ANNUAL REPORT
AND ACCOUNTS

2015

GRAFENIA plc

CONTENTS

FINANCIAL SUMMARY

	2015 £000	%	2014 £000	%	2013 £000	%
Group Turnover	**17,004**		19,443		20,664	
Annual Growth	**(12.5%)**		(5.9%)		(5.1%)	
Gross Profit	**9,975**	**58.7%**	10,904	56.1%	11,211	54.3%
EBITDA	**2,520**	**14.8%**	2,650	13.6%	2,809	13.6%
Operating Profit Before Exceptionals	**865**	**5.1%**	811	4.2%	1,111	5.4%
Annual Growth	**6.66%**		(27.00%)		(14.54%)	
Profit Before Tax	**856**		755		891	
Annual Growth	**13.38%**		(15.26%)		(29.17%)	
Taxation	**(9)**		108		(86)	
Tax Rate	**-**		-		9.7%	
Profit on Ordinary Activities After Tax	**847**		863		805	
Dividend declared on equity shares	**706**		628		1,213	
Earnings per ordinary share - basic	**1.80p**		1.82p		1.69p	
Earnings per ordinary share - diluted	**1.80p**		1.82p		1.69p	
Interim Dividend per ordinary share	**0.50p**		0.33p		1.05p	
Final Dividend per ordinary share	**1.00p**		1.00p		1.50p	
Total Dividend per ordinary share	**1.50p**		1.33p		2.55p	
	£000		£000		£000	
Net Funds	**1,278**		1,401		1,394	
Group Revenues						
UK & Ireland	**10,057**	**59.1%**	11,294	58.1%	12,549	60.7%
Europe	**6,567**	**38.6%**	7,895	40.6%	7,893	38.2%
Rest of the World	**380**	**2.2%**	254	1.3%	222	1.1%
Total Group Revenue	**17,004**	**100.0%**	19,443	100.0%	20,664	100.0%

GRAFENIA PLC's REVENUE STREAMS

Online Channels
Order online, pay online.

Revenue Generated:
• Print Revenue
• Subscription Fees

FLYERZONE™
flyerzone.co.uk
flyerzone.ie
flyerzone.nl
flyerzone.fr

Drukland
drukland.nl
drukland.be

marqetspace
marqetspace.com

Nettl Partners
Web studios featuring the Nettl brand selling digital website, ecommerce and 'click & collect' solutions, together with print and design.

Revenue Generated:
• Licence Fees
• Website and Hosting Revenue
• Print Revenue

nettl®
nettl.com

Franchise Partners
Design studios featuring the printing.com brand selling face to face and offering print management online.

Revenue Generated:
• Licence Fees
• Print Revenue
• Master Franchise Revenue

[printing.com®
Franchises
printing.com/uk
printing.com/fr
printing.com/ie
Master Licenses
printing.com/us
printing.com/nz

BrandDemand
branddemand.com
Available in UK, The Netherlands, New Zealand, Ireland and The United States

W3P Partners
Saas cloud based software for designers and printers offering web-2-print and other online tools.

Revenue Generated:
• Subscription Fees
• Print Revenue

w3p®
w3p.com

w3 SHOP®
w3shop.com

Software Solutions
A SaaS offering crowdsourced templated graphic design to other online printers via an application programming interface (API).

Revenue Generated:
• Subscription Fees
• Template Fees

TemplateCloud® API
templatecloud.com

Les Wheatley
Chairman

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

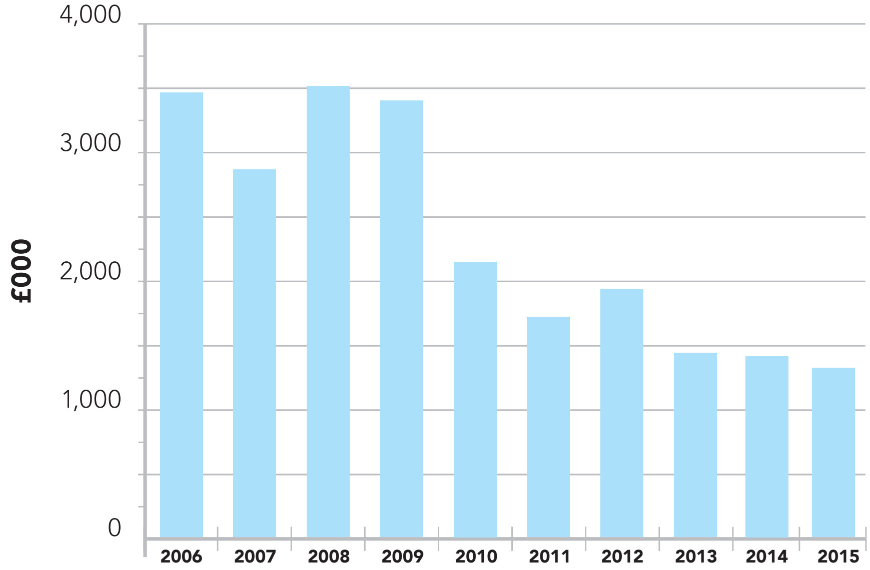
Group Turnover decreased by 12.6% to £17.00m *(2014: £19.44m)*. EBITDA contracted by 4.9% to £2.52m *(2014: £2.65m)*. Operating profit increased by 7.4% to £0.87m *(2014: £0.81m)*. Profit before tax increased by 13.2% to £0.86m *(2014: £0.76m)*.

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)*.

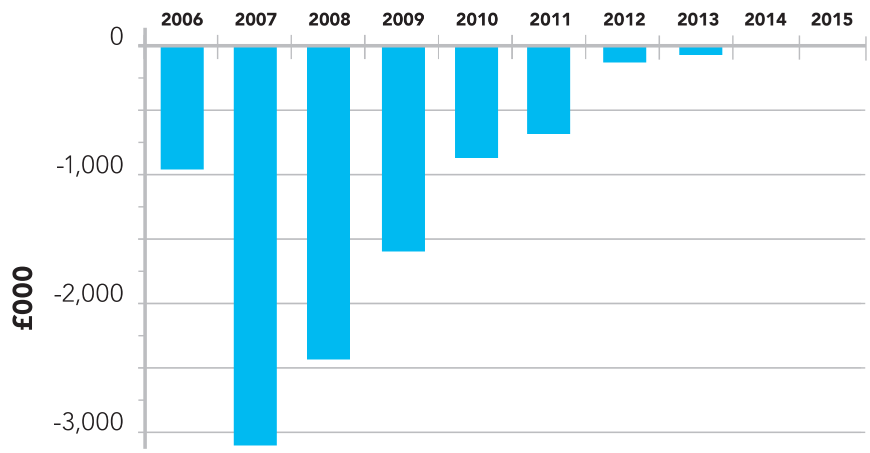
CASH

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.

