ANNUAL REPORT & ACCOUNTS

2022

GRAFENIA plc


FONTS
SECRETS of CHANDELIERS
CREATIVE REVIEW
WEBSITES
PRINTING
EXHIBIT
DISPLAY

Contents

In summary

Grafenia are the people behind the Nettl network of neighbourhood studios and the printing.com brand. We licence our brands and systems in the UK and internationally. We sell those to businesses of all sizes via our brand partner networks and company-owned Nettl stores.

We buy, build and licence.

In May 2022, Grafenia agreed the sale of the manufacturing business, Works Manchester. This business unit has been classified as a discontinued operation within these financial statements and is excluded from the summarised financials below.

Continuing operations

	Year ended 31 March 2022	*Year ended 31 March 2021*
	£000	***£000***
Subscription and Licence Fees	**2,135**	2,077
Company Stores	**2,462**	1,832
Brand Partner Print	**2,439**	1,916
Online and Trade	**1,880**	1,119
Revenue	**8,916**	6,944
Gross Profit	**3,539**	3,376
EBITDA	**166**	235
Amortisation and Depreciation	**(944)**	(1,184)
Operating Loss	**(778)**	(949)
Net Finance Expense	**(340)**	(274)
Tax Income	**559**	249
Loss for the Year	**(559)**	(974)
EPS – Continuing Operations	**(0.49)p**	(0.85)p
Development expenditure	**£0.55m**	£0.68m
Net debt – including discontinued operations	**£(5.25)m**	£(4.34)m

Nettl of Exeter Business Store

Chairman's Statement

Shortly before publishing this report, Grafenia announced an important transaction. We decided to sell our manufacturing business as we believe we are not the best owner to develop that part of the business. Going forward, we will double down on the software & systems part of our business.

Sometimes you have to get smaller to grow bigger.

Over the course of the last few years – and during Covid in particular – we have learnt what Grafenia is really good at and, importantly, what we are not. In this annual report, you will hear from the leadership of Grafenia why we made the decisions we have and what lies ahead.

But first things first: here is our scorecard of the 2021/22 fiscal year:

Operational Performance

In the last fiscal year, our turnover increased by 27% to **£12.36m** *(2021:£9.75m)*. Of this, £8.92m *(2021: 6.94m)* related to continuing operations and £3.44m *(2021: £2.81m)* related to discontinued operations. Gross profit increased by 20% to **£6.70m** *(2021: £5.58m)*, with £3.54m *(2021: £3.38m)* coming from continuing operations and £3.16m *(2021: £2.20m)* from discontinued operations. However, the overall gross profit margin decreased to **54.2%** *(2021: 57.2%)* as physical product volumes returned, which provide a lower margin than our licence and subscription revenue streams.

The year showed an improvement from a loss to a profit in EBITDA, which is earnings before interest, tax, depreciation and amortisation, of **£0.33m** *(2021: loss £0.16m)*. £0.17m of this *(2021: profit £0.24m)* related to continuing operations and £0.16m *(2021: loss £0.40m)* related to discontinued operations. Our total comprehensive loss for the year reduced to **£1.84m** versus £2.09m last year. Of this, £0.56m *(2021: £0.98m)* was from continuing operations and £1.28m *(2021: £1.11m)* from discontinued operations.

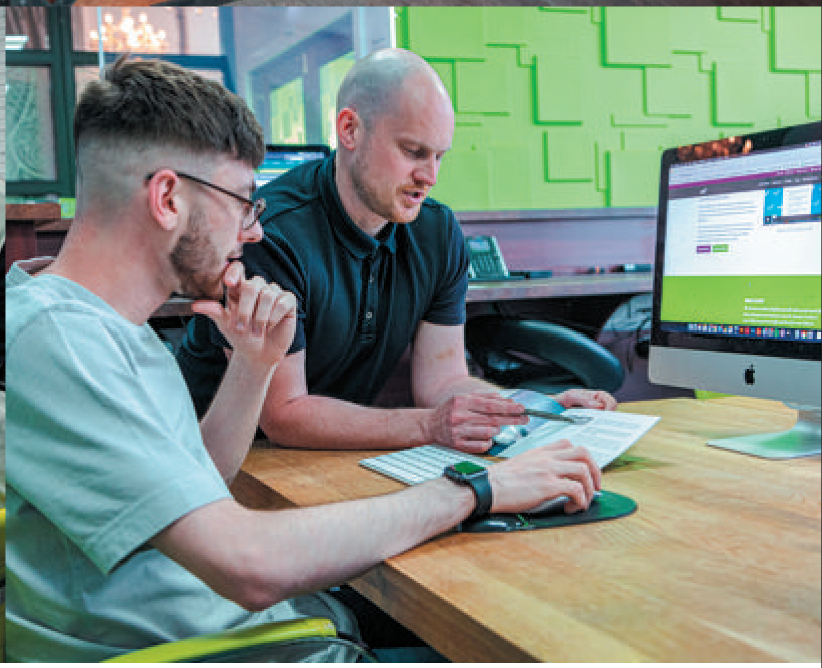
Client meeting space at Nettl of Exeter

We finished the fiscal year with cash of **£1.59m** *(2021: £2.74m)* of which £0.13m relates to the discontinued operation and net debt of **£5.25m** *(2021: net debt £4.34m)*, £2.56m of which relates to the discontinued operation. We invested **£0.03m** on capex *(2021: £0.18m)*, and capitalised **£0.55m** in development expenditure *(2021: £0.68m)*.

This year, we are reporting results from "continuing" and "discontinued" operations. In plain English, "continuing" are the figures for the fiscal year as if we had sold Works Manchester at the beginning of the comparative year. "Discontinued" is ... well ... everything else! We are happy to announce that the businesses that we are keeping – first and foremost Nettl Systems – are more profitable and simpler than the operations we sold.

In fact, that is part of the reason we decided to put the emphasis on Nettl Systems and to explore acquisitions of complementary software businesses. In many ways, software is the nervous system of many businesses. During Covid, we saw an incredible stability and resilience in our software and licence revenues. Nettl Systems (and any good software, really) is the last thing people turn off during times of crisis. And rightly so! Software makes businesses more efficient and allows people to spend their time on more creative and interesting tasks. Grafenia sells a special kind of software which is tied into an entire ecosystem of how to run and operate a design business: Nettl. Importantly, during Covid Nettl not only served as a smart solution to help design studio owners work more efficiently – it was a source of inspiration and stability for many small entrepreneurs to make it through trying times.

Gladly, it looks like we turned the corner in operating performance during the last fiscal year as you can see in the results we are announcing in this report. We sincerely hope that our renewed focus on our core competency – systems and software – will help our partners to scale and thrive as exhibitions open up and the world goes back to normal.



Nettl of Birmingham Business Store and Team

People at Grafenia

With our focus on systems and software, we inevitably had to part with a large number of team members. Happily, they are now part of a new organisation that is fully focussed on running many different production sites. This will bring opportunities for career growth to the people who have run our plants for many years. We wish PFI (PFI Group is the trading name of Rymack Sign Solutions Limited) as the new owners and everyone who leaves the Grafenia organisation our very best.

We also said goodbye to Peter Gunning who stepped down as CEO. I've very much enjoyed working with Peter for six years – he led Grafenia through a large transformation and the pandemic. Peter worked diligently to get us to where we are now and will stay closely involved with helping us improve our tech at Nettl Systems. In the name of all shareholders and the Board: Thank you, Peter!

