Grafenia plc

Half-year Report

RNS Number : 4137H
Grafenia plc
24 November 2022

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation. With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

24 November 2022

Grafenia plc

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

Unaudited Interim Results for the period ended 30 September 2022

Financial highlights

	Six months to 30 September 2022	Six months to 30 September 2021
Continuing operations		
Turnover	**£4.97m**	£4.39m
EBITDA*	**£(0.05)m**	£0.27m
Operating Loss	**£(0.49)m**	£(0.23)m
Loss Before Tax	**£(0.54)m**	£(0.39)m
Tax	**£0.05m**	£0.15m
Total Comprehensive Loss	**£(0.48)m**	£(0.24)m
EPS	**(0.42)p**	(0.21)p
Development Expenditure	**£0.18m**	£0.31m
Cash and Cash Equivalents	**£5.01m**	£2.67m
Net Debt	**£(3.28)m**	£(4.49)m

*Earnings before interest, tax, depreciation and amortisation

Operational highlights

- Completed the sale and separation of Works Manchester
- Revenue from continuing operations up by £0.58m, a 13% increase
- Licence fees and subscriptions up by £0.04m, a 4% increase
- Partner product spend saw 31% increase, up by £0.36m
- Revenue from online and trade up by £0.25m, a 27% increase
- Investment in Software Circle - our acquisition strategy, is bearing fruit
- Raised £4.25m through additional bond issue to fund acquisitions

Interim Statement

Our team has spent the past six months laying the foundations for the next part of our journey. In our Annual Report, we discussed the ongoing transition of our business and the sale of our manufacturing hub Works Manchester, announced on 19 May 2022. Our teams have worked hard to ensure that transition has been smooth. We'd like to thank everyone involved for successfully managing the process. Simplifying our business and completing the transition to one focussed on software and systems.

Previously we divided our reporting structure into two business units: everything software and licence (we call this business unit *Nettl Systems*); and everything production (we called that *Works Manchester)*. Given the sale of Works Manchester on 31 May 2022, you'll see below that we are reporting results from "continuing" and "discontinued" operations, as we did in our full year results released in July. In plain English, "continuing" are the figures for the period as if we had sold Works Manchester at the beginning of the comparative periods. "Discontinued" is everything else.

Trading Results and Cash

Revenue from continuing operations rose to **£4.97m***(2021: £4.39m)*. Total revenue reduced to **£5.84m***(2021: £6.31m)* following the disposal of Works Manchester at the end of May 2022, meaning discontinued operations only contributed revenue of £0.87m *(2021: £1.92m).*

Total gross profit fell to **£2.66m***(2021: £3.44m),* again as a result of the sale of Works Manchester. Our overall Gross margin percentage fell to **45.5%***(2021: 54.5%)* as, following the sale, Works Manchester became our largest *Works Maker* and we entered into a five-year supply agreement to provide products through our platforms for our Company stores and Partners. This change reduces the gross profit percentage of the Group, but at the same time reduces staff costs and overheads. To accurately reflect the performance of continuing operations, the financials have been presented to show the results had the disposal and new supply agreement been in effect for both the current and the comparative financial years. Gross Profit from continuing operations was **£2.02m***(2021: £1.83m).* It fell slightly as a percentage of revenue, **40.6%***(2021: 41.7%),* as a greater proportion of revenue has been generated through our brand partners in the first six months of this financial year compared to last.

