albeit with a significantly lower marketing spend. We therefore estimate that Flyerzone made a greater contribution in the period. BrandDemand, the Group's online print management service, showed a slight increase in revenues to £0.63m *(2014: £0.62m)*.

In the Netherlands and Belgium, the Group's revenues arise from the operation of online channels, namely Flyerzone.nl, together with Drukland.nl and Drukland.be.

Trading across these countries remains steady, albeit competition is fierce and the strengthening of sterling against the Euro has impacted print revenues which are £6.00m *(2014: £7.34m).* During the year the Dutch operations have been streamlined, meaning that underlying profit contribution from these channels has been maintained at the same level as the previous year.

We are mindful of the increasingly competitive nature of the Dutch markets within which we operate and will explore strategic partnerships and other options in this regard.

Licence Fees

Overall revenues from licence fees increased to £1.23m *(2014: £0.98m)*.

W3P revenues increased to £0.33m *(2014: £0.13m).* During the year an additional master Licence was granted taking the total number of Master Licences to five. This saw revenue from international Master Licences progress to £0.52m *(2014: £0.29m)*.

Fees generated from TemplateCloud, the Group's provider of 'crowdsourced' graphic design, increased to £0.19m *(2014: £0.16m)*.

Current Trading and Outlook

Across the Group's established print channels trading during April and May was softer than anticipated, albeit the start of June appears more encouraging.

Since the year end Marqetspace has recorded a small increase in the underlying daily rate. Nettl generated 100 web projects across the 25 outlets during April and May. Given that for many Nettl partners this is their first step into the web design market we believe this is encouraging for further Nettl development.

Tony Rafferty
Chief Executive
8 June 2015

Strategic Report - Financial Review

Revenue

Group revenues decreased by 12.6% to £17.00m *(2014: £19.44m).* Revenue from the Eurozone was 38.6% of the total *(2014: 40.6%)*, as disclosed in the Segmental Analysis.

Gross Profit

The Group's definition of Gross Profit is revenue less direct materials (including the cost of distribution when made direct to customers). Grafenia BV's cost of sales includes the manufacturing conversion cost, as they are supplied by third party commercial printers and by the UK Hub. This coupled with the increase in licence fee payments resulted in Gross Profit increasing as a percentage from 56.1% to 58.7% although it reduced in monetary terms to £10.0m *(2014: £10.90m)* in line with the decrease in revenue.

EBITDA / Operating Profit

The year showed a marginal decrease in EBITDA to £2.52m, being a margin of 14.8% *(2014: £2.65m, 13.6%)* of turnover.

Operating Profit increased to £0.87m *(2014: £0.81m).*

Pre-Tax Profit

The Group recorded a pre-tax profit of £0.86m *(2014: £0.76m),* being 5.1% *(2014: 3.9%)* of Group revenue.

Staff costs decreased in the year to £4.54m *(2014: £4.80m),* but rose as a percentage of revenue to 26.7% from 24.7%. The increase in staff costs as a percentage of revenue reflected the investment in the establishment and development of the new sales channels. The depreciation and amortisation charge for the year was £1.66m *(2014: £1.84m*)*.* 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 UK tax was 21% *(2014: 23%).* The current year has realised a net tax charge of £0.1m *(2014: repayment of £0.11m)*. The 2014 repayment was due to the inclusion of enhanced tax relief on research and development expenditure and a similar credit was realised in the year but this was offset by overseas tax.

Earnings Per Share (EPS)

Both basic and diluted EPS were 1.80p *(2014: 1.82p)*, based on a weighted average number of shares in issue of 47,071,835.

Cash Flow

At the year end the Group had cash balances of £1.28m *(2014: £1.40m).* Net Funds were £1.27m *(2014: £1.38m)*. Operational cash inflow was £1.94m *(2014: £1.86m)*. Working Capital movement included a reduction in Trade Creditors of £0.98m and reflects the change in supply from third parties in Holland to the Manchester Hub. The most significant cash outflow being dividends paid of £0.76m *(2014: £0.87m)*.