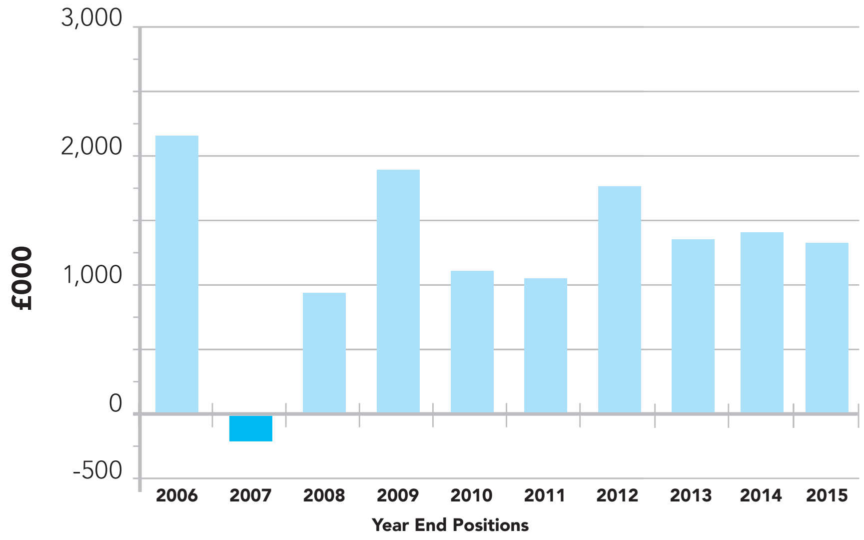
CASH



DEBT



NET FUNDS/DEBT



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

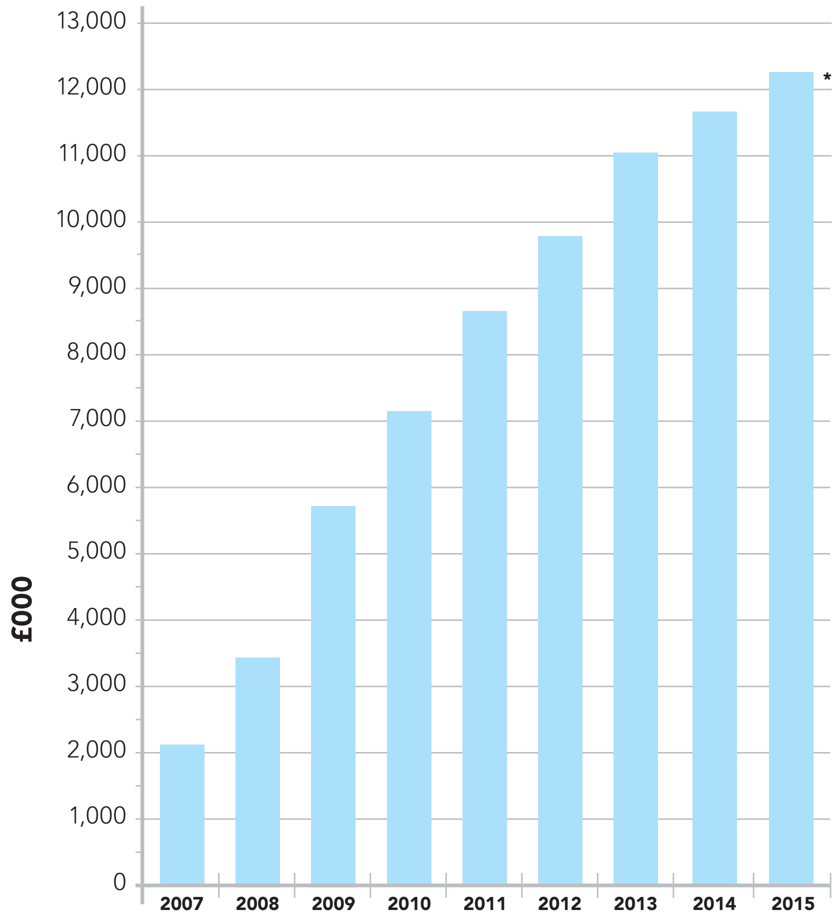
During the current year, as the nature of our Printing.com franchise partners' businesses change and with our Dutch markets likely to be increasingly competitive it is probable that we will continue to see revenue contract.

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

CUMULATIVE RETURN TO SHAREHOLDERS



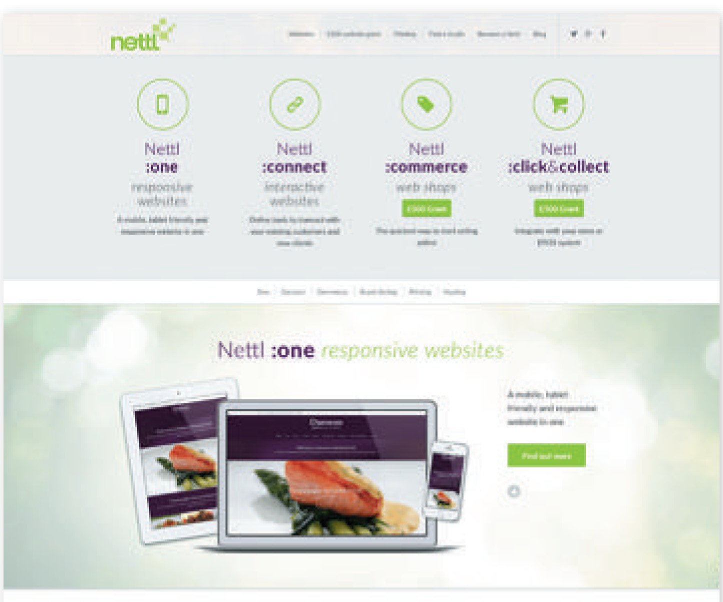
* Including proposed final dividend

The Manchester Production Hub

marqetspace®

Marqetspace targets trade buyers of printing services

nettl®



Nettl – a new cross-media bolt-on formula – launched in September 2014

STRATEGIC REPORT
CHIEF EXECUTIVE'S STATEMENT

Tony Rafferty
Chief Executive

OVERVIEW AND RE-FOCUSSING OF STRATEGY

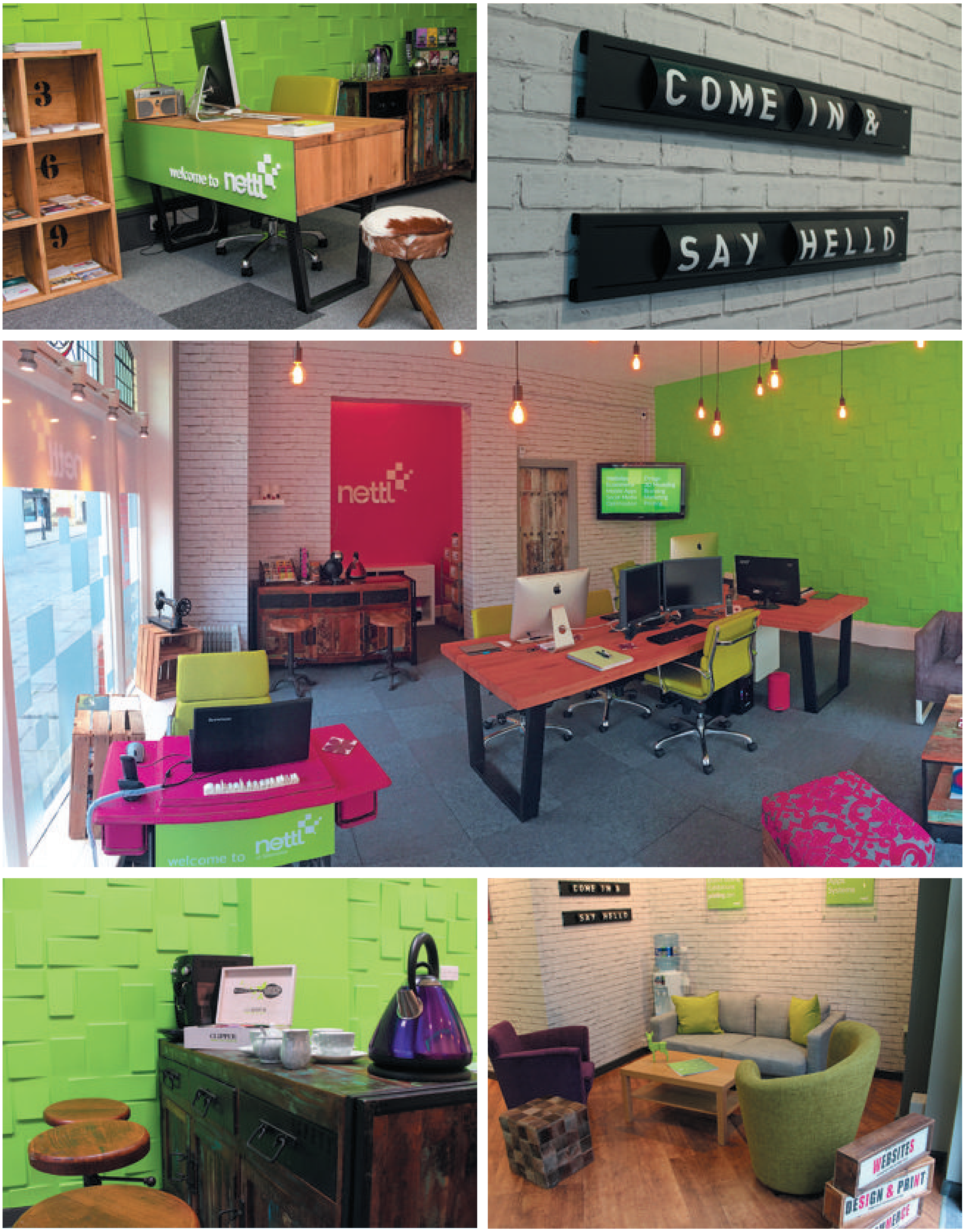
From its launch in December 2012 it was envisaged that W3P (SaaS based web-to-print) could supersede the Printing.com formula in terms of its importance to the Group.

