Grafenia plc

Final Results

RNS Number : 1088J
Grafenia plc
09 June 2014

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

Preliminary Results for the period ended 31 March 2014

Financial Highlights

	2014	2013	Change
Turnover	**£19.44m**	£20.66m	**-5.9%**
EBITDA	**£2.65m**	£2.81m	**-5.7%**
Profit before tax	**£0.76m**	£0.89m	**-14.6%**
Tax (Recovery)/Charge	**£(0.11)m**	£0.09m	
EPS - Basic	**1.82p**	1.69p	**7.7%**
EPS - Fully Diluted	**1.82p**	1.69p	**7.7%**
Dividend per share	**1.33p**	2.55p	
Capital Expenditure	**£1.16m**	£1.56m	
Net Cash	**£1.40m**	£1.42m	
Net Funds*	**£1.40m**	£1.39m	

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

Operational highlights

- **SaaS formulas generating meaningful revenues**
- **Established international partners entered into new agreements**
- **Two additional international agreements**
- **New cross media Franchise format to be launched**
- **Group remains cash generative and debt free**

- **Foundations in place for the Group to move forward**

For further information:

Grafenia plc

Tony Rafferty (Chief Executive) 07966 517 336

Alan Roberts (Finance Director) 0161 848 5713

N+1 Singer (Nominated Adviser)

Richard Lindley / James White 0113 388 4789

Chairman's Statement

Progress during the year under review is reflected by the momentum gained with the Group's 'Software as a Service' (SaaS) offerings, which are now generating meaningful revenue and the grant of additional master licences to exploit the technology in overseas markets.

We are mindful, however, that the Printing.com franchise formula continues to contract. Indeed, this is the principal reason that the Company's earnings have not progressed during the year under review. To this end, via our two new initiatives (Marqetspace and Nettl), we believe we will be able to reverse the decline of franchisee numbers and UK print revenue during the current year.

Overall the process of developing the Group's new initiatives has taken longer than we had hoped and this has impacted on the Group's earnings. However, we believe we are at the point where the foundations are in place for the Group to move forward.

Results

During the year, turnover decreased by 5.9% to **£19.44m** *(2013: £20.66m).* EBITDA, before exceptional costs, contracted by 5.7% to **£2.65m** *(2013: £2.81m)*. Operating profit, before exceptional costs, decreased by 27.0% to **£0.81m** *(2013: £1.11m).* Profit before tax reduced by 14.6% to **£0.76m** *(2013: £0.89m).*

As in previous years the effective tax rate has been reduced through gaining Research & Development Relief. Indeed, this year the Group received a tax repayment of **£0.11m** versus a charge of £0.09m last year.

Cash

The Company has maintained its net cash position of £1.40m *(2013: £1.42m)* at the year end.

Capital investment totalled £1.16m *(2013: £1.56m),* funded through operational cash flows. This principally reflected ongoing investment in the Group's SaaS offerings.

Dividend and Share Purchase

In line with the updated Dividend Policy set out in last year's annual report, the Board recommends a final dividend of 1p (2013: 1.5p) to be paid on 1 August 2014 to Shareholders on the register at the close of business on 4 July 2014. This would make a total dividend for the year of 1.33p (2013: 2.55p).

During the year under review, the Company also purchased 486,000 ordinary shares of 1p each at a price of 14.25p, with these shares currently held in Treasury. Given the underlying cash generation of the Company, and the absence of debt, the Directors may make further purchases as and when they believe it is prudent to do so.

People at Grafenia plc

In the competitive marketplace in which we operate, year on year across the Group, we ask more of our people in terms of their effort and creativity, and I accordingly thank them for their endeavour and hard work.

Outlook

We now believe that the elements, centred on the Group's SaaS capability to generate licence fees and print revenue, are in place for Grafenia plc to move forward and generate shareholder value.

However, given that our printing markets remain competitive and our SaaS initiatives, whilst now revenue generating, are still developing, it is appropriate to caveat our optimism with an element of caution.

Les Wheatley
Chairman
9 June 2014

Strategic Report

Chief Executive's Statement

Overview of Strategy and Business Model

The core capabilities of the Group are reflected in its online brands, the Manchester Production Hub, its supply chain expertise in the Netherlands, the Group's SaaS platforms and the interconnectivity of all of these elements.