Total operating costs reduced in total following the Sale of Works Manchester, with total staff costs of **£1.60m***(2021: £1.91m)* and total other operating charges of **£1.00m***(2021: £1.04m).* Our continuing operations have however experienced increases. Covid related employee wage support schemes ended, and we invested in both people and professional fees in our pursuit of additional software companies to bring into the Grafenia group. Alongside this, as with most other businesses, we experienced inflationary pressures, particularly on wages with higher costs of living, and a higher rate of national insurance. As a result, staff costs for continuing operations increased to **£1.18m***(2021: £0.84m)* and other operating charges increased to **£0.85m***(2021: £0.64m).* This led to EBITDA from continuing operations falling to a loss of **£0.05m***(2021: profit £0.27m)* and an operating loss from continuing operations of **0.49m***(2021: loss of £0.23m).* With the sale of Works Manchester, the overall operating loss reduced to **£0.44m***(2021: 0.53m).*

At 30 September 2022, the Company had cash of **£5.01m***(2021: £2.67m)* and debt of **£8.29m***(2021: £7.16m).* An additional £4.25m of cash was raised from a bond issue on 27 September 2022 to fund the acquisition of Vertical Plus Limited in October 2022, along with further acquisitions that are expected to be announced in the near future. Our operating activities utilised **£0.29m** of cash *(2021: generated £0.43m)* as we transitioned to our new operating model.

Capital expenditure was **£0.18m***(2021: £0.34m).* Almost all of this amount was invested in the ongoing development of our platform which underpins our operations and is licensed to our partners.

Trading Review
We've improved the revenue performance of Nettl Systems. Our investment in Software Circle is beginning to bear fruit and we continue to make progress building the best operating model for our new focus.

Nettl Systems
Our Nettl Systems business operates within the Graphics sector. Licencing software and brands to graphic professionals. Designers, printers, signmakers, marketing agencies and other graphic professionals use our marketing tools, workflow management system and supply chain to deliver the best service to their clients. We also own five Nettl company stores in Birmingham, Dublin, Exeter, Liverpool and Manchester all utilising our software platform. We use these to train new people, refine new software initiatives and develop best practice.

We have hundreds of partners who utilise this best practice and licence our systems. Partners pay us a monthly subscription which gives them access to our systems, training and support. Using the Nettl system, they're able to buy factory-direct print and display that is seamlessly integrated from multiple suppliers. We call them Works Makers. Partners resell these products to clients.

Increasingly, partners are also reselling recurring subscriptions for centralised digital marketing services like SEO, Social Media and Paid Search. We expect to extend these centralised service offerings to help partners increase the recurring revenues they generate.

An example of this is the launch of SEO Console. A platform for clients available through the Nettl system, to help get found in online searches. Clients have access to a portal that enables them to optimise their website and manage listings and reviews. Working alongside our current SEO service offering, our partners can resell SEO Console as recurring subscriptions to their clients.

Partners that use the Nettl or printing.com brand in conjunction with their own, we call 'brand partners'. They're our exclusive partner in their neighbourhood. We licence printing.com and Nettl directly in the UK and Ireland. We also licence Nettl in Belgium, France, the Netherlands and in the USA. In Australia and New Zealand, we have a master licence agreement.

In the interim period, revenue from Nettl Systems increased by 13% to **£4.97m***(2021: £4.39m).* Within this segment, company stores decreased by 5% to **£1.18m***(2021: £1.24m).* This decrease was due to team transitions in two store locations. Licence fee and subscription income increased to **£1.07m***(2021: £1.04m).* We continue to listen to feedback from our partners and extend the capabilities of our platform. This has helped us improve partner retention rates during the period. Most recently we've improved enquiry management with 'The Pipeline' and made it easier for partners to build proposals, estimates, jobs and orders using their own Standard Price List items. We're currently working on improving the User Interface of key order screens. Our aim is to equip our partners with the tools they'll need in the studio of tomorrow.