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.



Examples of various Nettl studio interior design

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.

Nettl "Geeks" support our bolt-on partners with more complex solutions

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.

Nettl studio consultation

Nettl marketing literature and magazine advertising

nettl

marqetspace

Marqetspace full colour print sample box

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 'crowd-sourced' 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

Nettl bilt-on partners and team member

STRATEGIC REPORT FINANCIAL REVIEW

Alan Q Roberts
Finance Director

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.

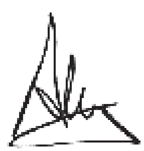
- The Group's activities require people across a multitude of disciplines. These people need to be attracted and retained this may prove difficult moving forward.

- 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

DIRECTORS

Les Wheatley
Chairman

Les brings substantial expertise to the Board in the fields of corporate governance, finance, logistics, change management and affinity marketing gained with Newcastle United FC and Liverpool FC.

Les was Finance Director at Liverpool FC until January 2009, a position he took in 2000, moving from a similar post with Newcastle United FC.

Les gained his logistics and change management expertise with Ernst & Young before going on to lead the employee buy-out of GM Buses where he was subsequently appointed MD. A successful exit followed, via a trade sale to Stagecoach Group plc in 1996.

Les joined the Group in September 2000 and is Chairman of the Audit Committee. Age 62.

Tony Rafferty
Chief Executive

Tony studied Electronics and Electrical Engineering at Sheffield University from 1987, developing an interest in marketing and promotional activity whilst managing Student Union entertainments. He worked in First Leisure's Superbowl division briefly in 1990 before operating as a self-employed print broker. In 1992 he founded a printing company which subsequently became Printing.com Europe Ltd and which was acquired by the Company shortly before its admission to Ofex in 2000. He has shaped the Group over the past decade and devised its business and sales models. He also designed and developed the Flyerlink® system which defines the Group's work flow. Age 47.

Peter Gunning MA
Chief Technology Officer

After obtaining his Masters Degree in Accountancy and Finance from Heriot-Watt University in 1997, Peter established The Design Foundry Scotland Limited and was a client of the business. Since joining the Group in 1998, he has been responsible for developing the Printing.com Store concept associated marketing and operations infrastructure.

Peter was appointed to the Board in June 2001. Age 39.

Alan Q Roberts FCMA
Finance Director

Alan qualified as a Chartered Management Accountant in 1981 whilst company accountant of Moon Brothers Engineering. He then moved to the Edward Billington Group as divisional accountant and from there he joined Dalgety as group accountant for the Merseyside production facilities. Moving to CQR in 1987 (acquired by Expamet International in 1988) as management accountant, he was subsequently appointed financial director & company secretary in 1991. The company was sold to Channel Holdings in 1995 and in 1997 he was appointed operations director by which time the company had turnover of c£20m per annum.

Alan joined the Group in June 1999. Age 59.

Pavel Begun
Non-Executive Director

Pavel is based in Toronto, Canada and has global financial and operational expertise having worked in equity research for Fiduciary Asset Management and A.G.Edwards & Sons. He graduated with Honours from the University of Chicago with an M.B.A. in Accounting and Finance and is also a Chartered Financial Analyst and a member of the Toronto Society of Financial Analysts. Pavel is currently a managing partner of 3G Capital Management LLC, a global value-oriented investment vehicle which he co-founded operating from Toronto and Chicago. Pavel is also a Non-Executive Director of AlarmForce Industries Inc. (TSX: AF), a leading North American residential alarm monitoring company.

Pavel was appointed to the Board in November 2012. Age 36.

DIRECTORS' REPORT

The Directors present their report and the financial statements of Grafenia plc and its subsidiary companies for the financial year ended 31 March 2015.

RESEARCH AND DEVELOPMENT

All research costs are written off as incurred.

Development costs are also charged to profit and loss in the year of expenditure, except when individual projects satisfy the following criteria:

- The project is clearly defined and related expenditure is separately identifiable.
- The project is technically feasible and commercially viable.
- Current and future costs will be exceeded by future sales.
- Adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over time in all cases over a period not exceeding five years commencing in the year when the Group begins to benefit from the expenditure.

DIRECTORS

The following Directors have held office since 1 April 2014:

L A WHEATLEY	Non executive Chairman
A RAFFERTY	Chief Executive
P R GUNNING	Chief Technology Officer
A Q ROBERTS	Finance Director
P BEGUN	Non executive Director

All the Directors are subject to re-election at intervals of no more than 3 years.

L A Wheatley retires by rotation in accordance with the articles of association. L A Wheatley being eligible, offers himself up for re-election.

Details of Directors' interests in the share capital of the Company as shown in the register, together with details of share options granted and awards made to the Directors, are included in the Report on Directors' Remuneration on pages 24 to 26.

From 3 April 2008 the Company has maintained cover for its Directors under a directors' liability insurance policy, as permitted by the Companies Act 2006.

EMPLOYEES

The employment policies of the Group embody the principles of equal opportunity and the Group does not discriminate against anyone on any grounds. The Group ensures that every consideration is given to applications of employment from disabled persons. If an employee became disabled, every effort would be made to offer suitable alternative employment within the Group and assistance with retraining.

The Group keeps employees informed via the Company's Intranet and by periodic staff meetings and internal announcements and takes account of any comments and feedback provided by employees in the formulation of its policies and procedures.

HEALTH AND SAFETY

Emphasis is placed upon providing a safe and healthy working environment for employees, customers and suppliers. The Group ensures that regular risk assessments are carried out and that plant and machinery is properly maintained. Working practices are developed to embody safe systems of work and the Group ensures that employees receive ongoing instruction, training and supervision for working and health and safety issues.

SOCIAL, ENVIRONMENTAL AND ETHICAL ISSUES

The Board considers social, environmental and ethical matters in all aspects of the business of the Group. They and senior management review and assess the significant risks to the Group's short and long term value as impacted upon by social, environmental and ethical issues. The Group comply with environmental laws and regulations and work with suppliers and customers to improve the effectiveness of environmental management.

Through the period the Group maintained its ISO14001 environmental accreditation.

PRINCIPLES OF CORPORATE GOVERNANCE

The Directors' Statement of Corporate Governance can be viewed on the Company's web site at www.grafenia.com.

SUBSTANTIAL SHAREHOLDERS

In addition to the Directors' interests noted in the Directors' Remuneration Report, the Directors are aware of the following who were interested in 3% or more of the Company's equity as at 28 June 2013:

Registered holding	Number of shares	% of issued share capital
Langfristige Investoren TGV	9,272,001	19.50%
3G Capital	2,740,000	5.76%
R G Hardie	1,674,574	3.52%

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday 17th July 2015 at the Imperial War Museum North, The Quays, Trafford Wharf Road, Manchester M17 1TZ. In addition to the ordinary business the Company will also propose a number of resolutions which will be dealt with as special business. Details are contained in the Notice of the Annual General Meeting.

In the opinion of the Directors, the passing of these resolutions is in the best interests of the shareholders.

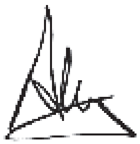
DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor are unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITORS

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as Auditor will be proposed at the next Annual General Meeting.

By order of the Board



A Q Roberts
Director
8 June 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The Company has an established Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee are Les Wheatley and Pavel Begun who are both independent Non-executive Directors, Les Wheatley chairs the Committee.

In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive, Tony Rafferty, about its proposals. The Committee also sources reports from the Company's various advisers.

REMUNERATION POLICY

The policy of the Committee is to reward Executive Directors in line with the current remuneration of directors in comparable businesses taking into consideration the advice of independent bodies in order to recruit, motivate and retain high quality executives within a competitive market place.

There are four main elements of the remuneration packages for Executive Directors and senior management:

- Basic annual salary (including Directors' fees) and benefits;
- Annual cash bonus payments which cannot exceed 30% of basic salary, with the exception of the Chief Executive in which case it is 40%;
- Share option incentives; and
- Pension arrangements.

BASIC PENSIONABLE SALARY

Basic pensionable salary is reviewed annually in March with increases, if awarded, taking effect from 1 April. In addition to basic salary, the Executive Directors also receive certain benefits in kind, principally a car and private medical insurance.