With Peter leaving, Gavin is stepping up and will lead the fission of the organisation into two parts as Acting CEO. Over the course of the summer and early autumn, the Board will run a strategy exercise to explore the best operating model for our new focus on systems and software. The Board is excited to have Gavin in charge and we are keen to get to the drawing board very soon. In fact, Gavin has been instrumental in making our Nettl System available to many partners. Systems and software need to be sold, taught and curated – and Gavin knows very well how to do just that!

Outlook and Current Priorities

In the same place in last year's report, I explained our decision to divide our reporting structure into "everything production" and "everything software and licence". A year later, that split in reporting has led to a split of the business and a renewed focus on systems and software. Sometimes these things take time! However, we are now ready to double-down. While the coming weeks require some work on transitioning production to PFI, we will then focus on growing our software nucleus. To that end, Gavin will share a few initiatives in his report.

We will elaborate a bit more at the AGM and share a few more tangible aspects on what we are working on. In any case, the future of Grafenia will centre around what we are great at: making systems and software available for businesses to run better.

The AGM will take place on Wednesday 14 September 2022 at our Nettl of Birmingham Business, I hope to see you there!

Jan-Hendrik Mohr
Chairman
26 July 2022

We launched Social Media as a new centralised service and added modules that improve the CRM capabilities of the Nettl System

STRATEGIC REPORT

Chief Executive's Statement

Dear Shareholders,

Kind of a big deal

Our team has invested a great deal of energy and effort transitioning the business. To be what we think it should be. We continue to make progress. We've still work to do. But we've completed another big step in that process. That's the sale of our manufacturing business Works Manchester, detailed in our update of 19 May 2022.

That's kind of a big deal, so more on that later. It means we can double-down on our software licensing business. And move to the next part of the journey. With focus renewed. Objectives clear and in sight. To build, buy and licence.

As part of the sale, Peter Gunning has stepped down and I'm delighted the Board has appointed me Acting CEO. Peter will continue to be involved with the Nettl Systems software stack as a consultant. Moving forward, the Company and Peter intend to enter into an agreement whereby Peter will take on a master licence for WorksThing and Nettl in Spain. I expect he'll swap his flowery jackets for short-sleeved flowery shirts.

We'd like to sincerely thank our teams for their hard work and dedication throughout. For their efforts in bringing the business to this transitional point. We've made it through some tough times recently. It's not been easy and we recognise and appreciate the efforts of each and every partner and team member. Thank you.

This year was better, for sure. Slowly moving from lockdowns and restrictions to busy events and exhibitions has helped. Each of our business units improved performance compared to last year.

We said in our trading update on 6 April 2022 that we had faced cost rises across the board. Paper has increased by 30-50%, due to increased distribution costs, shortages and rising energy prices. We have increased our prices three times in 2022 to reflect this. Fuel and energy prices remain at high levels and are not helped by global events. We don't expect this to change anytime soon.

Build, buy and license

Our strategy remains the same. Build, buy and license. We build performance in our company-owned Nettl locations. We buy businesses to extend our scale, capability and resilience. And we license our know-how and systems to others. I'll go into more detail on each of the sections in turn.

The key difference? We no longer believe we need to own a production facility to provide an integrated supply chain via our platform. We can do so utilising our Works Maker partners. Works Manchester now being the largest. Seamlessly hooked into our platforms.

Nettl company-owned stores

We have five company-owned Nettl locations. In these stores, we sell to local businesses. The kind of things a business would want to promote themselves online and offline. That's websites, ecommerce shops, online booking systems, social media, SEO, printing, displays, exhibition and signage. We mostly sell to SME clients, who often don't have their own in-house marketing department.

Our stores are in Manchester, Birmingham, Exeter, Liverpool and Dublin. They're important because it's where we refine new initiatives. Develop and deploy best practice. Then we roll that out across our partner network.

The pandemic and all the restrictions brought about uncertainty. Uncertainty dents business confidence. But as restrictions were lifted, events returned. Business opened up again. Slowly, but surely, sales in our company stores returned. Not to pre-pandemic levels. But they're getting there. Revenues from our stores were up 34% to **£2.46m** *(2021: £1.83m)*. In the second half of 2020, we rolled three businesses into our Birmingham and Dublin company stores. If we exclude them this year, like-for-like sales would be up 20%.

In this revenue segment, we count all invoiced sales to end clients of our company stores, whether they be print, display, design, websites or search engine optimisation. Essentially, everything we ring through the till in our own stores.

Software Circle

We buy businesses to extend our scale, capability and resilience. Our acquisition strategy is a little different today. We're refocusing our search on software businesses. Take a look at **www.grafenia.com/acquisition** to see the full detail. Our Software Circle team actively search for businesses that either complement our core offering or are complementary to the skillsets we have as a business. Those skillsets being sales, marketing, design and software development and licensing.

We have a number of ongoing discussions with owners of businesses that meet our criteria. Things are progressing. This will be a large part of our focus for the upcoming year.

You might think that this is a pivot. And you'd be right. Our previous aim was to roll-in signage businesses. You'll recall we acquired Image Group back in 2017. Sales were **£3.45m** *(2021: £2.80m)*. Owning Image Group helped us integrate the supply of signage and large format solutions into our systems. We're hoping to expand those offerings through Works Manchester and new owner PFI Group's wider network.

We believe we can achieve our aim of an integrated supply chain and nationwide installation network for our partners without owning sign companies.

Nettl Systems

If I think back to my first days with this business. A long, long time ago. In what feels like a galaxy far, far away. Birmingham, to be precise. It was all about print. A lot has changed since then. Print is a huge part of our legacy. It's where everything started. Back then, we published prices in a buying guide, we faxed order forms, manually checked graphic files and sent them to production using a Jaz drive. Yes, Jaz and Fax were things.

Since then, the Nettl System has grown up. Developed over decades. Once our blue screened, MS-DOS child. Now the jewel in our crown. A complete cloud-based operating system for the graphics sector.

Our software platform, once geared just for print, now manages everything a diverse graphics studio needs to thrive. From print orders and web projects to signage surveys and installations, SEO and Social Media. Automating the little things that have to happen along the way.

Nettl studios can do more for their clients, in less time, with the same people. To rely less on just reselling print. We've added new modules too. Improving the CRM and pipeline capabilities. We think this could widen the target market for our subscriptions in the future.

Today we licence our software and brands to graphic professionals. Designers, printers, signmakers, marketing agencies and other graphic professionals use our marketing tools, workflow management system and integrated supply chain to deliver better service to their local clients.

Partners pay us a monthly subscription which gives them access to our systems, brand, training and support. Using the Nettl System, they're able to buy factory-direct print and display seamlessly integrated from multiple suppliers. We call them Works Makers. Partners resell to clients along with centralised digital marketing services like SEO, Social Media and Paid Search.

Nettl of Bath – Our 'brand partners' use the Nettl brand in conjunction with their own

Our ‘brand partners’ use the Nettl or printing.com brand in conjunction with their own. They’re our exclusive partner in their neighbourhood. We licence printing.com and Nettl directly in the UK and Ireland. We also licence Nettl in Belgium, France, the Netherlands and in the USA. In Australia and New Zealand, we master licence to our partner.

In the UK we have waiting lists for the larger city areas. But the provincial towns are where we’ve seen some churn. Partners who found it difficult to diversify from selling just print, have had a tough time. Although Covid restrictions ended, for those still reliant on small format print, recovery was slower than hoped. It’s always sad to lose partners, but compared to the sector at large, our network has proved resilient. Our brand, marketing and clever systems kept some going when otherwise, they may not have. We have continued to add new Nettl partners in the UK and US.