Along with the successful transition of Works Manchester to new owners PFI, we've continued to add new Works Makers to widen the product range available to our partners. The products our partners buy from us at wholesale prices - like signage, printing and promo goods - has increased by 31% to **£1.53m** (*2021: £1.17m).*

We also sell print and signs to professional buyers through Marqetspace and a few other online channels. We utilise our w3shop software module, available as part of the Nettl System. It is a fertile ground for cultivating Nettl partners and gives us insight into where gaps in our product range are. That knowledge has been used to find new Works Makers to improve the product range available throughout our software systems. We continue to see an increase in Marqetspace revenues to **£1.19m** (*2021: £0.94m)*

Software Circle
With our renewed focus on Software & Systems, as detailed in our Annual Report, our acquisition strategy is now aimed at software businesses. To extend our scale, capability and resilience. We have continued to invest in building the structure required for us to be a serial acquirer and permanent home for software businesses and management talent.

Our team of analysts and searchers actively look for software businesses that match our criteria, for us to acquire and become part of the Group. We've made progress in building a scalable, acquisition flywheel.

We're particularly interested in Vertical Market Software (VMS) businesses. Niche, mission critical platforms, where revenues are recurring in nature. The kind of software that is the glue holding a business together. Keeping clients using it, year after year. Perhaps where the owner is thinking about retirement planning or a change of pace. Often looking for a commercial partner to take care of their IP, team and client base for the long term. We're an ideal permanent home. Providing continuity of support and helping maintain relationships.

We'll retain their brands but we're not planning to integrate or migrate them to our platform. They'll keep their technology stack and be run in a decentralised way.

The investment in our Software Circle team and progressing ongoing potential deals, has impacted the EBITDA for this period. However, that investment is starting to bear fruit with the acquisition of Vertical Plus Ltd detailed in our announcement on 22 September 2022. Having raised funds for other acquisitions in the pipeline, detailed in our update of 27 September 2022 we're hopeful of adding other businesses to the Group. We will provide further updates as things come to fruition.

If you own a vertical market software business or get talking with someone who does, please hop to www.grafenia.com/acquisition or email letmein@grafenia.com .

Outlook

Trading continues to outperform the same period last year. November looks set to continue that trend. It is difficult to foresee how business confidence will be impacted by the economic climate. However, sales are in line with current internal forecasts.

Our attention is focussed on building our recurring revenue streams. That's by a mix of buying and successfully running software companies through Software Circle. And by building tools to licence to professionals in the graphic arts, print and sign sectors with Nettl Systems.

In the last few announcements, we've discussed our goal of achieving 10-15% EBITDA. With reducing the size of the group in May 2022 following the disposal of Works Manchester, whilst retaining the central costs of operating a publicly listed business and investing in our acquisition strategy, these levels of return have not yet been possible. However, given our improved trading to date, alongside the acquisition of Vertical Plus, and other acquisitions expected to follow, we firmly believe that this goal remains achievable in the mid-term.

Jan Mohr Gavin Cockerill
Chairman Acting Chief Executive Officer
23 November 2022

Unaudited Interim Results for the period ended 30 September 20 22

Consolidated Statement of Comprehensive Income
for the six months ended 30 September 202 2