ANNUAL CASH BONUS

The Committee establishes the objectives which must be met for each financial year if a cash bonus is to be paid. The purpose of the bonus is to reward Executive Directors and other senior employees for achieving above average performance which also benefits shareholders. The maximum performance related bonus that can be paid is 40% of basic salary. No incentive payments have been made for the financial year ended 31 March 2015.

PENSION ARRANGEMENTS

The Company contributes to individual money purchase schemes for the Executive Directors.

DIRECTORS' CONTRACTS

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice, The Chief Executive has a twelve month notice period. There are no special provisions for compensation in the event of loss of office. The Remuneration Committee would consider the circumstances of any early termination and determine compensation payments accordingly.

NON-EXECUTIVE DIRECTORS

The fees of each Non-executive Director are determined by the Board as a whole, excluding the Non-executive being reviewed, having regard to the commitment of time required and the level of fees in similar companies. Non-executive Directors do not receive pension contributions.

Non-executive Director's contracts are subject to three months written notice.

ELEMENTS OF REMUNERATION (AUDITED)

Year ended 31 March 2015:

	Basic salary £	Fees £	Benefits £	Bonuses £	2015 Total £	2015 Pension £
L A Wheatley	-	**30,115**	-	-	**30,115**	**279**
P Begun	-	**20,077**	-	-	**20,077**	-
A Rafferty	**170,905**	-	**1,121**	-	**172,026**	**22,725**
P R Gunning	**170,905**	-	**703**	-	**171,608**	**15,525**
A Q Roberts	**85,177**	-	**19,366**	-	**104,543**	**9,273**
	426,987	**50,192**	**21,190**	-	**498,369**	**47,802**

Year ended 31 March 2014:

	Basic salary £	Fees £	Benefits £	Bonuses £	2014 Total £	2014 Pension £
L A Wheatley	-	30,115	-	-	30,115	-
Dr C H Deckart	-	6,154	-	-	6,154	-
P Begun	-	20,077	-	-	20,077	-
A Rafferty	170,905	-	975	-	171,880	22,725
P R Gunning	170,905	-	305	-	171,210	15,525
A Q Roberts	85,177	-	18,965	-	104,142	8,485
	426,987	56,346	20,245	-	503,578	46,735

DIRECTORS' INTERESTS

At 31 March 2015, the Directors had the following beneficial interests in the Company's shares, the share option scheme having lapsed in the period:

	Ordinary shares of 1p each				**Share options**	
	31 March 2015	31 March 2014		**Exercise Price**	**31 March 2015**	31 March 2014
A Rafferty	**8,662,222**	8,662,222		-	**-**	-
P R Gunning	**684,646**	684,646	a)	-	**-**	300,000
A Q Roberts	**320,000**	320,000	a)	-	**-**	300,000
L A Wheatley	**-**	-		-	**-**	**-**
P Begun	**-**	-		-	**-**	-

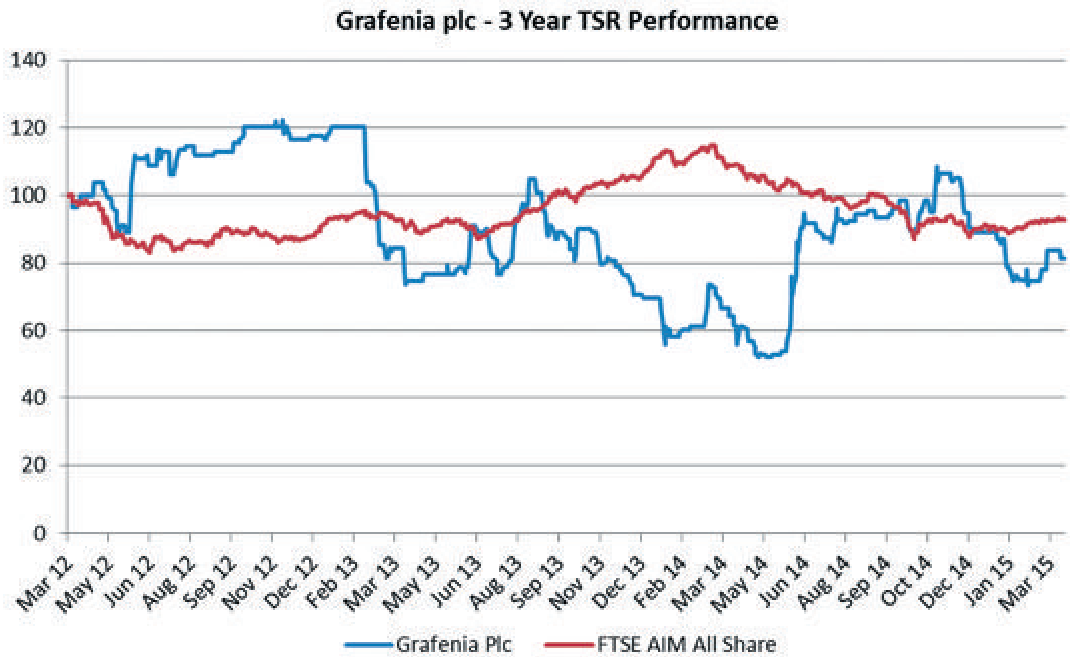
From the end of the year until 8 June 2015 there have been no changes in the above interests.

No Directors, including family interests, had any interests in the deferred share capital of the Company.

SHARE OPTIONS (AUDITED)

The options previously listed to Directors, Peter Gunning and Alan Roberts, lapsed in the year.

The Group's share price performance for the period under review charted with the AIM all share is shown below. The market price of shares as at 31 March 2015 was 18.00pence *(2014: 15.25pence).* The range during 2015 was 12.38pence to 24.50pence.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAFENIA PLC

We have audited the financial statements of Grafenia plc for the year ended 31st March 2015, set out on pages 29 to 54. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, in respect of the separate opinion in relation to the Directors' Remuneration Report on terms that have been agreed. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 AND UNDER THE TERMS OF OUR ENGAGEMENT

In our opinion:

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the company; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors’ Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MICK DAVIES (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR
KPMG LLP
8 June 2015
Chartered Accountants
1 St Peter’s Square
Manchester
M2 3AE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015	*Note*	**2015**	2014
		£000	£000
Revenue	2	**17,004**	19,443
Raw materials and consumables used		**(7,029)**	(8,539)
Gross profit		**9,975**	10,904
Staff costs	4	**(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	3	**865**	811
Exceptional costs	3	**-**	-
Operating profit		**865**	811
Financial income		**5**	3
Financial expenses		**(14)**	(59)
Net financing expense		**(9)**	(56)
Profit before tax		**856**	755
Taxation	5	**(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	14	**1.80p**	1.82p
Diluted earnings per share	14	**1.80p**	1.82p

The notes on pages 19 to 40 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED AND COMPANY

GROUP – YEAR ENDED 31 MARCH 2014

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £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

GROUP – 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**

COMPANY – YEAR ENDED 31 MARCH 2014	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance 31 March 2013	475	-	627	4,589	5,691
Profit and total comprehensive income for the year	-	-	-	752	752
Own Shares acquired	-	-	-	(69)	(69)
Dividends paid	-	-	-	(870)	(870)
Loan Note	-	-	-	(16)	(16)
Total movement in equity	-	-	-	(203)	(203)
Balance at 31 March 2014	475	-	627	4,386	5,488

COMPANY – YEAR ENDED 31 MARCH 2015

Profit and total comprehensive income for the year	**-**	**-**	**-**	**716**	**716**
Dividends paid	**-**	**-**	**-**	**(706)**	**(706)**
Total movement in equity	**-**	**-**	**-**	**10**	**10**
Balance at 31 March 2015	**475**	**-**	**627**	**4,396**	**5,498**

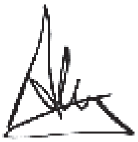
The notes on pages 33 to 54 form part of these financial statements