Our Nettl partner network now stands at **210** locations around the world *(2021: 232)*, 159 active Nettl partners in the UK and Ireland, 18 in Benelux, 27 in the USA, 4 in New Zealand and 2 in Australia. In France we saw an influx of new partners during the pandemic and our partner count last year stood at 12. But France has been hit the hardest and those businesses never got going.

We also currently have **38** printing.com locations *(2021: 46)*. We are still seeing printing.com partners upgrade to Nettl in the UK and Ireland. We anticipate that will continue as partners diversify their businesses from a reliance on print alone.

Despite a reduction in brand partner count, Subscription and Licence Fees overall improved slightly at **£2.14m** *(2021: £2.08m)*. An increase in search engine optimisation subscriptions and website deployments helped drive this. In this segment, we count initial licence fees, monthly subscriptions, website deployment royalties, the wholesale price of hosting, domain names, digital stock photography and search engine optimisation sold via our brand partners.

As well as paying for licence fees and subscription-based services, Nettl and printing.com partners buy printing, exhibition kit, displays and signs and other branded merchandise from our integrated supply chain. They pay a wholesale price and resell to end clients. Last year product sales were hit hard. As businesses opened, events returned. Business confidence bounced around, but certainly improved on last year. Similar to our company-owned stores, this meant sales of products to Brand Partners increased to **£2.44m** *(2021: £1.92m)*, driven largely by large format graphics and signage.

WorksThing

Leveraging what we learned from owning our own signage business, we developed and implemented a digital transformation programme to improve the sign and install industry. The first iteration of our platform was for print. The second, web and digital services. This new layer enhances the whole process of quoting and managing sign and display projects.

We launched "WorksThing" in March 2022

We launched “WorksThing” at the Sign & Digital exhibition in March 2022. Optimised for the signage sector, WorksThing.com is a complete workflow tool for managing signage installations, from start to finish. It’s an extension to the Nettl system – another Software-as-a-Service. Sign businesses pay a monthly subscription, from £49 per user per month. Their installers can build online surveys and collaborate online. Connecting their calendars to provide online booking, like reserving a table at a restaurant.

Each install is mapped on a live timeline, so everyone can keep track of progress. A modern chat messaging system connects clients with studios, production and install crews. It’s early days, but multiple businesses have signed up for a free trial and we’re pleased with the reaction we received at the event.

We expect to see some existing partners upgrade and that some WorksThing clients will become Nettl partners. To get more from every client relationship with the Nettl toolkit.

Marqetspace.com and online channels

We sell print and signs to professional buyers through Marqetspace.com and a few other online channels. This space remains super-competitive.

It may then seem weird that we retain our Marqetspace channel despite the sale of Works Manchester. But it is important to us for a number of reasons. It’s often where our relationships start. We get to know printers, graphic designers and sign companies with a simple trading relationship. Then we build trust. Then we figure out if any of our software tools or systems can help them achieve their own objectives. And so Marqetspace is a fertile ground for cultivating Nettl partners.

It also gives us insight into where the gaps in our product range are. We use that to find new Works Makers that can provide that supply.

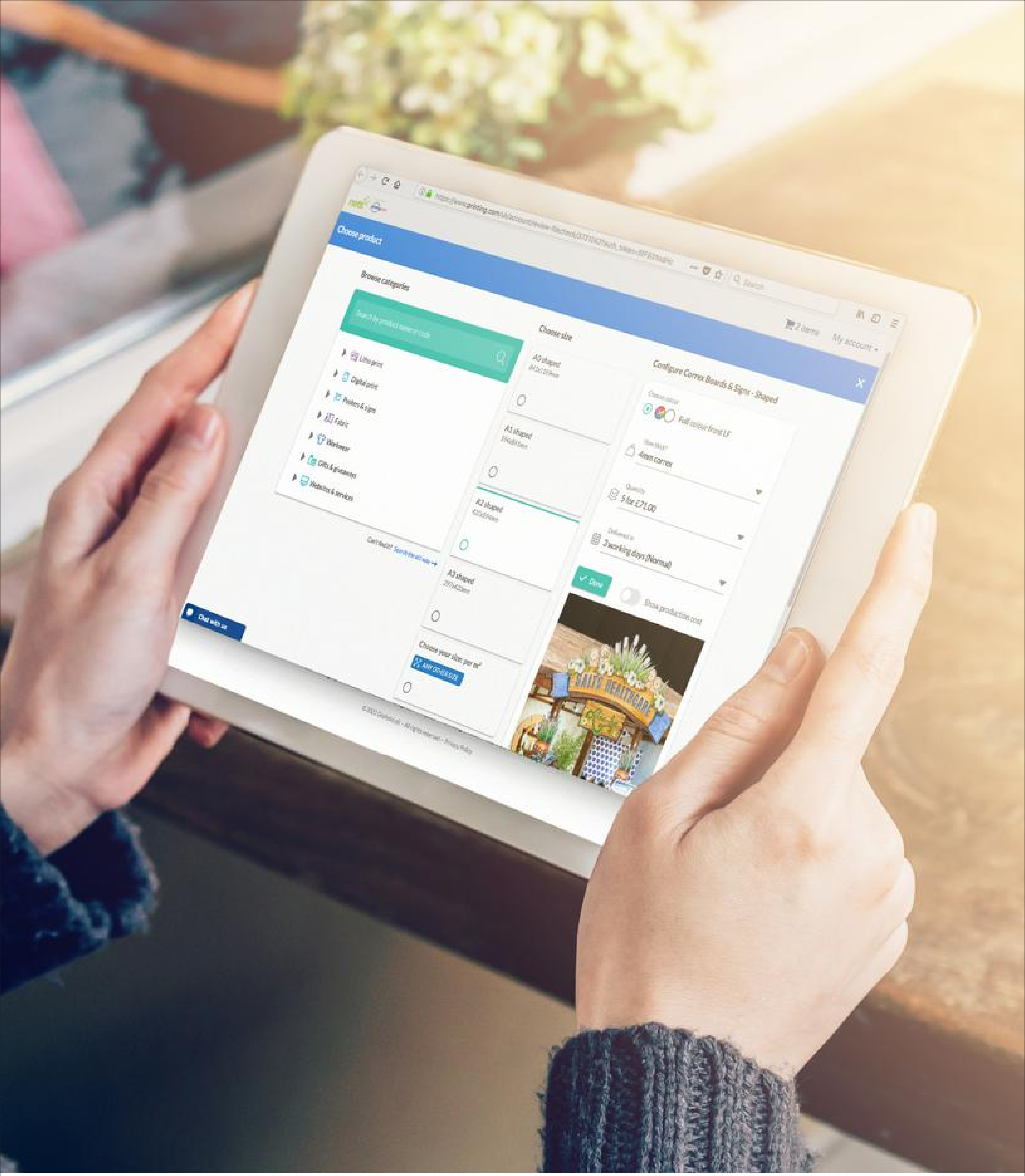
The pandemic was tough for Marqetspace because it typically had the highest percentage of litho print to resellers. However, we saw a recovery last year. Sales were **£1.88m** *(2021: £1.12m)*.

Nettl of America

In truth, our American dream remains just that. We’ve been hindered by the pandemic and the US travel ban didn’t help. But we’ve used that time to evaluate and refine what we’ve been doing and how we’ve been doing it. Our new process has generated leads and brought new partners into the family.

We’ve had to adapt how we acquire, launch and support our American friends. We’re not deterred. Now that it’s possible again, we’ll be at exhibitions and events. Face-to-face. Meeting with potential partners. We expect that to help increase conversion.

We now have 27 Nettl locations in America. There are franchisees and partners in the states of Florida, Georgia, Ohio, New Jersey, Pennsylvania and Illinois.