Capital Expenditure

The total capital expenditure for the year was £1.26m *(2014: £1.16m)* with the major item being Software Development for Nettl and the Group's SaaS platforms totalling £1.07m *(2014: £0.91m).*

Manufacturing capacity at the Manchester Hub provides scope for growth. However, new equipment is planned to extend the gamut of our product range and expenditure will continue to be incurred on software development and enhancement.

Share Capital and Share Options

No employee options were exercised or granted during the year and the 2004 Employee Share Option Scheme lapsed.

During the year the Company did not purchase any of its own shares *(2014: 486,000)*.

Principal Risks and Uncertainties

The following are some of the principal risks relating to the Group's operations:

- markets operated in are extremely competitive and if the Group became uncompetitive significant revenue loss could occur.
- a major catastrophe could impact the Group's UK Production Hub. A disaster plan exists and losses are insured against but there could be a significant impact in the short and medium term.
- in Benelux, the Group outsources much of its production to third party manufacturers. There is a risk these suppliers could become insolvent, unable to operate, or unwilling to maintain favourable pricing to the Group. The Group utilises appropriate service level agreements to mitigate this.
- Group revenue is dependent on print, the principal application being for businesses to advertise. Online advertising, coupled with smart devices mean we cannot be certain that the demand for print will be maintained at current levels. Were the demand for print to be significantly reduced this would affect the viability of the Group in its current form.
- print and licence income are reliant on the Group's SaaS platform. Disaster recovery plans exist and the Group ensures that all reasonable operational contingency is embedded in its SaaS operations. However, a disaster could occur which could severely hamper operations in the short to medium term.
- Group SaaS platforms are developed in-house but may utilise third party components, and the Group ensures that the necessary rights exist for it to operate. However, there is no absolute certainty that these rights will be retained indefinitely.
- Group revenues from its UK Franchisee resellers are material. In the past few years, revenue from this channel has fallen. Further or faster decline than in previous years may not be offset by revenue generated from newer initiatives.
- No certainty exists that the Group's new initiatives will succeed or indeed recover the costs incurred in developing them.
- The Group's activities require people across a multitude of disciplines. These people need to be attracted and retained this may prove difficult moving forward.
- Group print input costs could significantly increase and the circumstances exist where we are unable to pass these on. This could impact significantly on Group profitability.
- Eurozone exchange rates could vary and have a material effect on the Group's income. To this end we believe that our position is to some extent hedged, as whilst the Group buys its paper and plates in sterling, the supply originates from the Eurozone and hence exchange rate variances should offset to an extent. However, we cannot be certain as to the certainty of this hedged position.

Treasury Policies

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.

Alan Q. Roberts
Finance Director
8 June 2015

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2015

	Note	**2015**	2014
		£000	£000
Revenue	*3*	**17,004**	19,443

Raw materials and consumables used		**(7,029)**	(8,539)
Gross profit		**9,975**	10,904
Staff costs		**(4,535)**	(4,803)
Other operating charges		**(2,920)**	(3,451)
Depreciation and amortisation		**(1,655)**	(1,839)
Total expenses		**(9,110)**	(10,093)
Operating profit before exceptional costs		**865**	811
Exceptional costs		**-**	-
Operating profit		**865**	811
Financial income		**5**	3
Financial expenses		**(14)**	(59)
Net financing expense		**(9)**	(56)
Profit before tax		**856**	755
Taxation	*4*	**(9)**	108
Profit for the year		**847**	863
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**847**	863
Basic earnings per share	*5*	**1.80p**	1.82p
Diluted earnings per share	*5*	**1.80p**	1.82p

Consolidated Statement of Changes in Equity

Year ended 31 March 2014	**Share Capital**	**Share premium**	**Merger reserve**	**Retained Earnings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2013	475	-	838	4,590	5,903
Profit and total comprehensive income for the year	-	-	-	863	863
Own Shares acquired	-	-	-	(69)	(69)
Dividends paid	-	-	-	(870)	(870)
Loan Notes	-	-	-	(16)	(16)
Total movement in equity	-	-	-	(92)	(92)
Balance at 31 March 2014	475	-	838	4,498	5,811

Year ended 31 March 2015

Profit and total comprehensive income for the year	**-**	**-**	**-**	**847**	**847**
Dividends paid	**-**	**-**	**-**	**(706)**	**(706)**
Total movement in equity	**-**	**-**	**-**	**141**	**141**
Balance at 31 March 2015	**475**	**-**	**838**	**4,639**	**5,952**