	Note	**Unaudited Six months to 30 September 2022 £000 Continuing operation**	**Unaudited Six months to 30 September 2022 £000 Discontinued operation**	**Unaudited Six months to 30 September 2022 £000 Total**	Unaudited Six months to 30 September 2021 £000 Continuing operation	Unaudited Six months to 30 September 2021 £000 Discontinued operation	Unaudited Six months to 30 September 2021 £000 Total	Audited Year ended 31 March 202 2 £000 Continuing operation	Audited Year ended 31 March 2022 £000 Discontinued operation	Audited Year ended 31 March 2022 £000 Total
Revenu e	3	**4,969**	**870**	**5,839**	4,386	1,921	6,307	8,916	3,445	12,361
Raw materials and consumables used		**(2,946)**	**(235)**	**(3,181)**	(2,555)	(317)	(2,872)	(5,377)	(286)	(5,663)
Gross profit		**2,023**	**635**	**2,658**	1,831	1,604	3,435	3,539	3,159	6,698
Staff costs		**(1,179)**	**(417)**	**(1,596)**	(838)	(1,075)	(1,913)	(2,019)	(2,221)	(4,240)
Doubtful debt expense		**(49)**	**(10)**	**(59)**	(90)	(2)	(92)	(32)	(11)	(43)
Other operating charges		**(848)**	**(155)**	**(1,003)**	(636)	(402)	(1,038)	(1,322)	(763)	(2,085)
Earnings before interest, tax depreciation and amortisation		**(53)**	**53**	**-**	267	125	392	166	164	330
Depreciation and amortisation		**(440)**	**-**	**(440)**	(495)	(429)	(924)	(944)	(569)	(1,513)
Operating loss		**(493)**	**53**	**(440)**	(228)	(304)	(532)	(778)	(405)	(1,183)
Financial income		**54**	**-**	**54**	5	-	5	6	-	6
Financial expenses		**(96)**	**(21)**	**(117)**	(164)	(92)	(256)	(346)	(186)	(532)
Net financing expense		**(42)**	**(21)**	**(63)**	(159)	(92)	(251)	(340)	(186)	(526)
Loss before tax		**(535)**	**32**	**(503)**	(387)	(396)	(783)	(1,118)	(591)	(1,709)
Taxation		**51**	**-**	**51**	150	-	150	559	-	559
Loss for the period		**(484)**	**32**	**(452)**	(237)	(396)	(633)	(559)	(591)	(1,150)
Re-measurement to fair value on discontinued operations	12	**-**	**(235)**	**(235)**	-	-	-	-	(686)	(686)
Total		**(484)**	**(203)**	**(687)**	(237)	(396)	(633)	(559)	(1,277)	(1,836)

comprehensive loss for the period										
Earnings per share	7	**(0.42)p**	**(0.18)p**	**(0.60)p**	(0.21)p	(0.34)p	(0.55)p	(0.49)p	(1.12)p	(1.60)p

Consolidated Statement of Financial Position

at 30 September 202 2

	Note	**Unaudited 30 September 2022**	Unaudited 30 September 2021	Audited 31 March 2022
		£000	£000	£000
Non-current assets				
Property, plant and equipment		**972**	4,705	1,077
Intangible assets		**1,233**	3,282	1,391
Deferred consideration receivable	8	**1,804**	-	
Total non-current assets		**4,009**	7,987	2,468
Current assets				
Inventories		**26**	434	29
Trade and other receivables	4	**1,329**	2,426	1,281
Deferred consideration receivable	8	**618**	-	-
Prepayments		**106**	320	283
Cash and cash equivalents		**5,008**	2,669	1,462
Assets relating to disposal group	12	**-**	-	6,234
Total current assets		**7,087**	5,849	9,289
Total assets		**11,096**	13,836	1 1,757
Current liabilities				
Other interest-bearing loans and borrowings	6	**386**	1,345	308
Trade and other payables	5	**1,012**	2,708	1,512
Deferred income	5	**-**	24	77
Liabilities relating to disposal group	12	**-**	-	3,530
Total current liabilities		**1,398**	4,077	5,427
Non-current liabilities				
Other interest-bearing loans and borrowings	6	**7,900**	5,811	3,842
Deferred tax liabilities		**-**	323	-
Total non-current liabilities		**7,900**	6,134	3,842
Total liabilities		**9,298**	10,211	9,269
Net assets		**1,798**	3,625	2,488
Equity				
Share capital		**1,145**	1,145	1, 145
Share premium account		**7,866**	7,866	7, 866
Merger reserve		**838**	838	83 8
Retained earnings		**(8,202)**	(6,312)	(7,515)
Translation reserve		**63**	-	66
Share based payment reserve		**88**	88	88
Total equity		**1,798**	3,625	2,488

Consolidated Statement of Changes in Shareholders Equity

for the six months ended 30 September 202 2 (unaudited)