Our partners buy print, signs and branded merchandise from our integrated supply chain of Works Makers

Works Manchester becomes a Works Maker

The Board took the decision to sell Works Manchester, so the two businesses can focus on their strengths. Nettl Systems will be focused on growing our software and licensing.

Works Manchester has plenty of capacity. It will benefit from ingesting more external volume. New owner PFI Group is a natural fit and can use the spare capacity. It also gives Works Manchester other opportunities to grow and prosper.

Based less than a mile from the Manchester hub, PFI have been Nettl partners for several years and operate a dozen factories around the country.

Providing products for partners to resell through our system remains an important part of the offering. Works Manchester becomes our largest Works Maker. Maintaining an integrated supply chain through our platform, for our partners. With increased capabilities. They will continue to use our software platform with a five year licence agreement. It controls the movement of orders through each production step and seamlessly connects our partners.

Which means partners continue to buy print, display and signage products from Nettl Systems. With all the tracking, visibility and service guarantees they've come to expect. We charge a small fee to process each order through our platform.

The sale of Works Manchester is an important pivot for the Group. It will see Grafenia transition to a software licensing business. Focused on developing our platforms, growing our partner network and company owned channels. And adding further software businesses to the Group by way of M&A.

Outlook

Our new financial year started in April. Trading has continued to improve, compared to last year. We're currently trading slightly ahead of our internal forecasts. Given the sale of Works Manchester Ltd, we will benefit from lower fixed overheads, depreciation charges and costs of borrowing. Modest increases in revenue will improve profitability. And that gives us confidence of reaching our mid-term objective of 10-15% EBITDA on a monthly run-rate.

For the first time in a while, I hope to see you in person for the presentation after the AGM.

Gavin Cockerill
Acting Chief Executive
26 July 2022

Nettl of Exeter Business Store and Team

STRATEGIC REPORT

Financial Review

Iain Brown
Group Finance Director

Revenue

Group revenue for the year, excluding discontinued operations, was **£8.91m**, *(2021: £6.94m)*, an increase of 26% year-on-year. Whilst a clear improvement, COVID-19 uncertainty and lockdowns continued to impact revenue. Licence revenues, as with the prior year, remained consistent. Sales of products increased as volumes improved and price rises in response to rising costs were enacted in the second half of the year, but were still lower than usual. Exhibitions and events were cancelled for a second year and many customers were still unable to open or otherwise forced to operate at reduced capacity for significant periods during the year.

In terms of product sales, our Company Stores saw an increase in revenue to **£2.46m** *(2021: £1.83m)*, sales of print and other products through our Brand Partner Network increased to **£2.44m** *(2021: £1.92m)*, Online and Trade sales increased to **£1.88m** *(2021: £1.12m)*. Revenues from Works Signs Businesses, our now discontinued operation, increased to **£3.45m** *(2021: £2.80m)*. The reason for the increases is consistent over each of these channels - more customers open for more days during the year. Licence and Subscription Fee revenue has increased year-on-year to **£2.14m** *(2021: £2.08m)* despite a slight reduction in our partner count. At **95%** by revenue *(2021: 94%)*, the majority of our business remains in the UK & Ireland.

Gross profit

Gross Profit, defined as revenue less direct materials (including the cost of distribution when made direct to customers) increased to **£6.70m** *(2021: £5.58m)*. Of this, £3.54m related to continuing operations *(2021: 3.38m)* and £3.16m related to discontinued operations *(2021: £2.20m)*. As part of the sale of Works Manchester, we entered into a 5 year supply agreement to provide products to our Company stores and Partners. This change reduces the gross profit percentage of the Group, but at the same time reduces staff costs and overheads. To accurately reflect the performance of continuing operations, the financials have been presented to show the results had the disposal and new supply agreement been in effect for both the current and the comparative financial years.

The gross margin percentage of **54.2%** *(2021: 57.2%)* reflects a shift in the proportion of our revenue away from the higher margin Licence and Subscription income as product volumes have returned. Margins continue to be under pressure in traditional print and signage, with the pandemic and other global supply chain issues causing scarcity of materials and increased costs. The entire industry has been affected, leaving us with no viable option but to increase prices across our range of physical products. During the year we enacted three price increases across our range of printed products, with prices rising on average by 4% each time.

Other operating costs

With our team members returning to work as revenues have improved, the amount claimed through the Coronavirus Job Retention Scheme fell to **£0.14m** *(2021: £0.79m)*, causing our overall staff costs to increase by 15% to **£4.24m** *(2021: £3.70m)*. The average number of persons employed fell to **146** *(2021: 159)*, reflecting the full year impact of the restructuring programme undertaken in the prior year.

Other operating charges have increased to **£2.09m** *(2021: £1.88m)* as reductions in the cost base achieved during the prior year have been mostly preserved.

Our bad debt charge reduced to **£0.04m** in the year *(2021: £0.20m)* reflecting the high provisions required during the first year of the covid-19 pandemic and the continued improvements in credit control since then. We continue to work with our customers and Partners however our provision for debt is still significant and we have to accept that some of those debts may never be paid.

Profitability

As a combination of the factors discussed above, our pre-tax loss reduced to **£1.71m** *(2021: £2.33m)* leading to a reduced loss per share of **1.60p** *(2021: 1.83p)*. Of this, a loss of **£1.28m** *(2021: £1.11m)* is attributed to the now sold production operation of Works Manchester. Our earnings before interest, tax, depreciation and amortisation (EBITDA) improved to a profit of **£0.33m** *(2021: loss of £0.16m)*. Excluding Works Manchester, EBITDA was **£0.17m** *(2021: 0.24m)*. The parent company result for the year was a loss of **£0.41m** *(2021: loss £0.33m)*.

Operating Cash Flow

This has led to the Group generating **£0.13m** of cash through operating activities *(2021: generated £0.22m)*, reflecting the EBITDA in the respective years. Excluding Works Manchester, the Group generated **£0.27m** *(2021: 0.59m)*.

Investment activity

The current year has seen reduced investment in plant and equipment of **£0.03m** *(2021: £0.18m)*, following the decision to divest our production operations. We continued our investment in the Group's software platforms, totalling **£0.55m** *(2021: £0.68m)*, with continued enhancements and new features to the Groups SaaS platforms.

Financing activity

Compared to previous years, it has been a quiet year for financing activity, with no additional facilities taken out, and no further drawdowns on the £50m bond facility that was put in place in the 2020.

Repayments of lease liabilities totalled **£0.82m** *(2021: £0.67m)*, of which, £0.63m related to Works Manchester *(2021: £0.44m)*.

We finished the fiscal year with cash of **£1.59m** *(2021: £2.74m)* of which £0.13m relates to the discontinued operation and net debt of **£5.25m** *(2021: net debt £4.34m)*, £2.56m of which relates to the discontinued operation.

KPIs

Management monitors a number of KPIs, which underpin the performance of the business. The financial KPIs are Revenue, EBITDA and overall profit of loss for the year. These metrics can be found in the Summary section at the front of this financial report, and also within the Consolidated statement of comprehensive income. Another key financial metric is the average product revenue per partner, which has increased as the severity of the pandemic has eased.

There are also a number of non-financial KPIs which management monitors, that ultimately drive the financial performance. The number of Nettl Network Partners, the main driver of our Licence and subscription fee revenue, has reduced, as discussed by Gavin earlier within the Chief Executives Statement. Website deployments and SEO subscriptions, the other drivers of Licence and subscription revenue, have levelled off, following a surge in the previous financial year as our customers looked for alternative ways to promote their businesses during the height of the pandemic.