Consolidated Statement of Financial Position

At 31 March 2015

	Group 2015 £000	Group 2014 £000
Non-current assets		
Property, plant and equipment	**1,114**	1,499
Investments in subsidiaries	**-**	-
Intangible assets	**4,372**	4,406
Other receivables	**26**	53
Total non-current assets	**5,512**	5,958
Current assets		
Inventories	**202**	168
Trade and other receivables	**2,287**	2,244
Cash and cash equivalents	**1,277**	1,401
Total current assets	**3,766**	3,813
Total assets	**9,278**	9,771
Current liabilities		
Trade and other payables	**(1,701)**	(1,793)
Current tax payable	**(121)**	(282)
Accruals and deferred income	**(813)**	(1,147)
Other liabilities	**(288)**	(375)
Total current liabilities	**(2,923)**	(3,597)
Non-current liabilities		
Deferred tax liabilities	**(403)**	(363)
Total non-current liabilities	**(403)**	(363)
Total liabilities	**(3,326)**	(3,960)
Net assets	**5,952**	5,811
Equity attributable to equity holders of the parent		
Share capital	**475**	475
Share premium	**-**	-
Merger reserve	**838**	838
Retained earnings	**4,639**	4,498
Total equity	**5,952**	5,811

Consolidated Statement of Cash Flows

for year ended 31 March 2015

	Group 2015 £000	Group 2014 £000
Cash flows from operating activities		
Profit for the year	**847**	863
Adjustments for:		
Depreciation, amortisation and impairment	**1,655**	1,839
(Profit) on sale of property, plant and equipment	**-**	(7)
Net finance expense / (income)	**9**	56
Foreign exchange (loss)/gains	**(14)**	(59)
Tax (income)/ expense	**9**	(108)
Operating cash flow before changes in working capital and provisions	**2,506**	2,584
Change in trade and other receivables	**(16)**	246
Change in inventories	**(34)**	15
Change in trade and other payables	**(513)**	(983)
Cash generated from Operations	**1,943**	1,862
Interest paid	**-**	(8)
Income tax (paid)/received	**(130)**	145
Net cash inflow from operating activities	**1,813**	1,999
Cash flows from investing activities		
Proceeds from sale of plant and equipment	**5**	76
Interest received	**5**	11
Acquisition of plant and equipment	**(172)**	(214)
Capitalised development expenditure	**(518)**	(440)
Acquisition of other intangible assets	**(571)**	(506)
Dividends received	**-**	-
Net cash (used in) / generated by investing activities	**(1,251)**	(1,073)
Cash flows from financing activities		
Proceeds from the issue of share capital	**-**	-
Purchase of own shares	**-**	(69)
Proceeds from new finance lease	**-**	52
Payment of finance leases	**-**	(20)
Repayment of bank loans	**-**	(23)
Repayment of loan notes	**-**	(16)
Dividends paid	**(706)**	(870)
Net cash used in financing activities	**(706)**	(946)
Net decrease in cash and cash equivalents	**(144)**	(20)
Exchange (loss)/gain on cash and cash equivalents	**20**	4
Cash and cash equivalents at start of year	**1,401**	1,417
Cash and cash equivalents at 31 March	**1,277**	1,401

Notes

(forming part of the preliminary financial statements)

1 Basis of preparation

Grafenia 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 2015.

The comparative figures for the year ended 31 March 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered 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 8 June 2015.

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 2014.

3 Segmental information

As in the prior year the Group's primary operating segments are geographic being the 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 £17,004,000, £9,762,000 was generated in the UK *(2014: £10,957,000).* Revenue generated outside the UK is primarily attributable to Holland & Belgium £6,001,000; *(2014: £7,336,000),* France £456,000; *2014: £559,000)* and the Republic of Ireland £295,000; *2014: £337,000).* No single customer provided the Group with over 10% of its revenue.

Of the Group's non-current assets (excluding deferred tax) of £5,512,000, £5,362,000 are located in the UK. Non-current assets located outside the UK are in Holland £109,000 *(2014: £159,000),* France £13,000 *(2014: £24,000)* and the Republic of Ireland £28,000 *(2014: £nil*).