	Share Capital	**Share Premium**	**Merger Reserve**	**Retained earnings**	**Share based payment reserve**	**Translation reserve**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening shareholders' funds at 1 April 2021	1,145	7,866	838	(5,679)	84	-	4,254
Loss and total comprehensive income for the period from continuing operation	-	-	-	(237)	-	-	(237)
Loss and total comprehensive income for the period from							

discontinued operation	-	-	-	(396)	-	-	(396)
Share option reserve	-	-	-	-	4	-	4
Closing shareholders' funds at 30 September 2021	1,145	7,866	838	(6,312)	88	-	3,625
Loss and total comprehensive income for the period from continuing operation	-	-	-	(322)	-	-	(322)
Loss and total comprehensive income for the period from discontinued operation	-	-	-	(881)	-	-	(881)
Retranslation of net assets of overseas subsidiaries	-	-	-	-	-	66	66
Closing shareholders' funds at 31 March 2022	1,145	7,866	838	(7,515)	88	66	2,488
Loss and total comprehensive income for the period from continuing operation	**-**	**-**	**-**	**(484)**	**-**	**-**	**(484)**
Loss and total comprehensive income for the period from discontinued operation	**-**	**-**	**-**	**(203)**	**-**	**-**	**(203)**
Retranslation of net assets of overseas subsidiaries	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Closing shareholders' funds at 30 September 2022	**1,145**	**7,866**	**838**	**(8,202)**	**88**	**63**	**1,798**

Consolidated Statement of Cash Flows

for the six months ended 30 September 202 2

	Unaudited Half year 202 2 £000	Unaudited Half year 2021 £000	Audited Full year 202 2 £000
Cash flows from operating activities			
Loss for the period	**(484)**	(237)	(559)
Adjustments for:			
Depreciation, amortisation and impairment	**440**	495	944
Release of deferred profit on sale of plant and equipment	**-**	(5)	(9)
Share based payments	**-**	4	4
Net finance expense	**42**	159	340
Bad debt expense	**49**	90	(54)
Foreign exchange loss	**-**	-	66
Tax income	**(51)**	(150)	(559)
Operating cash flow before changes in working capital and provisions	**(4)**	356	173
Change in trade and other receivables	**149**	(778)	(86)
Change in inventories	**3**	-	2
Change in trade and other payables	**(519)**	441	184
Cash (utilised) / generated by operations	**(371)**	19	273
Interest received	**2**	5	-
Tax (paid)/received	**(21)**	-	-
Net cash (outflow) / inflow from operating activities fromcontinuing operation	**(390)**	24	273
Net cash inflow / (outflow) from operating activities from discontinued operation	**104**	403	(139)
Net cash (outflow) / inflow from operating activities	**(286)**	427	134
Cash flows from investing activities			
Proceeds from sale of subsidiary	**100**	-	-
Acquisition of plant and equipment	**(2)**	(19)	(27)
Capitalised development expenditure	**(175)**	(307)	(525)
Acquisition of other intangible assets	**-**	(8)	(20)
Net cash used in investing activities from continuing operation	**(77)**	(334)	(572)
Net cash used in investing activities from discontinued operation	**-**	(2)	(3)
Net cash used in investing activities	**(77)**	(336)	(575)
Cash flows from financing activities			
Proceeds from loans	**4,250**	-	-
Repayment of loans	**(150)**	(79)	(196)
Capital payment of lease liabilities	**(56)**	(58)	(115)
Interest payment of lease liabilities	**(31)**	(36)	(67)
Net cash inflow / (outflow) from financing activities from continuing operation	**4,013**	(173)	(378)
Net cash inflow / (outflow) from financing activities from discontinued operation	**(95)**	11	(330)
Net cash inflow / (outflow) from financing activities	**3,918**	(162)	(708)
Net (decrease) / increase in cash and cash equivalents from continuing operations	**3,546**	(483)	(677)
Exchange difference on cash and cash equivalents	**(9)**	-	-