Outlook

The major development for the group is the sale of Works Manchester which completed on 31 May 2022, for cash consideration of £3,165,000. Of this consideration, £100,000 is payable over the first 3 months and then £766,250 on the first four anniversaries of the sale. In recent years this part of our operation has not been profitable. The total loss from the discontinued operation was **£1.28m** *(2021: £1.11m)* and the cash outflow attributable was **£0.47m** *(£0.79m)*.

Looking forward, we expect to see revenues from the ongoing operations continue to recover and hope to experience no further coronavirus restrictions. Events returned in the Spring as expected, bringing an upturn in revenue, particularly within our range of ink-on-fabric display products. Group revenues in the first quarter of the current year were up 24% on the previous financial year.

With the changed business model, the gross margin of the Nettl operation will look very different. Our margin on product sales will drop significantly, but so will our underlying cost base. Finance repayments have been significantly reduced and we will receive payments over the next four years in relation to the sale of Works Manchester. Based on a forecast including a moderate increase in revenue, we expect profitability to improve. We believe the financial future of the business is secure and we have the resources to execute our expansion plans. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Principal Risks and Uncertainties

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

Risk	Potential Impact	Mitigation
Global or regional pandemic	The COVID-19 virus, and public health mitigations may lead to the closure of end customer and company owned premises, impacting the ability to trade, reducing demand and disrupting the supply of goods.	Our product range has been diversified to rely less on physical promotional items. Production of physical products has been outsourced, lowering the risk should product volumes fall. Home working arrangements are in place enabling team members to work remotely if required.
Economic and political factors beyond the Group's direct control	A downturn in the macroeconomy may reduce consumer demand generally. Costs may be increased by changes to government policy, including tax changes or other legislation. Supply chains may be subject to disruption, or inflationary pressure.	To mitigate supply chain disruption across borders the majority of product supply is now sourced from the jurisdictions the customer belongs to. Our platform has the capability to source product supply from multiple suppliers, across multiple regions should it be required.

Risk	Potential Impact	Mitigation
Competitive environment	The markets in which the Group operates are extremely competitive posing a threat to profitability.	We work closely with suppliers to monitor input costs and competitor pricing, ensuring we remain competitive.
Technological change	Advances in software may impact on operational effectiveness and earnings potential.	We are constantly improving our platform and adding new features to ensure we remain at the forefront of the technological advancement.
Technological failure	The Group and its clients depend on the W3P SaaS platform to operate their businesses.	All reasonable operational contingency is embedded for resilience in the event of a catastrophe.
Key management	The loss of key personnel could impact the Group's ability to implement strategy and the intended pace of growth.	The Remuneration Committee seeks to ensure rewards are commensurate with performance and aid retention.

Treasury Policies

Surplus funds are intended to support the Group's short-term working capital requirements and fund future acquisitions. 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 ongoing operations. The Board has developed a model to establish a fair value for the Company's shares and will only purchase shares when the offer price is materially below that value and funds are available. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes, see Note 21 for further details about the group's objectives and policies on use of financial instruments and exposure to credit, interest rate, foreign currency and liquidity risks.

Iain Brown

Group Finance Director

26 July 2022

Nettl of Chippenham

S.172 Companies Act 2006 Statement

In addressing each of the ten points of the QCA code within the Corporate governance statement on pages 32 to 39, we provide examples of how the Company:

- takes into account the likely consequences of decisions in the long term;
- has regard for the interests of the Company's shareholders, employees and other stakeholders;
- promotes openness amongst employees and endeavours to maintain a culture built on integrity;
- takes into account the desirability of the Company maintaining a reputation for high standards of business conduct, and;
- has regard for the need to act fairly.

The Directors assess and take into account what is most likely to promote the success of the Company for its members in the long term as part of their decision-making process, and make this assessment fairly and in good faith.

Key Board Decisions	Considerations
Develop WorksThing	Improving our platform is vital to retaining existing customers and attracting new ones. By developing a version of our software targeted specifically at the signage sector we have opened the product to a wider addressable market.
Separate and sell Works Manchester	Works Manchester has surplus capacity beyond Grafenia's Company owned stores and Partner network's needs. Separating Works Manchester from Nettl allows both operations to focus on their strengths. Nettl systems will be focused on growing our software and licensing. Works Manchester will be free to pursue additional volume through its new owners.

The Directors continue to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

Approval of the strategic report on behalf of the board

Iain Brown
Group Finance Director
26 July 2022

Directors

Jan Mohr
Chairman

Jan is based in Hamburg, Germany and is MD of the advisory firm JMX Capital GmbH. He previously worked with Investmentaktiengesellschaft fuer langfristige Investoren TGV, Hauck & Aufhaeuser and McKinsey & Company. Jan graduated from Frankfurt School of Finance and Management and earned a Master in Finance at Stockholm School of Economics as a German National Merit Scholar.

Jan was appointed to the Board in March 2016. Age 33.

Gavin Cockerill
Acting Chief Executive Officer

After graduating from Birmingham City University in 2000 and following a short stint in advertising, Gavin helped launch and grow the printing.com studio in Birmingham. Since joining the Group he has been involved in progressing the Nettl and printing.com business models across the UK and its numerous master licences globally. Moving to Manchester in 2012 he launched and developed the group’s TemplateCloud and Flyerzone offerings.

Gavin joined the Group in 2000 and was appointed Chief Operating Officer in October 2015. He has been a member of the Board since January 2018 and was appointed Acting CEO in May 2022. Age 43.

Iain Brown
Group Finance Director

After Graduating from Leeds University with a Bachelor of Arts degree in Accountancy and Finance in 2008, Iain joined audit practice with Baker Tilly UK LLP and subsequently qualified as a chartered accountant with the Institute of Chartered accountants in England and Wales. Prior to joining Grafenia, he has held a number of senior financial positions with Myriad Group AG, a publicly listed Swiss software business trading across the world from multiple locations, before ultimately being appointed as Group Financial Controller in 2016.

Iain joined the Group in October 2019 and was appointed Group Finance Director in January 2020. Age 35.

Richard Lightfoot
Company Secretary

Richard graduated from Manchester Metropolitan University in 1998 with a First Class honours degree in Business Studies. He subsequently worked for a Corporate Finance advisory firm assisting on mergers & acquisitions and venture capital fund raisings. Since joining the Group in 2004 he has performed a number of roles supporting the board in implementing strategic initiatives.

Richard was appointed Company Secretary in October 2015 and was appointed to the Board in January 2018. Age 50.

Conrad Bona
Non-Executive Director

Conrad is a business consultant, investor and entrepreneur who started his career as a banking and finance lawyer and has worked in Toronto, London and Tokyo. He has a degree in economics from the University of Western Ontario, law degrees from the University of Edinburgh and the University of New Brunswick and qualified to practice as a lawyer in multiple jurisdictions. No longer practicing law, Conrad now advises companies on a wide range of commercial, financial and business matters. He has both Canadian and British citizenship and is based in London, England.

Conrad was appointed to the Board in October 2015. Age 53.

Simon Barrell
Non-Executive Director

Simon qualified as a chartered accountant in 1983 and is a Fellow of the Institute of Chartered accountants in England and Wales. He’s held various posts as Finance Director and has experience across multiple industries working in both the public and private sectors. He has also held numerous non-executive positions for a number of public companies and continues to act as an adviser to listed and non-listed companies. He is currently a non-executive director of SRT Marine Systems plc.

Simon joined the Group in June 2018 as Interim Finance Director and was appointed to the Board as a Non-Executive Director in January 2020. Age 63.

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 2022. The Directors have proposed that no final dividend will be paid *(2021: nil)*.