Analysis by location of sales

	UK & Ireland	**Europe**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**
Period ended 31 March 2015				
Segment revenues	**10,057**	**6,567**	**380**	**17,004**
Operating Expenses				**(16,139)**
Results from operating activities				**865**
Exceptional expense				**-**
Net finance expense				**(9)**
Profit before tax				**856**
Tax				**(9)**
Profit for the period				**847**
Assets - Unallocated net assets				**5,952**

	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£000
Period ended 31 March 2014				
Segment revenues	11,294	7,895	254	19,443
Operating Expenses				(18,632)

Results from operating activities	811
Net finance expense	(56)
Profit before tax	755
Tax	108
Profit for the period	863
Assets - Unallocated net assets	5,811

Analysis by type

	Printing services - online sales	**Printing services**	**Licence Income**	**Total**
	£000	**£000**	**£000**	**£000**
Period ended 31 March 2015				
Segment revenues	**9,556**	**6,220**	**1,228**	**17,004**
Operating Expenses				**(16,139)**
Results from operating activities				**865**
Exceptional expense				**-**
Net finance income				**(9)**
Profit before tax				**856**
Tax				**(9)**
Profit for the period				**847**
Unallocated net assets				**5,952**

Analysis by type

	Printing services - online sales	Printing services	Licence Income	Total
	£000	£000	£000	£000
Period ended 31 March 2014				
Segment revenues	9,465	9,003	975	19,443
Operating Expenses				(18,632)
Results from operating activities				811
Exceptional expense				-
Net finance income				(56)
Profit before tax				755
Tax				108
Profit for the period				863
Unallocated net assets				5,811

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.

Recognised in profit and loss

	2015	2014
	£000	£000
Current tax expense		
Current year	**167**	306
Foreign tax	**92**	109

Adjustments for prior years	**(290)**	(435)
	(31)	(20)
Deferred tax expense		
Origination and reversal of temporary differences (see note 6)	**(149)**	(216)
Movement due to change in rate of tax	**-**	(87)
Adjustment in respect of prior year	**189**	215
Total tax in profit and loss	**9**	(108)

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

Factors affecting the tax charge for the current period:

The current tax charge for the period is lower *(2014: lower)* than the standard rate of corporation tax in the UK of 21% *(2014: 23%)*. The differences are explained below:

	2015 £000	2014 £000
Profit for the period	**856**	755
Tax using the UK corporation tax rate of 21% (*2014:23%*)	**180**	173
Effects of:		
Permanent differences	**14**	24
Overseas tax losses not recognised	**1**	5
Difference in overseas tax rate	**4**	(10)
Losses carried forward	**(97)**	(26)
Adjustments in respect of prior periods - current tax	**(290)**	(435)
Adjustments in respect of prior periods - deferred tax	**189**	215
Movement due to change in tax rate	**8**	(54)
Total tax (repayment)/expense	**9**	(108)

The Group Tax Creditor amounts to £121,000 *(2014:£282,000)*. The deferred tax assets and liabilities as at 31 March 2015 have been calculated using the tax rate of 20% which was substantively enacted at the balance sheet date.

The UK corporation tax rate has been progressively reduced over the last 4 years. The March 2014 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.

5 Earnings per share

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

	2015 £000	2014 £000
Profit after taxation for the financial year	**847**	863
Weighted average number of shares		
	Number of Shares	Number of Shares
For basic earnings per ordinary share	**47,071,835**	47,479,060
Exercise of share options	**-**	-
For diluted earnings per ordinary share	**47,071,835**	47,479,060

Share options in issue at the year end all had exercise prices higher than the average market price of ordinary shares during the period, therefore they are not treated as dilutive for the purposes of the earnings per share calculation.

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

	2015	2014
	£000	£000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**471**	713
Interim dividends paid in respect of the current year	**235**	157
Total dividend paid in the year	**706**	870

After the balance sheet date dividends of 1.00p per qualifying ordinary share *(2014: £471,000/1.00p per qualifying ordinary share)* were proposed by the Directors. The dividends have not been provided for.

7 Annual Report

The Annual Report will be sent to shareholders on or around 26 June 2015 and will be available on the Company's website www.grafenia.com from that date.

END

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