Net (decrease) / increase in cash and cash equivalents from discontinued operations	**9**	412	(472)
Cash and cash equivalents at start of perio d	**1,462**	2,740	2,740
Cash and cash equivalents at end of period	**5,008**	2,669	1,591
Comprises of:			
Cash and cash equivalents from continuing operation	**5,008**	2,483	1,462
Cash and cash equivalents from discontinued operation	**-**	186	129

Notes

(forming part of the interim 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 Company as at and for the year ended 31 March 2022. 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 interim financial statements are prepared on the same basis as the financial statements for the year ended 31 March 2022, in which our full set of accounting policies, including critical judgements and key sources of estimation uncertainty, can be found.

The Directors review a two-year forecast when approving the interim financial statements to ensure that adequate cash resources are in operational existence to support trading for the foreseeable future.

These condensed consolidated interim financial statements were approved by the Board of Directors on 23 November 2022.

2 Significant accounting policies

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 March 2022.

3 Segmental information

The Company's primary operating segments are geographic being UK & Ireland, Europe and others. The secondary segmental analysis is by nature of sales channel and service.

This disclosure correlates with the information which is presented to the Acting Chief Executive (CEO), the Chief Operating Decision Maker pursuant to IFRS 8, who reviews revenue (which is considered to be the primary growth indicator) by segment. The Company'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.

Analysis by location of sales

	UK & Ireland	**Europe**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**
Six months ended 30 September 2022	**5,653**	**103**	**83**	**5,839**
Six months ended 30 September 2021	5,987	123	197	6,307
Year ended 31 March 2022	11,723	289	349	12,361

Revenue generated outside the UK is attributable to partners in Belgium, France, Ireland, New Zealand, The Netherlands and the USA. No single customer provided the Group with over 10% of its revenue.

DISAGGREGATION OF REVENUE

The disaggregation of revenue from contracts with customers is as follows:

	Continuing Operations					**Discontinued Operation**	**Total**
	Licence Fees	**Company Stores**	**Brand Partner Print**	**Online & Trade**		**Works Sign Businesses**	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Six months ended 30 September 2022	**1,074**	**1,177**	**1,531**	**1,187**	**4,969**	**870**	**5,839**
Six months ended 30 September 2021	1,036	1,242	1,171	937	4,386	1,921	6,307
Year ended 31 March 2022	2,135	2,462	2,439	1,880	8,916	3,445	12,361

4 Trade and other receivables

	Unaudited Half year 202 2	Unaudited Half year 20 21	Audited Full year 202 2
	£000	£000	£000
Trade receivables	**2,181**	3,229	3,290
Less provision for trade receivables	**(1,031)**	(1,122)	(1,089)
Trade receivables net	**1,150**	2,107	2,201
Total financial assets other than cash and cash equivalents classified at amortised cost	**1,150**	2,107	2,201
Corporation tax	**72**	247	167
Other receivables	**107**	72	70
Total Other receivables	**179**	319	237
Total trade and other receivables	**1,329**	2,426	2,438
Total relating to discontinued operation	**-**	1,155	1,157
Total relating to continuing operation	**1,329**	1,271	1,281

5 Trade and other payables

Current liabilities	**Unaudited Half year 2022 £000**	Unaudited Half year 2021 £000	Audited Full year 2022 £000
Trade payables	**686**	1,382	1,445
Accruals	**183**	443	373
Other liabilities	**143**	883	529
Total financial liabilities, excluding 'non-current' loans and borrowings classified as financial liabilities measured at amortised cost	**1,012**	2,708	2,347
Total relating to discontinued operation	**-**	844	835
Total relating to continuing operation	**1,012**	1,864	1,512
Deferred Income	**-**	24	77
Total relating to discontinued operation	**-**	-	-
Total relating to continuing operation	**-**	24	77
Total trade and other payables	**1,012**	2,732	2,424