PRINCIPAL ACTIVITIES

During the year we generated revenue from two main sources: licensing brands and software, and manufacturing product, since the year end we divested most of our manufacturing operations, Works Manchester, and now buy in the majority of products we sell. We license our brands, software and technology to partners in the UK and internationally. We also supply a range of printing, signage, promotional items and expo displays to the UK partner network.

DIRECTORS

The following Directors have held office since 1 April 2021:

J-H Mohr	Non-executive Chairman
C C Bona	Non-executive Director
S G Barrell	Non-executive Director
P R Gunning	Chief Executive Officer (resigned 18th May 2022)
G G Cockerill	Acting Chief Executive Officer
R A Lightfoot	Director and Company Secretary
I S Brown	Group Finance Director

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

CC Bona and J-H Mohr retire by rotation in accordance with the Company's Articles of Association and all being eligible, offer themselves 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 41-42.

The Company maintains 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 its on-line message board w3pin, by circulation of KPIs and provision of access to relevant operational results. A regular schedule of staff meetings are held and relevant internal announcements made by email. The Company takes account of any comments and feedback provided by employees in the formulation of its policies and procedures. In particular this year, regular communications were made to employees as the extent of coronavirus restrictions on work and social life were tightened or relaxed, providing information on the changes and how we as a company could best support each other and our customers. Following the announcement of the sale of Works Manchester, group meetings have been held with all teams to further explain the future direction of the business.

Following employee suggestions, during the year the Group partnered with Octopus Energy to help provide employees with Electric vehicles through a salary sacrifice scheme.

We have previously run SAYE schemes with our employees and will be reviewing the future offering during the current year.

RESEARCH AND DEVELOPMENT

Developing our software platform is an ongoing process and each year we introduce new features and services. During 2022 we have developed and launched WorksThing, an extension to the Nettl System that provides a complete workflow tool for managing signage installations from start to finish.

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 equipment is properly maintained. Working practices are continually refined 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 complies with environmental laws and regulations and works with suppliers and customers to improve the effectiveness of environmental management. The Group has made no contribution to political parties during the year (2021: nil).

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 31 March 2022:

Registered holding	Number of shares	% of issued share capital
Langfristige Investoren TGV	**33,434,909**	**29.20%**
Value Focus Beteiligungs GmbH	**30,224,866**	**26.40%**
Stefan Winterling	**7,279,074**	**6.36%**
Scherzer & Co SA	**5,675,500**	**4.96%**
IPConcept (Luxembourg) S.A.	**5,634,919**	**4.92%**
Axxion SA	**4,985,000**	**4.35%**

POST BALANCE SHEET EVENT

On 19 May 2022 Grafenia plc announced that it had agreed to sell its wholly-owned subsidiary Works Manchester Limited, formerly Image Everything Limited, and certain business and assets of its wholly owned subsidiary Grafenia Operations Limited to Rymack Sign Solutions Limited, a privately owned company trading as PFI Group. The transaction was subsequently completed on 31 May 2022.

FUTURE DEVELOPMENTS

Following the sale of Works Manchester Limited, Grafenia will continue its transition to a software licensing business, focussing on developing our platforms and growing both our partner network and company owned sales channels. We will also be looking for complimentary software businesses to acquire.

GOING CONCERN

As part of the consideration of the appropriateness of adopting the going concern basis of accounting, the Directors have prepared a base case forecast and then applied reasonable sensitivities.

The base case forecast assumes the continued growth in product revenues as we enter a year without coronavirus restrictions and takes account of a change in our operation model following the sale of Works Manchester, with a lower gross profit margin on product sales along with reduced staff costs and production related overheads. Allowances have been made for rising costs, particularly in employee costs and energy prices for our remaining stores.

The primary cash flow impact identified in the sensitivity analysis is a significant reduction in cash collections driven by lower customer demand following price increases, or inability to supply products due to supply chain issues.

The Directors also considered the potential levers at their discretion to improve the cash position, including a number of further reductions in operating expenditure across the group, primarily related to workforce cost reductions. Having considered these scenarios, the Group expects to have sufficient cash headroom.

Based on the above the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday 14 September 2022 at the Company's Nettl Business Store in Birmingham. 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.

AUDITOR

RSM UK Audit 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.

A fair review of the business and its performance and the use of financial instruments are not shown in the directors' report because they are shown in the strategic report instead under s414C(11).

By order of the Board

Iain Brown
Group Finance Director
26 July 2022

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 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 company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with UK-adopted international accounting standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted international accounting standards and applicable law.

The group and company financial statements are required by law and UK-adopted international accounting standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Grafenia Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance statement

FOR THE YEAR ENDED 31 MARCH 2022

The Board has determined that the Quoted Companies Alliance's ("QCA") Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26) would be the most appropriate for the Group to adhere to. The information on Corporate Governance is set out below.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code during the period under review.

The following paragraphs set out the Group's compliance with the ten principles of the QCA Code. Further details are available at www.grafenia.com.

1. ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG TERM VALUE FOR SHAREHOLDERS

Our vision was first shared with our shareholders at our 2017 AGM. It puts customers and brand partners at the centre of our focus in a relentless drive to exceed customer expectations, and is as follows:

"To be the world's leading network of web, design, sign and print studios. Known as the local place for business, where business happens. Where customer experience is our priority. Where we deliver compelling value and reliable service every time. So we are rooted in every team member's and partner's success."

Our strategy to achieve this is to build our network of studios, buy businesses to accelerate our growth, and license our intellectual property both in the UK and overseas.

Our strategy and business operations are set out more fully in the Strategic Report section of the Group's Annual Report. Further information in respect of our acquisition strategy can be found on our website and in our Half Year Report released on 22 November 2021. In the summer and early autumn of 2022, the Board will run a strategy exercise to explore the right operating model for the group going forward. That will likely result in an updated Vision and Mission framework to be communicated in due course.

The Group's principal risks and uncertainties and the systems and internal controls developed to mitigate them are set out in the disclosure to principle 4 of the code.

2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Company believes strongly in transparency and an open door policy towards shareholder communications. It aims to provide fair and objective reporting and seeks to ensure its strategy, business model and performance are clearly communicated and understood through its half year and full year reports. Past and present versions are published on the Company's website.

Given the stage of the Company's development its AGM provides the key opportunity for dialogue with shareholders. All members of the Board attend the AGM. A Notice of AGM is circulated to all shareholders on the register at least 21 days in advance of the AGM. The post AGM presentation has necessarily taken on a virtual format in recent years because of the Pandemic. This year it will revert to an inclusive, informative and fun 'in person' format and we hope to welcome as many shareholders as possible.

The Chairman and Company Secretary go to additional lengths to identify and communicate with major shareholders whose holding is via nominee accounts and encourage voting and shareholder feedback and engagement.

The number of proxy votes received for each vote are announced at the AGM and the results of the AGM are announced and published on our website.

The Company does not presently have significant representation from traditional institutional investors. However, at an appropriate juncture it will seek to develop this area with the support of its broker Allenby Capital.

3. TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

The Company actively seeks to engage with its wider stakeholder base in order to maximise decision making, ensure alignment of interests and balance the needs of all stakeholders, whilst meeting its primary responsibility to promote the success of the Company for the benefit of its members as a whole via the execution of its strategy and business model set out in the disclosures to principle 1 of the code.

Employees

The Company regularly engages with its employees via a number of practices and procedures. Team members are able to give valued feedback on the working environment and other stakeholder insights through, for example:

- w3pin the Company's on-line message board and forum as well as third party applications and business communication platforms. Use of such platforms came into sharp focus during the pandemic and continued support of homeworking;
- regular virtual meetings bringing together our customer facing operational senior management and team leaders.