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

	Note	**Group 2015 £000**	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Non-current assets					
Property, plant and equipment	7	**1,114**	1,499	**-**	-
Investments in subsidiaries	8	**-**	-	**2,416**	2,416
Intangible assets	8	**4,372**	4,406	**-**	-
Other receivables	9	**26**	53	**1,000**	1,000
Total non-current assets		**5,512**	5,958	**3,416**	3,416
Current assets					
Inventories		**202**	168	**-**	-
Trade and other receivables	9	**2,287**	2,244	**2,112**	2,125
Cash and cash equivalents	10	**1,277**	1,401	**1**	1
Total current assets		**3,766**	3,813	**2,113**	2,126
Total assets		**9,278**	9,771	**5,529**	5,542
Current liabilities					
Trade and other payables	12	**(1,701)**	(1,793)	**-**	(5)
Current tax payable	5	**(121)**	(282)	**-**	-
Accruals and deferred income	12	**(813)**	(1,147)	**(31)**	(49)
Other liabilities	12	**(288)**	(375)	**-**	-
Total current liabilities		**(2,923)**	(3,597)	**(31)**	(54)
Non-current liabilities					
Deferred tax liabilities	6	**(403)**	(363)	**-**	-
Total non-current liabilities		**(403)**	(363)	**-**	-
Total liabilities		**(3,326)**	(3,960)	**(31)**	(54)
Net assets		**5,952**	5,811	**5,498**	5,488
Equity attributable to equity holders of the parent					
Share capital	14	**475**	475	**475**	475
Share premium		**-**	-	**-**	-
Merger reserve		**838**	838	**627**	627
Retained earnings		**4,639**	4,498	**4,396**	4,386
Total equity		**5,952**	5,811	**5,498**	5,488

These financial statements were approved by the board of directors on 8 June 2015 and were signed on its behalf by:



A Q ROBERTS

Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

FOR YEAR ENDED 31 MARCH 2015

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		£000	£000	**£000**	£000
Cash flows from operating activities					
Profit for the year		**847**	863	**716**	752
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	**(611)**	(647)
Foreign exchange (loss)/gains		**(14)**	(59)	**15**	(6)
Tax (income)/ expense		**9**	(108)	**-**	-
Operating cash flow before changes in working capital and provisions		**2,506**	2,584	**120**	99
Change in trade and other receivables		**(16)**	246	**13**	199
Change in inventories		**(34)**	15	**-**	-
Change in trade and other payables		**(513)**	(983)	**(23)**	4
Cash generated from Operations		**1,943**	1,862	**110**	302
Interest paid		**-**	(8)	**-**	-
Income tax (paid)/received		**(130)**	145	**-**	-
Net cash inflow from operating activities		**1,813**	1,999	**110**	302
Cash flows from investing activities					
Proceeds from sale of plant and equipment		**5**	76	**-**	-
Interest received		**5**	11	**-**	1
Acquisition of plant and equipment	7	**(172)**	(214)	**-**	-
Capitalised development expenditure	8	**(518)**	(440)	**-**	-
Acquisition of other intangible assets	8	**(571)**	(506)	**-**	-
Dividends received		**-**	-	**596**	652
Net cash (used in) / generated by investing activities		**(1,251)**	(1,073)	**596**	653
Cash flows from financing activities					
Proceeds from the issue of share capital	14	**-**	-	**-**	-
Purchase of own shares		**-**	(69)	**-**	(69)
Proceeds from new finance lease		**-**	52	**-**	-
Payment of finance leases		**-**	(20)	**-**	-
Repayment of bank loans		**-**	(23)	**-**	-
Repayment of loan notes		**-**	(16)	**-**	(16)
Dividends paid	14	**(706)**	(870)	**(706)**	(870)
Net cash used in financing activities		**(706)**	(946)	**(706)**	(955)
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	**1**	1
Cash and cash equivalents at 31 March 2015	10	**1,277**	1,401	**1**	1

The notes on pages 33 to 54 form part of these financial statements

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group has considerable financial resources and the opportunities open to the Group continue to grow. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, including a consideration of reasonable sensitivities, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Cash flow forecasts indicate continuing cash inflows to ensure that sufficient cash is available for future trading and dividends. The Group's external funding is made up of a supplier agreement which totalled £6,000 against cash balances of £1,277,000 at the year end. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further information regarding the Group's business activities together with the factors likely to affect its future development, performance and position is set out in the Chief Executive's Statement on pages 2 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 7 & 8. In addition, note 15 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

STATEMENT OF COMPLIANCE

Both the parent company financial statements and the Group financial statements have been prepared by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and under the historical cost convention. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income statement and related notes that form a part of these approved financial statements.

The financial statements were approved by the Board of Directors on 8 June 2015.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. To improve the clarity of the financial statements a number of policies are presented alongside the relevant accounting note.

BASIS OF CONSOLIDATION

The Group financial statements comprise the financial statements of the Company and all of its subsidiaries made up to the financial year end. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies are consistently applied throughout the Group. Intercompany balances and transactions have been eliminated. Profits from intercompany sales, to the extent that they are not yet realised outside the Group, have also been eliminated.

1. ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

For acquisitions on or after 1 April 2010, the Group measures goodwill at the acquisition date as the:

- fair value of the consideration transferred; plus
- recognised amount of any non-controlling interests in the acquiree; plus
- fair value of the existing equity interest in the acquiree; less
- net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

INVESTMENTS

Investments in subsidiaries are stated at cost. Where in the opinion of the Directors an impairment of the investment has arisen, the value of the investment will be written down to the recoverable amount in accordance with IAS 36 'Impairment of Assets'.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and is valued at purchased cost. Net realisable value is based on estimated selling price less additional costs to completion and necessary costs to make the sale. Inventories are made up of raw materials of £199,000 *(2014: £165,000)* and work in progress of £3,000 *(2014: £3,000)*.

INTEREST BEARING BORROWINGS

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

IMPAIRMENT OF ASSETS

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

OPERATING LEASE PAYMENT

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss as an integral part of the total lease expense over the term of the lease.

FINANCE LEASE PAYMENTS

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

FINANCING COSTS

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit and loss on the date the entity's right to receive payments is established.

SHARE BASED PAYMENTS

The share option programme for Group employees to acquire shares in the Company lapsed in the period under review.

FOREIGN CURRENCIES

Foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction. At each Balance Sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the Balance Sheet date. Translation differences on monetary items are taken to profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of transaction.

The financial statements of overseas subsidiaries are translated into sterling at the exchange rate ruling at the Balance Sheet date; income and expenses are translated at exchange rates at the date of transaction. The resulting surpluses and deficits are taken directly to the cumulative translation differences reserve and are reported in the consolidated statement of changes in shareholders' equity.

On disposal of a foreign subsidiary any cumulative exchange differences held in shareholders' equity are transferred to the Consolidated Statement of Comprehensive Income.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Intangibles – capitalisation of software and development costs

The Board hold that the Group's key differentiators stem from its proprietary software, operationally W3P and that developed to support Nettl, Marqetspace, BrandDemand, Templating and Online initiatives. It is essential to continue investing in these assets. Projects are agreed with user forums to improve functionality for partners. Separate projects are defined for international expansion and for new initiatives as they are identified. Development costs are capitalised where a project has been defined, tested and expected to realise future economic benefits. Programming is carried out by third parties who work to a detailed specification and schedule. The Group's policy is to amortise these costs over 3 to 5 years whilst the software in question remains in use.

Recoverability of receivables

The Group review outstanding loan balances and overdue trade debtors on a regular basis and make provisions against those balances considered most at risk. In estimating the bad debt provision management will consider the level of debt over 90 days overdue, agreement and compliance with payment plans and the ability to offset the risk against related payables.

NEW STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ENDORSED, BUT WHICH ARE NOT YET EFFECTIVE AND NOT EARLY ADOPTED:

Standards, amendments and interpretations adopted during the period

The Group has adopted the following standards, amendments and interpretations which have not had a significant impact on the Group's results:

• Presentation of items of Other Comprehensive Income (amendments to IAS 1)

• IAS 19 'Employee benefits'

• IFRS 13 'Fair value measurement'

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group has considered IFRS 10/11/12 but has not adopted them, in particular the Group does not consolidate their results in those of the Group. A number of new standards, amendments to standards and interpretations have been issued but are not yet effective, and therefore have not yet been adopted by the Group. These are not expected to have a material impact on the Group's accounts when adopted.

2. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the invoiced amount, net of Value Added Tax, of goods sold and services provided to customers outside the Group and is recognised as follows:-

- For printing services revenue is recognised on completion of the print run at the fair value of the consideration receivable net of any discounts or commissions as the risks and rewards of the inventory pass to the Customer upon completion of printing. Revenue recognised relates only to amounts invoiced to Customers rather than the full amount paid by the end client. Where printing is undertaken by a supplier, revenue is recognised when the supplier dispatches the goods.