6 Borrowings

Current liabilities	**Unaudited Half year 202 2**	Unaudited Half year 202 1	Audited Full year 202 2
	£000	£000	£000
Invoice financing	**-**	509	512
Lease liabilities	**116**	673	683
Loans	**270**	163	172
	386	1,345	1,367
Total relating to discontinued operation	**-**	1,073	1,059
Total relating to continuing operation	**386**	272	308
Non-current liabilities			
Lease liabilities	**830**	2,851	2,517
Loans	**465**	771	683
Bearer bonds	**6,605**	2,189	2,270
	7,900	5,811	5,470
Total relating to discontinued operation	**-**	1,905	1,628

Total relating to continuing operation	**7,900**	3,906	3,842

On 27 September 2022 the Company issued further bonds via the perpetual bond facility put in place in July 2020. The Company issued £5.00m of the Bonds, at nominal value, to investors, raising £4.25m before expenses.

7 Earnings per share

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

	Unaudited Six months to 30 September 202 2	Unaudited Six months to 30 September 202 1	Audited Year ended 31 March 202 2
	£000	£000	£000
Loss for the period from continuing operations	**(484)**	(237)	(559)
Profit for the period from discontinued operations	**(203)**	(396)	(1,277)
Total loss after taxation for the financial year	**(687)**	(633)	(1,836)
Weighted average number of shares in issue	**114,490,828**	114,490,828	114,490,828
Basic earnings per share	**(0.60)p**	(0.55)p	(1.60)p
Basic earnings per share from continuing operation	**(0.42)p**	(0.21)p	(0.49)p
Basic earnings per share from discontinued operation	**(0.18)p**	(0.34)p	(1.12)p

Share options had no dilutive effect on the weighted average number of shares and therefore no diluted earnings per share have been stated.

8 Deferred consideration receivable

	Unaudited Half year 2022	Unaudited Half year 2021	Audited Full year 2022
	£000	£000	£000
Receivable within one year	**618**	-	-
Receivable after one year	**1,804**	-	
Total deferred consideration receivable	**2,422**	-	-

The total discounted cash consideration still to be received for disposal of the manufacturing operation based in Manchester referred to as 'Works Manchester' is £2.42m (£2.81m gross consideration).

9 Dividend

The Directors are not declaring an Interim Dividend *(2021: Nil).*

10 Post Balance Sheet Events

On 1 October 2022 the Company completed the acquisition of Vertical Plus Limited, an ecommerce software business, for total consideration rising to £2.88m. The acquisition is expected to be cash flow generative and earnings enhancing in the first year after acquisition.

11 Related Party Transactions

As part of the Bond issue on 27 September 2022, Mediqon Group AG, where our Chairman, Jan-Hendrik Mohr, is CEO, were issued £4.2m nominal nominal value of the bonds, at the same discount rate as other participants.

12 Discontinued operation

On 31 May 2022, the group sold its manufacturing operation based in Manchester. The manufacturing operation, referred to as 'Works Manchester' consists of the legal entity, Works Manchester Limited, along with the Manchester based production assets, related leases and staff contracts of Grafenia Operations Limited. Accordingly, these assets and liabilities have been designated as held for sale and separately disclosed in the statement of financial position and the financial impact of the discontinued operation is separately disclosed in the Statement of comprehensive income.

Following the disposal, Grafenia entered into a five-year supply agreement with Works Manchester Limited to provide products to our Company stores and Partners. This change reduces the gross profit percentage of the group, but at the same time reduces staff costs and overheads. To accurately reflect the performance of continuing operations, the Statement of comprehensive income has been presented to show the results had the disposal and new supply agreement been in effect for both the current and the comparative financial years.

Following preparation of the Completion Accounts, the total discounted cash consideration to be received was reduced from £2.70m (£3.16m gross consideration) to £2.47m (£2.91m gross consideration), with the final instalment due in May 2026. The £0.23m impairment has been recognised within discontinued operations in the current period.

END

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