The Company is an advocate of apprenticeships and goes beyond its legal obligations such as the payment of the apprentice levy in its commitment to this stakeholder group. In the last Financial Year 9 placements were provided under the Government Kick Start scheme from 16 to 24 year olds on Universal Credit.

Customers and Suppliers

The Company invests in customer service software and infrastructure to support feedback from these stakeholder groups and monitors and measures internal targets for response times and quality.

Our vision is to be rooted in every team member's and partner's success. To that end the Company regularly engages with its partner network through events such as the Company's Grapalooza and other virtual events (held in in place of roadshows and conferences since the onset of the pandemic), w3pin and on-line polls and votes, the responses to some of which have shaped key strategic and operational decisions around important aspects of our business, ranging from pricing to environmental policies and considerations.

Environment

The Company is conscious of the environmental impact of the industry that it operates in. We seek to mitigate and minimise the Company's impact on the environment through practices and procedures including the supply and promotion of biodegradable products and adoption of technologies to reduce the Company's energy consumption. All of our matt and gloss laminated print for example is produced using a biodegradable film and more recycled options were added during the year. The Company also previously invested in voltage optimisation equipment.

4. EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

Principal risks and uncertainties faced by the Group are set out in the Financial Review.

The Board is responsible for establishing and maintaining the Company's system of internal control, which is designed to meet the particular needs of the Company and mitigate the risks to which it is exposed. Such a system is designed to manage these risks, to provide reasonable, but not absolute, assurance against material misstatement or loss, and to maintain proper accounting records to ensure the integrity of the financial information used within the business and for external publication.

The Board reviews the effectiveness of the system of internal control and considers whether the Company's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that at the Company's current stage of development, this is not required. The Board will continue to review this matter each year.

The Board considers that the internal controls in place are appropriate for its size and resources, its activities and the risk profile. The key elements of the control system in operation are:

- The Board meets regularly to consider matters reserved to it and has put in place an organisational structure with clear lines of defined responsibility and with appropriate delegation of authority to manage risk.
- Following the onset of Covid-19 the executive members of the Board met on a weekly and, at key times, daily basis to consider the opportunities and threats facing the Company. This weekly meeting schedule remains in place.
- The senior management team meets every Monday providing an opportunity to consider operational risks faced and provide stakeholder feedback from across the Group's operations.
- An organisational structure exists with defined roles and accountability and a culture is fostered which encourages entrepreneurial decision making while minimising risks. A key component of this is our Leadership Values book which sets out nineteen things we look for and measure our people on and ask them to hold their peers, colleagues and leaders to account over.
- GrafOS (hosted on w3p, the Platform that manages our entire organisation) provides mechanisms for peer-to-peer evaluation and continuous 360 degree feedback, it's essentially an early warning system for undesirable behaviour.
- w3pedia (also hosted on w3p) sets out the written operating procedures for all aspects of our business together with our staff handbook which contains policies providing guidance on things that could get our employees into trouble (including anti bribery, data protection, use of mobile phones whilst driving and much more).
- The Company has information systems for monitoring its financial performance against approved budgets and forecasts.
- Documented quality systems include comprehensive health and safety policies and procedures, reviewed and updated on an ongoing basis by the Company's Health & Safety Officer, which encompass all aspects of the Group's day-to-day operations. The Executive management team reports to the Board on any health and safety issues at every Board meeting.
- The Audit Committee receives reports from the external auditors on a regular basis and from executive directors of the Company. The Board receives periodic reports from all Committees.
- The Group retains an insurance broker and maintains appropriate insurance cover in respect of actions taken against Directors and in respect of materials loss or claims against the group and the risks it faces. The types of cover and insured values are reviewed annually.

5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The make-up of the Board is reviewed on an ongoing basis in light of the Company's development, requirements and resources.

The Board currently comprises three Non-Executive Directors (including the Chairman) and three Executive Directors.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and the article 32 of the Company's articles of association requires anyone who has been in office for three years without re appointment to seek re-election.

The Non-Executive Directors are considered by the Board to be independent under the QCA Code's guidance for determining such independence. All Non-Executives receive a fixed fee for their services and do not participate in any performance-related remuneration schemes, or have any interest in a company share option scheme.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. A rolling programme of Board meetings is maintained throughout the year together with adhoc meetings as the Company's requirements demand. The director's attendance records in the year under review (excluding directors who have ceased to be directors in the period), is as follows:

	Board meetings	Audit committee meetings	Remuneration Committee meetings
Number held	**5**	**2**	**1**
Jan-Hendrik Mohr (Chairman)	5	2	1
Conrad Bona (Non-Executive Director)	5	2	1
Simon Barrell (Non-Executive Director)	5	2	1
Gavin Cockerill (Acting CEO)	5	-	-
Richard Lightfoot (Director & Company Secretary)	5	-	-
Iain Brown (Group Finance Director)	5	-	-

In the past, Board meetings and the Company's AGM have been held at various Group premises giving, in particular the Non-Executive Directors, access to different operations and the opportunity to develop a wide understanding of the Group's activities. Since the onset of Covid-19, Board meetings have necessarily been held remotely, a return to some 'in person' meetings is planned for the forthcoming year.

The Company Secretary reports directly to the Chairman on governance matters. The Board believes that Richard Lightfoot's appointment as Director and Company Secretary is appropriate at this stage of the Company's development and given its requirements and resources. This arrangement is assessed on an ongoing basis and separation of duties will be implemented as appropriate.

6. ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board considers that all of its directors are of sufficient competence and calibre and between them provide an appropriate and effective balance of skills and experience, including in the areas of retailing, wholesaling, marketing, print production, software development, ecommerce, finance and mergers and acquisitions. Directors' biographies are set out on the website and the names, qualifications and backgrounds of each of the directors are disclosed within the Directors section of this annual report.

The Directors all ensure that their skills are kept up to date by the attendance of courses, briefings from professional advisors and reading relevant industry and professional publications.

The Board is supported where necessary by its external professional advisers. The Board continually reviews the performance of third party advisers to ensure they are the most effective business partners for the Group. Our Auditors were last changed in July 2017. Directors have access to advice and services of the Company Secretary and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group.

Whilst the Board presently consists of one German national and one member with both Canadian and British citizenship we are mindful of the absence of ethnic diversity and gender balance. The Board is committed to continual assessment of its composition as the Company evolves.

The Company Secretary provides Directors with updates on key developments relating to the Company and legal and governance matters including advice from the Company's nomad, lawyers and other advisors.

7. EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

The Chairman assesses the individual contributions of each of the members of the team to ensure that:

- they are performing their roles and carrying out their responsibilities to the highest standards;
- their contribution is relevant and effective;
- where relevant, they have maintained their independence.

Appraisals are carried out each year for all Executive Directors and to assess overall Board composition. The appraisal process is an ongoing consideration of the Board as a whole.

The Chairman Jan Hendrik Mohr conducts an annual review of the Board's effectiveness, in accordance with Principle 7 of our Corporate Governance Statement. The objective of this evaluation process is to bring to light possible changes which could make the Board's activities and administration more effective and efficient.

Board Evaluation covers the following areas:

- the manner in which the Board is run, and operates as a team;
- the skills, experience and independence of the Board;
- the strategy of the business;
- the risks of the business;
- the Company's ethical values and behaviours; and
- engagement with shareholders and other stakeholders.

The exercise identified a number of positive areas particularly relating to the skills and experience and independence of the Board and the level of engagement with shareholders. The main area for improvement identified in the previous evaluation was formal succession planning and lack of diversity. A process to address this is ongoing and will be a central part of the forthcoming strategy exercise, where we perform a full leadership and operating model review, including external advisors, in the summer and early autumn.