- Licence fees are receivable as an initial fee raised at the start of the Agreements and a secondary fee payable annually on the anniversary of the agreement. Initial fees relate to specific services provided at the start of Agreements (training and set-up) and the ongoing use of the Printing.com brand and in some instances entitlement to territories. Revenue in relation to the services provided at the start of Agreements are recognised on completion of the services as detailed in the Agreement and represents the fair value of those services. The ongoing use of the Printing.com brand is spread over the period to the anniversary of the licence agreement (normally a twelve month period) representing the period over which the rights are made available. Nettl, the Group's new cross media Franchise formula generates royalty revenues which are charged by way of monthly fees and therefore revenue is recognised in the month that such fees fall due. The Company own and operate a number of Nettl Studios which design, deploy and host websites. Revenue is recognised against milestones agreed with Clients.

- Secondary fees primarily relate to the ongoing use for the renewal period of the Printing.com brand and network and for Territory Franchisees preserving their entitlement to the territory. The element of the fee in relation to ongoing use of the Printing.com brand and network and entitlement to the territory is spread over the period to the next anniversary date of the licence agreement (normally a twelve month period) representing the period over which the rights are made available.

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 £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 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)*.

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

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**
Assets – Unallocated net assets				**5,952**

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

ANALYSIS BY TYPE

Printing services	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
Assets – Unallocated net assets				5,811

3. PROFIT BEFORE TAXATION AND AUDITORS' REMUNERATION

Included in profit are the following:

	2015 £000	2014 £000
Operating lease rentals	**348**	386
Amortisation of intangible assets	**1,111**	1,198
Depreciation	**544**	641
Loss on foreign currency transactions	**(14)**	(59)

There were no exceptional costs in the financial year *(2014: £nil)*.

Auditors' remuneration:

	2015 £000	2014 £000
Audit of these financial statements	**16**	15
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**32**	31
Tax compliance services	**11**	10
Other tax advisory services	**10**	10
Review of interim financial statements	**6**	6
Other assurance services	**2**	2

The 2015 auditors' remuneration for statutory audit services and non-audit services relate solely to amounts paid to KPMG LLP. Amounts paid to the Group's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

Number of employees	**Group 2015**	Group 2014	**Company 2015**	Company 2014
Administration	**18**	25	**2**	2
Sales and distribution	**75**	66	**-**	-
Production	**53**	62	**-**	-
	146	153	**2**	2

The aggregate payroll costs of all employees, including Directors, were as follows:

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Wages and salaries	**3,967**	4,185	**50**	51
Social security costs	**468**	488	**5**	5
Other pension costs	**100**	130	**-**	-
	4,535	4,803	**55**	56

Defined contribution plan

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The amounts charged to the Consolidated Statement of Comprehensive Income represent the contributions payable to the scheme in respect of the accounting period. In the year ended 31 March 2015 £100,000 of contributions were charged to the Consolidated Statement of Comprehensive Income *(2014: £130,000)*. As at 31 March 2015 no *(2014: £1,000)* contributions were outstanding on the balance sheet.

KEY MANAGEMENT REMUNERATION:

	2015 £000	2014 £000
Key managements' emoluments	**449**	447
Share based payments (see note 13)	**-**	-
Company contributions to money purchase pension plans	**47**	47
Amounts paid to third parties in respect of directors services	**-**	-
	496	494

The Group considers the key management to be the Directors of the Group. Information covering Directors' remuneration is set out in full in the 'Elements of remuneration' section of the Directors Remuneration Report on page 10.

The aggregate of emoluments for the highest paid Director was £172,000 *(2014: £172,000)*, and Company pension contributions of £23,000 *(2014: £23,000)* were made to a money purchase scheme on their behalf.

Directors for whom retirement benefits are accruing under money purchase schemes amounted to 3 *(2014: 3)*.

5. 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 **£000**	2014 £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 expense/(repayment)	**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.

6. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Recognised deferred tax assets and liabilities	**Assets 2015 £000**	Assets 2014 £000	**Liabilities 2015 £000**	Liabilities 2014 £000
Property, plant and equipment	**-**	-	**394**	349
Intangible assets	**-**	-	**9**	14
Tax (assets)/liabilities	**-**	-	**403**	363

Movement in deferred tax during the year.	31 March 2014	**Adjustment for prior years**	**Recognised in income**	**Recognised in income due to tax rate change**	**31 March 2015**
	£000	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	349	**189**	**(144)**	**-**	**394**
Intangible assets	14	**-**	**(5)**	**-**	**9**
	363	**189**	**(149)**	**-**	**403**

Movement in deferred tax during the year	31 March 2013	Adjustment for prior years	Recognised in income	Recognised in income due to tax rate change	31 March 2014
	£000	£000	£000	£000	£000
Property, plant and equipment	399	215	(183)	(82)	349
Intangible assets	54	-	(33)	(7)	14
Other timing differences	(2)	-	-	2	-
	451	215	(216)	(87)	363

COMPANY

The Company had no deferred tax assets or liabilities as at 31 March 2015 *(2014: £nil)*.

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

Property, plant and equipment is stated at cost less accumulated depreciation and impairments.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Depreciation

Fixtures and fittings – 20%-33% straight line
Domain name – 5% straight line
Plant and equipment – 10%-30% straight line
Leasehold improvements – over remaining lease life

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
Balance at 31 March 2013	656	6,829	61	784	8,330
Additions	-	60	-	154	214
Disposals	(80)	-	-	(27)	(107)
Effect of movements in foreign exchange	-	-	-	(3)	(3)
Balance at 31 March 2014	576	6,889	61	908	8,434
Balance at 31 March 2014	576	6,889	61	908	8,434
Additions	-	4	-	168	172
Disposals	-	(5)	-	(265)	(270)
Effect of movements in foreign exchange	-	-	(4)	(30)	(34)
Balance at 31 March 2015	**576**	**6,888**	**57**	**781**	**8,302**
Depreciation and impairment					
Balance at 31 March 2013	541	5,326	26	461	6,354
Depreciation charge for the year	54	427	13	147	641
Disposals	(31)	-	-	(25)	(56)
Effect of movements in foreign exchange	-	-	-	(4)	(4)
Balance at 31 March 2014	564	5,753	39	579	6,935
Balance 31 March 2014	564	5,753	39	579	6,935
Depreciation charge for the year	5	388	9	142	544
Disposals	-	(5)	-	(260)	(265)
Effect of movements in foreign exchange	-	-	(4)	(22)	(26)
Balance at 31 March 2015	**569**	**6,136**	**44**	**439**	**7,188**

7. PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

	Land and buildings	Plant and equipment	Motor Vehicles	Fixtures and Fittings	Total
	£000	£000	£000	£000	£000
Net book value					
At 31 March 2013	115	1,503	35	323	1,976
At 31 March 2014	12	1,136	22	329	1,499
At 31 March 2015	**7**	**752**	**13**	**342**	**1,114**

LEASED PLANT, MACHINERY AND FIXTURE & FITTINGS

At 31 March 2015 Group had a leased asset with a carrying value of £36,000 *(2014: £32,000).*

8. INTANGIBLE ASSETS AND INVESTMENTS

RESEARCH AND DEVELOPMENT COSTS

All research costs are written off as incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs will be exceeded by future sales; and adequate resources exist for the project to be completed. In such circumstances the costs are carried forward and amortised over time in all cases over a period not exceeding five years commencing in the year when the asset is available for use.

Amortisation on patents, trademarks and development costs is charged to profit and loss on a straight-line basis over the useful economic life of the asset.

Patents and trademarks – 20 years

Capitalised development costs – 3-5 years

Reviews of impairment indicators in relation to the carrying value of development expenditure are undertaken annually.

SOFTWARE

External expenditure on computer systems and software is stated at cost less accumulated amortisation and impairment losses. Amortisation is on a straight-line basis over the useful economic life of the asset, which is expected to be no more than five years.

CUSTOMER LISTS AND TERRITORY RIGHTS

Intangible assets include customer lists purchased on the buy-back of Stores from existing Franchisees. Customer lists are stated at cost less accumulated amortisation and impairment losses. Amortisation is on a straight line basis over a three year period.

Intangible assets also include Territory Rights purchased on the buyback of Territory Franchises. Territory Rights are valued at cost less accumulated amortisation and impairment losses. Amortisation is on a straight line basis over a five year period.