Printing.com supplies SMEs with graphic design and printing services via its Franchise Network. W3P is a web-to-print SaaS solution utilised by other printers and graphic design agencies. Flyerzone and Drukland are online print businesses. BrandDemand provides print management services via online portals to other franchise networks.

The above channels are not isolated developments, but utilise a common core SaaS 'platform' which is adapted for each activity. The Group also licenses its entire platform to international partners wanting to exploit these elements in other markets.

Our strategy is centred on maximising the commercial utilisation of the above. At the same time we are also developing additional elements where we believe the business case exists, the objective being that the incremental investment will open up new market segments for exploitation. The Group's new initiatives, Marqetspace.com and Nettl.com, reflect this endeavour.

Moving forward, we will focus our development on the areas that give us the greatest economic return.

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 (W3P / Printing.com) from the Group's various channels and geographic operations.

Sales of Printing

Overall print revenues contracted from £19.8m to £18.4m.

The Printing.com Franchise Network in the UK and Ireland generated £8.2m *(2013: £10.8m).* In part this reduction reflected the move of Franchisees who switched to the W3P format and accounted for an additional £0.61m *(2013: nil).* At the close of the year under review, the Group had 156 Printing.com Franchisees, together with 72 that had converted to a W3P format.

New W3P partners generated print revenue of £0.31m *(2013: £0.01m)* in addition to SaaS licence fees. We anticipate this growing further during the current year.

The W3P format has enabled us to establish and indeed continue trading relationships with reseller partners who would otherwise have been unlikely to have joined or, in some instances, continued the Printing.com formula. We are also aware that many print resellers, particularly graphic and web designers, may not require the full functionality offered by W3P, or indeed be willing to pay the associated fees. We intend to grow print volumes with this type of client through our Marqetspace.com initiative.

Flyerzone.co.uk and Flyerzone.ie, the online only formulas, showed progress generating revenues of £0.92m *(2013: £0.68m).* BrandDemand, the Group's online print management service, showed a slight increase in revenues to £0.62m *(2013: £0.58m).*

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 remains strong, generating print revenues of £7.34m *(2013: £7.33m).*

Revenue from the Group's operations in France dropped back slightly to £0.54m *(2013: £0.57m).*

Licence Fees
Overall revenues from licence fees increased to £0.98m *(2013: £0.88m).*

W3P licence fees increased to £0.13m (2013: £0.01m). This included fees from both new partners and partners switching from the Franchise, essentially in equal measure.

The Group's W3P offering comprises two main products; W3Client and W3Shop, addressing the needs of the corporate and SME market respectively.

In addition to W3P partners who migrated from the Printing.com Franchise, W3P has now gained over 80 paying subscribers. In addition, some 26 Franchise partners have also elected to set up online print shops.

W3P partners pay a monthly fee in the range of £99 - £299 depending on the functionality required and the package subscribed for. Of late, new subscriptions have been skewed towards the higher end of this range.

During the year fees arising from International Master Licences of the W3P platform, and in some cases the use of the Printing.com brand, increased to £0.29m *(2013: £0.22m).* Master Licence Agreements with the Group's partners in the US and New Zealand were renewed and extended to cover the new SaaS gamut. These agreements now contain the commitment to pay rising annual fees.

Towards the end of the year under review, an additional master licence was granted for Australia. Post the year end, an additional master licence has been granted in Europe with an established sizable print group. We believe that this bodes well for revenue growth of this type.

TemplateCloud

TemplateCloud 'crowdsources' graphic design and converts it into an online editable format. It is utilised on the Group's own channels, and also via licensees on a pay-per-design basis. TemplateCloud revenue increased to £0.16m (2013: £0.01m).

Nettl Franchise

Nettl is a new cross-media franchise formula that the Group intends to launch in September 2014 to exploit the Group's core SaaS platform which has been extended to include websites, webshops and the like. We are launching Nettl because we believe the promotional needs of a typical SME, which was the cornerstone of the Printing.com formula, are today more broad.

By launching Nettl, we believe we can arrest the decline of Group Franchisee numbers via an innovative, up-to-date formula.

Current Trading

After two months of the current financial year, trading remains in line with the Company's internal budget and ahead of the same point in the prior year.

Tony Rafferty
Chief Executive
9 June 2014

Strategic Report - Financial Review

Revenue

Group revenues decreased by 5.9% to £19.44m *(2013: £20.66m).* Revenue from the Eurozone was 40.6% of the total *(2013: 38.2%)*, as disclosed in the Segmental Analysis.