8. INTANGIBLE ASSETS AND INVESTMENTS (CONTINUED)

Group	Domain name	Software	Development costs	Customer Lists	Goodwill	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
Balance at 31 March 2013	451	2,786	1,599	1,786	1,280	118	8,020
Acquisitions – internally developed	-	-	440	-	-	-	440
Acquisitions – externally purchased	12	469	-	-	-	25	506
Disposals	-	(560)	(302)	(747)	-	-	(1,609)
Foreign exchange movement	-	(4)	-	-	-	(1)	(5)
Balance at 31 March 2014	463	2,691	1,737	1,039	1,280	142	7,352
Balance at 31 March 2014	463	2,691	1,737	1,039	1,280	142	7,352
Acquisitions – internally developed	-	-	518	-	-	-	518
Acquisitions – externally purchased	1	559	-	-	-	11	571
Disposals	-	(385)	(92)	(341)	-	-	(818)
Foreign exchange movement	-	(38)	-	-	(8)	(2)	(48)
Balance at 31 March 2015	**464**	**2,827**	**2,163**	**698**	**1,272**	**151**	**7,575**
Amortisation and impairment							
Balance at 31 March 2013	266	1,360	588	1,106	-	19	3,339
Amortisation for the year	38	519	264	359	-	18	1,198
Disposals	-	(556)	(302)	(729)	-	(4)	(1,591)
Balance at 31 March 2014	304	1,323	550	736	-	33	2,946
Balance at 31 March 2014	304	1,323	550	736	-	33	2,946
Amortisation for the year	37	554	335	169	(4)	20	1,111
Disposals	-	(385)	(92)	(341)	-	-	(818)
Foreign exchange movement	-	(27)	-	-	(8)	(1)	(36)
Balance at 31 March 2015	**341**	**1,465**	**793**	**564**	**(12)**	**52**	**3,203**
Net book value							
At 31 March 2013	185	1,426	1,011	680	1,280	99	4,681
At 31 March 2014	159	1,368	1,187	303	1,280	109	4,406
At 31 March 2015	**123**	**1,362**	**1,370**	**134**	**1,284**	**99**	**4,372**

AMORTISATION AND IMPAIRMENT CHARGE

The amortisation charge of £1,111,000 *(2014: £1,198,000)* is recognised in profit and loss within depreciation and amortisation expenses. An impairment charge of £nil *(2014: £nil)* was recognised during the year.

GOODWILL

Goodwill of £1,280,000 arose on the acquisition of Media Facility Group BV (MFG) in November 2010 because of the operational synergies and the opportunities for the expanded Group to exploit access to a wider market through a combination of the technology in Grafenia with the expertise in online sales of MFG. None of the goodwill is deductible for tax purposes.

8. INTANGIBLE ASSETS AND INVESTMENTS (CONTINUED)

TRADE AND ASSETS OF FRANCHISES

During the year the Group acquired no Franchise trade and assets *(2014: £nil).*

IMPAIRMENT TESTING

Goodwill

The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for value in use calculations are those regarding budgeted and forecast sales growth through on-line channels. Sales growth assumptions are dependent on volumes sold through the established websites.

The Group prepares cash flow forecasts derived from budgets and two year business plans. For the purposes of impairment testing inflationary growth of 2% is assumed beyond this period. The sales growth relates to online sales using templating technology in existing and new territories. The growth rates have been determined based on the experience to date of operating these sales channels and previous experience of launching websites.

A pre-tax discount factor of 10% *(2014: 10%)* was applied.

Other intangibles

Development expenditure and external software costs are allocated to specific projects and revenue streams. Value in use calculations are made to justify carrying values and Amortisation policy, impairment risk is reviewed by the Board. This also applies to templating technology.

Customer lists in intangible assets relate to the value placed upon customer lists of Stores and those acquired on acquisition of MFG. Applying IAS36 Stores customer lists are being amortised over three to five years and are tested bi-annually on a store by store basis for indications of impairment.

No reasonably possible change in any of the assumptions noted above would lead to an impairment charge being required.

Investments - Company	**Shares in Subsidiary undertakings £000**	**Total £000**
Cost		
Balance at 1 April 2013	2,416	2,416
Balance at 31 March 2014	2,416	2,416
Balance at 31 March 2015	**2,416**	**2,416**

The Company owns the whole of the issued ordinary share capital of the following undertakings:

Subsidiary undertaking	**Nature of business**
Grafenia Operations Limited	Printing
Grafenia BV	Print Provision
Printing.com (UK Franchise) Limited	Franchise contracts
Printing.com Franchise Limited	Franchise contracts
Nettl UK Limited	Partner contracts
Grafenia Systems Limited	Licence agreements
Grafenia Technology Limited	Licence agreements
Grafenia France SA	Franchise contracts
PDC.SA	Dormant
Creative Enterprise Support Limited	Enterprise Support
TemplateCloud Limited	Template Provision
W3P Limited	Software
W3P Platforms Limited	Licence agreements

9. TRADE AND OTHER RECEIVABLES

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Other receivables due from subsidiary companies	**-**	-	**2,106**	2,124
Trade receivables and prepayments	**2,260**	2,186	**-**	-
Other receivables	**27**	58	**6**	1
	2,287	2,244	**2,112**	2,125

At 31 March 2015 trade receivables are shown net of an allowance for doubtful debts of £216,000 *(2014: £267,000).*

An analysis of impairment losses recognised in the year is given in note 15.

Trade and other receivables denominated in currencies other than sterling comprise £339,000 *(2014: £376,000)* of trade receivables and £nil *(2014: £nil)* of other receivables denominated in Euro.

Non-current assets included the following amounts falling due after more than one year.

	Group 2015 £000	Company 2014 £000	**Company 2015 £000**	Company 2014 £000
Other receivables due from subsidiary companies	**-**	-	**1,000**	1,000
Other receivables	**26**	53	-	-

10. CASH AND CASH EQUIVALENTS

	Group 2015 £000	Company 2014 £000	**Company 2015 £000**	Company 2014 £000
Cash and cash equivalents	**1,277**	1,401	**1**	1

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments. Cash denominated in currencies other than Sterling comprise £337,000 *(2014: £447,000)* all in Euro.

11. OTHER INTEREST-BEARING LIABILITIES

This note would provide information about the contractual terms of the Group and Company's interest-bearing liabilities, in the current and prior year there were no interest bearing liabilities. For more information on the Group and Company's exposure to interest rate and foreign currency risk, see note 15.

12. TRADE AND OTHER PAYABLES

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Other trade payables	**1,701**	1,793	**-**	5
Accruals and deferred income	**813**	1,147	**31**	49
Other liabilities	**288**	375	**-**	-
	2,802	3,315	**31**	54

Other trade payables denominated in currencies other than Sterling comprise £263,000 *(2014: £225,000)* denominated in Euro.

13. EMPLOYEE BENEFITS

SHARE-BASED PAYMENTS

The share based payment charge for the current and prior year is not material and therefore abbreviated rather than full disclosure of share options are set out below.

GROUP EMPLOYEES

The Group established an EMI Share Option Scheme on 6 August 2004 it imposes performance criteria with individual employee targets subject to 'trigger' price points based on the mid-market price of Ordinary Shares over 200 consecutive day periods.
The Scheme came to an end in August 2014 and the outstanding options lapsed there were no movements on options during this or the prior year and the number and weighted average exercise prices of employee share options were as follows:

Options	**Weighted average exercise price 2015**	**Number of options 2015**	Weighted average exercise price 2014	Number of Options 2014
Outstanding at the end of the period	**-**	**-**	32.5p	1,625,000

The total expense recognised for the period arising from share based payments in respect of employees was £nil *(2014: £nil).*

THIRD PARTIES

The Company established share option schemes for Franchisees to incentivise them to drive the Printing.com business forward and to align their interests with the Company and its Shareholders. Options were granted to Franchises when they entered their Territory Franchise Agreements. Once granted the Options only vest in tranches when pre-defined challenging revenue targets are met and exercised when the market price of Ordinary Shares has exceeded certain levels for a period of not less than 200 days.

The number and weighted average exercise prices of share options issued to third parties, principally Franchisees, are as follows:

Options	**Weighted average exercise price 2015**	**Number of options 2015**	Weighted average exercise price 2014	Number of Options 2014
Outstanding at the beginning of the period	**32.46**	**434,000**	32.46	434,000
Forfeited during the period	**30.64**	**(410,000)**	-	-
Outstanding at the end of the period	**63.50**	**24,000**	32.46	434,000

The total expenses recognised for the period arising from share based payments in respect of Franchisees was £nil *(2014: £nil).*

14. SHARE CAPITAL

SHARE CAPITAL - GROUP AND COMPANY

In thousands of shares	**Ordinary shares 2015**	Ordinary shares 2014
On issue at 31 March 2014	**47,072**	47,558
Purchased by the Company and held in Treasury	**-**	(486)
Shares on the market at 31 March 2015 – fully paid	**47,072**	47,072

	£000	£000
Allotted, called up and fully paid		
47,557,835 (2014: 47,557,835) ordinary shares of £0.01 each	**475**	475
63 deferred shares of £0.10 each	**-**	-
	475	475

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 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.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity which was 15% *(2014: 14%)* at the year end. The Board of Directors have adopted the policy that dividends proposed are covered by earnings.

At present employees hold 23% of ordinary shares, assuming that all outstanding share options are exercised.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

14. SHARE CAPITAL (CONTINUED)

Dividends	**2015** **£000**	2014 £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.

15. FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found on page 6. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short term debtors and creditors are used to fund its operations and comprise cash, short term deposits and finance leases.

The Group's policy during the financial year ended 31 March 2015 and 31 March 2014 was to place the majority of its cash on short term deposit with its bankers and to finance the purchase of significant fixed assets through finance leases.

Credit risk

Group

The Group's credit risk is primarily attributable to trade and other receivables both current and non-current. Trade receivables are included in the balance sheet net of doubtful receivables, estimated by the Group's management. The maximum credit risk in respect of the Group's and Company's financial assets at the year end is represented by the balance outstanding on trade receivables and other receivables due from Franchisees as shown below.

During the year the Group has continued to use the Pay As You Go (PAYG) model to manage debtors and mitigate the credit risk through structured payments. This model ensures that total debts do not increase while continuing to serve the customer base. Interest of between 3.5% and 5.5% was charged on PAYG debts during the year. Repayment plans have been entered into separately for certain PAYG debtors and make up £562,000 *(2014: £747,000)* of total gross debtors. The Group retains the right to re-call debts ahead of the payment plans agreed.

The ageing of trade receivables and other receivables (not including prepayments) due from Franchisees at the reporting date was:

	31 March 2015 Total £000	**31 March 2015 Impairment £000**	31 March 2014 Total £000	31 March 2014 Impairment £000
Not past due	**1,300**	**-**	1,276	-
Past due 0 – 30 days	**225**	**-**	290	-
Past due 31 – 90 days	**251**	**-**	241	-
Past due 90 days and over	**539**	**(216)**	492	(267)
	2,315	**(216)**	2,299	(267)

15. FINANCIAL INSTRUMENTS (CONTINUED)

IMPAIRMENT

	£000
Balance at 31 March 2013	313
Impairment loss recognised	(49)
Increase in impairment allowance	3
Balance at 31 March 2014	267
Impairment loss recognised	(53)
Increase in impairment allowance	2
Balance at 31 March 2015	**216**

Of the total impairment provision £195,000 relates to Franchises that have ceased trading.

COMPANY

The Company did not have trade receivables at the year end.

INTEREST RATE RISK

The Group and the Company do not have a material exposure to interest rates.

LIQUIDITY RISK

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements:

31 MARCH 2015

	Carrying amount £'000	**Contractual cash flows £'000**	**6 months or less £'000**	**6-12 months £000**	**1-2 years £000**	**2-5 years £000**
Trade and other payables	**2,802**	**2,802**	**2,802**	**-**	**-**	**-**
Bank Loans	**-**	**-**	**-**	**-**	**-**	**-**
Finance lease liability	**6**	**6**	**6**	**-**	**-**	**-**
	2,808	**2,808**	**2,808**	**-**	**-**	**-**

31 MARCH 2014

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £000	1-2 years £000	2-5 years £000
Trade and other payables	3,283	3,283	3,283	-	-	-
Bank Loans	-	-	-	-	-	-
Finance lease liability	32	32	12	11	9	-
	3,315	3,315	3,295	11	9	-

All trade receivables are contractually due within 6 months.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk

GROUP

The Group transacts some business in foreign currency, principally Euro, and therefore incurs some transaction risk. The risk does not warrant hedging activity by the Group to defend against the impact of exchange rate movements.

The Group's exposure to foreign currency risk denominated in GBP was as follows:-

	31 March 2015 Euro £000	**31 March 2015 GBP £000**	31 March 2014 Euro £000	31 March 2014 GBP £000
Trade receivables	**339**	**2,202**	376	2,172
Cash and cash equivalents	**337**	**941**	447	954
Trade payables	**(263)**	**(1,438)**	(225)	(1,568)
	413	**1,705**	598	1,558

SENSITIVITY ANALYSIS

Where the Group operate in Europe both revenues and costs are in the local currency therefore the level of exchange risk is low. In the Eurozone the Group have a presence in Holland, Belgium, France, and Ireland. In managing interest rate and currency risks the Company and Group aims to reduce the impact of short-term fluctuations on the Company and Group's earnings.

At 31 March 2015, it is estimated that a general increase of one percentage point in the value of the Euro would increase the Group's profit before tax by approximately £6,000 *(2014: £7,000)* with an equal adjustment to equity.

FAIR VALUES

There is £nil difference of *(2014: £nil)* between fair values and carrying amounts on the balance sheet.

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

TRADE PAYABLES

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

FINANCE LEASE LIABILITY / BANK LOANS

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The market rate of interest for finance leases is determined by reference to similar lease agreements.

16. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Plant and machinery				
Less than one year	**7**	26	**-**	-
Between one and five years	**2**	8	**-**	-
Land and buildings				
Less than one year	**298**	337	**-**	-
Between one and five years	**752**	665	**-**	-
More than five years	**16**	66	**-**	-
	1,075	1,102	**-**	-

The most significant lease in land and buildings is that of the Manchester Production Hub and Head Office.

GROUP

During the year £348,000 *(2014: £386,000)* was recognised as an expense in profit and loss in respect of operating leases.

17. CAPITAL COMMITMENTS

The Group and Company have no commitments to incur capital expenditure at the yearend *(2014: £nil).*

18. CONTINGENCIES

Neither the Group nor the Company had contingencies at the yearend *(2014: £nil).*

19. RELATED PARTIES

The Company receives dividends from its subsidiaries Grafenia Operations Limited and Media Facility Group BV. In the year ended 31 March 2014 dividends of £596,000 were received *(2014: £652,000).* Total sales to subsidiary undertakings were £nil *(2014: £nil)* and total expenses incurred from subsidiary undertakings were £nil *(2014: £nil).* The amounts outstanding at the year-end from subsidiary undertakings are shown in note 9.

Transactions with key management personnel

Directors of the Company control 26.36 per cent of the voting shares of the Company.

The compensation of the Directors, who are the key management personnel, is disclosed in the Directors Remuneration Report see pages 24 to 26 and note 4.

ADVISERS AND COMPANY INFORMATION

Registered Office
Third Avenue
The Village
Trafford Park
MANCHESTER
M17 1FG

Company Number
03983312 (England and Wales)

Website Address
www.grafenia.com

Company Secretary
Alan Q Roberts, FCMA

Financial Adviser, Nominated Adviser and Broker
to the Company
N+1 Singer
West One
114 Wellington Street
LEEDS
LS1 1BA

Solicitors
to the Company
Gateley LLP
Ship Canal House
98 Kings Street
MANCHESTER
M2 4WU

Auditors
to the Company
KPMG LLP
1 St Peter's Square
MANCHESTER
M2 3AE

Registrars and Receiving Agents
to the Company
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
HUDDERSFIELD
HD8 0LA

Bankers
to the Group
The Royal Bank of Scotland plc
1 Spinningfields Square
MANCHESTER
M3 3AP

Nettl Studios

GRAFENIA plc

Third Avenue > The Village > Trafford Park > Manchester > M17 1FG

t: **+44 (0)161 848 5700** > e: **investors@grafenia.com**

WWW.GRAFENIA.COM

Grafenia plc is registered in England and Wales under number 03983312
Registered office: Third Avenue, The Village, Trafford Park, Manchester M17 1FG. VAT Registration No. GB 764 5390 08

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