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 more MFG production was supplied by the UK Hub. This coupled with the increase in licence fee payments resulted in Gross Profit increasing as a percentage from 54.3% to 56.1% although it reduced in monetary terms to £10.90m *(2013: £11.21m)* in line with the decrease in revenue.

EBITDA

The Group define EBITDA as operating profit, before exceptional costs, plus depreciation and amortisation. The year showed a marginal decrease to £2.65m being 13.6% *(2013:£2.81m 13.6%)* of turnover. EBITDA, after exceptional costs, increased by 0.8% to £2.65m *(2013: £2.63m).*

Operating Profit, before exceptional costs, decreased to £0.81m *(2013: £1.11m).* No exceptional costs were incurred in the period (2013: £0.18m).

Pre-Tax Profit

The Group recorded a pre-tax profit of £0.76m *(2013: £0.89m),* being 3.9% *(2013: 4.3%)* of Group revenue.

Staff costs marginally decreased in the year to £4.80m *(2013: £4.83m),* and rose as a percentage of revenue to 24.7% from 23.4%. 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 £1.84m *(2013: £1.70m*). 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 23% *(2013: 24%).* The current year has realised a net recovery of tax of £0.11m *(2013: charge of £0.09m or 9.7% of PBT)*. The repayment came about through the inclusion of enhanced tax relief on research and development expenditure.

Earnings Per Share (EPS)

Basic EPS achieved was 1.82p *(2013: 1.69p)*, based on a weighted average number of shares in issue of 47,479,060. Share options in issue at 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 year closed with 47,557,835 ordinary shares in issue, of which 486,000 were held in Treasury by the Company, so there were 47,071,835 with voting rights.

Cash Flow

At the year end the Group had cash balances of £1.40m *(2013: £1.42m).* Net Funds were £1.40m *(2013: £1.39m)*. Operational cash inflow was £1.86m *(2013: £2.72m)*. Working Capital movement included a reduction in Trade Creditors of £0.98m, which is consistent with the Interim period of £0.82m and reflects the change in supply from third parties in Holland to the Manchester Hub. The most significant cash outflow being dividends paid of £0.87m *(2013: £1.21m)*.

Capital Expenditure

The total capital expenditure for the year was £1.16m *(2013: £1.56m)* with the major item being Software Development for the online initiatives and computing infrastructure totalling £0.91m *(2013: £1.17m).*

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.

Share Capital and Share Options

No employee options were exercised or granted during the year.

During the year the Company purchased 486,000 of its own shares.

Principal Risks and Uncertainties

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

- The Group operates in extremely competitive marketplaces and could find that it becomes uncompetitive and loses significant revenue.

- A major catastrophe could impact the Group's UK Production Hub. Whilst a Hub disaster plan exists and such losses are insured against, there could be a significant impact in the short and medium term.

- In Benelux, the Group outsources a significant proportion of its print requirements to third party manufacturers. These manufacturers could become insolvent, unable to operate, or unwilling to continue to offer favourable pricing to the Group. The Group utilises appropriate service level agreements to mitigate this, but the risk still exists.

- Across the Group supply of print is the main stay of the Group revenues, and the principal application of this print is for businesses to advertise themselves. With the advent of online advertising, coupled with the proliferation of the use of Smartphones and Tablets, we cannot be certain that the demand for printing as a promotional media will be maintained at anything like its current levels. Were the demand for print, at a macro level, to be significantly reduced this would affect the viability of the Group in its current form.

- The operation of the Group is reliant on its SaaS platform for both its print operations and the generation of revenue from licence fees. 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.

- The Group develops its own SaaS platform and where it utilises third party components it acts to ensure that the necessary rights exist for it to operate as it does. However, we cannot be absolutely certain that at some point in the future some party may assert, via whatever mode, that it owns, or is due a licence for, some element of our system.

- The Group generates revenue from its Franchisee resellers in the UK and this is material to the Group's operations. In the past few years, revenue from Printing.com has fallen. We cannot be certain if this revenue will fall further or faster than in previous years and we cannot be certain that revenue generating newer initiatives will offset this shortfall.

- We cannot be certain that the Group's new initiatives will be successful or indeed that we will recover the costs that we have made in developing them.

- The Group's activities are based upon being able to attract and retain people across a multitude of disciplines. Moving forward it may not be possible to find or retain such people.

- The Group carries out significant printing itself. The situation could exist where the Group's input costs significantly increase and yet we are unable to pass these on for commercial reasons to our clients. This could impact significantly on the Company's profitability.

- A proportion of the Group's income hails from the Eurozone. Exchange rates could vary to the extent that this has 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. 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
9 June 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2014

	Note	**2014** **£000**	2013 £000
Revenue	*3*	**19,443**	20,664
Raw materials and consumables used		**(8,539)**	(9,453)
Gross profit		**10,904**	11,211

Staff costs		**(4,803)**	(4,825)
Other operating charges		**(3,451)**	(3,577)
Depreciation and amortisation		**(1,839)**	(1,698)
Total expenses		**(10,093)**	(10,100)
Operating profit before exceptional costs		**811**	1,111
Exceptional costs		**-**	(183)
Operating profit		**811**	928
Financial income		**3**	13
Financial expenses		**(59)**	(50)
Net financing expense		**(56)**	(37)
Profit before tax		**755**	891
Taxation	*4*	**108**	(86)
Profit for the year		**863**	805
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**863**	805
Basic earnings per share	*5*	**1.82p**	1.69p
Diluted earnings per share	*5*	**1.82p**	1.69p

Consolidated Statement of Changes in Equity

Year ended 31 March 2013	**Share Capital £000**	**Share premium £000**	**Merger reserve £000**	**Retained Earnings £000**	**Total £000**
Balance at 31 March 2012	475	4,079	838	919	6,311
Profit and total comprehensive income for the year	-	-	-	805	805
Capital Reorganisation*	-	(4,079)	-	4,079	-
Dividends paid*	-	-	-	(1,213)	(1,213)
Total movement in equity	-	(4,079)	-	3,671	(408)
Balance at 31 March 2013	475	-	838	4,590	5,903
Year ended 31 March 2014					
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**

* Transaction with owners recorded directly in equity.

Consolidated Statement of Financial Position

At 31 March 2014

	Group 2014 £000	Group 2013 £000
Non-current assets		
Property, plant and equipment	**1,499**	1,976
Investments in subsidiaries	**-**	-

Intangible assets	**4,406**	4,681
Deferred tax assets	**-**	2
Other receivables	**53**	-
Total non-current assets	**5,958**	6,659
Current assets		
Inventories	**168**	183
Trade and other receivables	**2,244**	2,543
Cash and cash equivalents	**1,401**	1,417
Total current assets	**3,813**	4,143
Total assets	**9,771**	10,802
Current liabilities		
Other interest-bearing loans and borrowings	**-**	(23)
Trade and other payables	**(1,793)**	(2,826)
Current tax payable	**(282)**	(157)
Accruals and deferred income	**(1,147)**	(1,075)
Other liabilities	**(375)**	(365)
Total current liabilities	**(3,597)**	(4,446)
Non-current liabilities		
Deferred tax liabilities	**(363)**	(453)
Total non-current liabilities	**(363)**	(453)
Total liabilities	**(3,960)**	(4,899)
Net assets	**5,811**	5,903
Equity attributable to equity holders of the parent		
Share capital	**475**	475
Share premium	**-**	-
Merger reserve	**838**	838
Retained earnings	**4,498**	4,590
Total equity	**5,811**	5,903

Consolidated Statement of Cash Flows

for year ended 31 March 2014

	Note	**Group 2014 £000**	Group 2013 £000
Cash flows from operating activities			
Profit for the year		**863**	805
Adjustments for:			
Depreciation, amortisation and impairment		**1,839**	1,698
(Profit) on sale of property		**(7)**	-
Net finance expense / (income)		**56**	37
Foreign exchange (loss)/gains		**(59)**	(45)
Tax (income)/ expense		**(108)**	86
Operating cash flow before changes in working capital and provisions		**2,584**	2,581
Change in trade and other receivables		**246**	355
Change in inventories		**15**	(36)
Change in trade and other payables		**(983)**	(181)
Cash generated from Operations		**1,862**	2,719
Interest paid		**(8)**	(5)
Income tax received /(paid)		**145**	(324)
Net cash inflow from operating activities		**1,999**	2,390

Cash flows from investing activities		
Proceeds from sale of plant and equipment	**76**	-
Interest received	**11**	13
Acquisition of plant and equipment	**(214)**	(303)
Capitalised development expenditure	**(440)**	(574)
Acquisition of other intangible assets	**(506)**	(687)
Dividends received	**-**	-
Net cash (used in) / generated by investing activities	**(1,073)**	(1,551)
Cash flows from financing activities		
Purchase of own shares	**(69)**	-
Proceeds from new finance lease	**52**	-
Payment of finance leases	**(20)**	-
Repayment of bank loans	**(23)**	(80)
Repayment of loan notes	**(16)**	-
Dividends paid	**(870)**	(1,213)
Net cash used in financing activities	**(946)**	(1,293)
Net decrease in cash and cash equivalents	**(20)**	(454)
Exchange (loss)/gain on cash and cash equivalents	**4**	(3)
Cash and cash equivalents at start of year	**1,417**	1,874
Cash and cash equivalents at 31 March	**1,401**	1,417

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 2013.

The comparative figures for the year ended 31 March 2013 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 9 June 2014.

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 £19,443,000, £10,957,000 was generated in the UK *(2013: £13,389,000).* Revenue generated outside the UK is primarily attributable to Holland & Belgium £7,336,000 *(2013: £7,327,000),* France £559,000 *(2013: £566,000)* and the Republic of Ireland £337,000 *(2013: £333,000).* No single customer provided the Group with over 10% of its revenue.

Of the Group's non-current assets (excluding deferred tax) of £5,958,000, £5,775,000 are located in the UK. Non-current assets located outside the UK are in Holland £159,000, (*2013: £207,000*), France £24,000, (*2013: £93,000*) and the Republic of Ireland £Nil, (*2013: £1,000*).

Analysis by location of sales

	UK & Ireland £000	**Europe £000**	**Other £000**	**Total £000**
Period ended 31 March 2014				
Segment revenues	**11,294**	**7,895**	**254**	**19,443**
Operating Expenses				**(18,632)**
Results from operating activities				**811**
Exceptional expense				**-**
Net finance expense				**(56)**
Profit before tax				**755**
Tax				**108**
Profit for the period				**863**
Assets - Unallocated net assets				**5,811**

	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 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 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**

Analysis by type

	Printing services -	Printing services	Licence Income	Total

	online sales £000	£000	£000	£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
Unallocated net assets				5,903

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

	2014 £000	2013 £000
Current tax expense		
Current year	**306**	292
Foreign tax	**109**	158
Adjustments for prior years	**(435)**	(341)
	(20)	109
Deferred tax expense		
Origination and reversal of temporary differences (see note 6)	**(216)**	(181)
Movement due to change in rate of tax	**(87)**	(27)
Adjustment in respect of prior year	**215**	185
Total tax (credit)/charge in profit and loss	**(108)**	86

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 *(2013: lower)* than the standard rate of corporation tax in the UK of 23% *(2013: 24%)*. The differences are explained below:

	2014 £000	2013 £000
Profit for the period	**755**	891
Tax using the UK corporation tax rate of 23% (*2013:24%*)	**173**	214
Effects of:		
Permanent differences	**24**	19
Overseas tax losses not recognised	**5**	2
Difference in overseas tax rate	**(10)**	27
Losses carried forward	**(26)**	-
Adjustments in respect of prior periods - current tax	**(435)**	(341)
Adjustments in respect of prior periods - deferred tax	**215**	185
Movement due to change in tax rate	**(54)**	(20)
Total tax (repayment)/expense	**(108)**	86

The Group Tax Creditor amounts to £282,000 *(2013:£157,000)*. The deferred tax assets and liabilities as at 31 March 2014 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 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.

5 Earnings per share

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

	2014	2013
	£000	£000
Profit after taxation for the financial year	**863**	805
Weighted average number of shares		
	Number of Shares	Number of Shares
For basic earnings per ordinary share	**47,479,060**	47,557,835
Exercise of share options	**-**	52,611
For diluted earnings per ordinary share	**47,479,060**	47,610,446

Existing share options do not dilute the earnings per share as valued at the year end.

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

	2014	2013
	£000	£000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**713**	713
Interim dividends paid in respect of the current year	**157**	500
Total dividend paid in the year	**870**	1,213

After the balance sheet date dividends of £471,000/1.00p per qualifying ordinary share (*2013: £713,000/1.50p 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 27 June 2014 and will be available on the Company's website www.grafenia.com from that date.

END

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