BOARD REVIEW

Manner in which the Board is run	The level of engagement between NEDs and executives is high. The Board drastically increased the cadence of meetings during the pandemic to a weekly schedule which proved to be informative and allow for quick decision making. More recently Board cadence has reverted to fewer, but more in-depth sessions to allow for complex discussions.
Skills, independence and experience	The current makeup of the Board reflects a broad perspective of different skills. A core area of improvement in the Board is diversity. The current Board doesn't appropriately reflect the level of diversity we have in our organisation and future recruiting decisions should clearly take diversity into consideration. There is no formal succession policy which is a deficiency. A process to address this is ongoing and is centred around the current CEO transition.
Strategy of the business	In August 2020, the Board started a dedicated "Post-Covid" evaluation of strategy to ensure viability of the business model even in significantly reduced sales environments. Ultimately we took the decision to market our manufacturing business, Works Manchester, and that culminated in its sale to PFI Group on 31 May 2022. Our strategy remains to "build, buy and license" but with a renewed focus on acquiring and developing our software business.
Risk of the business	Risk of the business is evaluated in-lieu of strategy as the Board perceives risk to be a core influence on strategy. When setting strategy, we reflect on the interdependencies for our risk appetite.
Ethical values and behaviours	Critical developments are monitored in the risk awareness section of every Board meeting. The Company maintains a peer review mechanism for all employees (GrafOS) that allows for flagging of misconduct and feedback mechanism.
Engagement with shareholders	The Board keeps an open and constructive dialogue with its shareholders. In particular, the largest 5-6 shareholders engage in fairly frequent discussions after RNS announcements. We have used our AGM as a platform to communicate strategy and invite shareholders to ask questions in a friendly, constructive and inclusive environment.

Presently no formal Nomination Committee exists in view of the stage of growth of the Company. Appointments to the Board and succession planning are considered by the Board as a whole and are made on merit against objective criteria relating to the skills, knowledge and expertise required, and with due regard for the benefits of diversity on the Board and requirements of the Company.

8. PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Board firmly believes that culture is driven from the top and through sound Corporate governance, it takes ultimate responsibility for the culture that is developed and evolves under its leadership and guidance. That's why we developed our Leadership Values which sit at the centre of GrafOS.

GrafOS is our operating system for people. Each role in our business is part of a career storyline with required "Intelligence" levels. Team members collect badges as they acquire competences. We encourage team members to 'catch colleagues doing things right' and leave positive feedback against specific Leadership Values they've observed. Likewise, if they spot someone behaving contrary to our Leadership Values, they can share a private ImproveNote with the individual and their leader. It's all designed to encourage and deliver ethical and entrepreneurial behaviour.

The Company's staff manual sets out whistleblowing policy and procedures.

9. MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION- MAKING BY THE BOARD

The Board

The Board is responsible to shareholders for the proper management of the Group. The Board is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters and approval of Annual and Interim results and budgets.

The Executive Directors have responsibility for the day-to-day operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent objective judgement to Board decisions.

All directors are supplied with the Company's Continuing Obligations memorandum which is reviewed and updated as required. The memorandum sets out and explains the Director's responsibilities and obligations under the AIM Rules, the Market Abuse Regulation and other wider applicable legislation.

A formal schedule of all matters reserved for Board decision is maintained and reviewed regularly (last update February 2017) covering:

- Setting and Review of Strategy and Performance;
- Structure and Capital;
- Maintenance of Financial Reporting and Controls;
- Maintenance of Internal Control and Risk Management systems;
- Material Contracts;
- Investor Relations and Regulatory communications;
- Constitution of Board Membership and other appointments;
- Setting of Directors and Senior Management Remuneration;
- Delegation of Authority amongst the Board and its Committees;
- Implementation of Corporate Governance;
- Approval of Policies.

The Board maintains a rolling scheduled programme of Board meetings each year aligned with relevant events in the Company's financial and trading calendar. Additional meetings are held as and when required.

A formal agenda is prepared for each meeting noting any unresolved matters from prior meetings, Board papers including a CEO's report and KPIs, and FD's report are circulated in advance and minutes are circulated following each meeting recording actions arising.

Non Board members are also invited to attend on occasion to participate in relevant Board discussions.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The differing roles of Chairman and Chief Executive are acknowledged and there is a clear division of responsibility at the head of the Company.

The key functions of the Chairman are, to oversee the adoption, delivery and communication of the Company's Corporate Governance model, the effective conduct of Board Meetings and meetings of shareholders, to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions, and to ensure the Group has appropriate strategic focus and direction.

The Chief Executive has responsibility for leading the implementation of agreed strategy and managing the day-to-day operations of the Group.

Committees

The Board has established an Audit Committee and a Remuneration Committee. In view of the stage of growth of the Company there are no formal Nomination Committee or Corporate Governance Committees, however these arrangements will remain under review.

The Audit Committee and Remuneration Committee presently comprise of Jan-Hendrik Mohr (Chairman), Conrad Bona (Non- Executive Director) and Simon Barrell (Non- Executive Director), the Company's present policy is for any new Non-executive Directors to join both Committees.

The Audit Committee's principal tasks are to review the scope of external audit, to receive regular reports from the auditors, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on legal requirements and accounting standards as well as areas of management judgement and estimation.

The Audit Committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Audit Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes.

The Audit Committee meets at least twice a year including immediately before the submission of the Annual and Interim Financial Statements to the Board.

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes:

- a review of the non-audit services provided to the Company and related fees;
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- A review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner;
- Obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in the Group's Annual Report.

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non- audit work.

Ultimate responsibility for reviewing and approving the Annual and Interim financial statements remains with the Board and a statement of directors' responsibilities in respect of the accounts is set out in the Group's Annual Report.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. It also considers and oversees the implementation of any share incentive schemes.

The Board itself determines the remuneration of the Non-Executive Directors.

The Remuneration Committee meets at least once a year.

A Directors' Remuneration report is set out in the Group's Annual Report.

10. COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Board places a high priority on clear, fair and objective reporting with its various stakeholder groups.

The Company is presently of a size that doesn't support having a dedicated investor relations department, however the CEO's mobile phone number is provided on all announcements and the Company Secretary's contact details are set out on the website for shareholder enquiries. The Chairman also talks on an adhoc basis with major shareholders and provides feedback to the Board.

We are conscious that, given its present size, the Company attracts limited analyst attention. To that end the CEO maintains strong links with relevant industry media and seeks to articulate Company strategy consistently through them. Calls with journalists are also held to coincide with the release of the Group's Annual Report.

The Group's website is regularly updated and in addition to the Corporate Governance Statement sets out past and present Annual and Interim Reports and Accounts and all Announcements.

The result of voting in the 2021 AGM is presented as follows:

Resolutions	* For	Against	Withheld
1. To receive the Company's Annual Accounts	35,989,992	-	-
2. To re-elect Gavin Graham Cockerill as a Director	35,987,401	2,591	-
3. To re-elect Richard Alan Lightfoot as a Director	35,987,401	-	2,591
4. To re-elect Simon Gregory Barrell as a Director	35,987,401	2,591	-
5. To re-appoint RSM UK Audit LLP as auditors of the Company	35,979,992	10,000	-
6. To authorise the Company to replace the existing authority to allot shares and to grant rights to subscribe for or convert any security into such shares	35,957,135	32,857	-
7. To disapply statutory pre-emption rights	35,191,093	798,899	-
8. To authorise the Company to make market purchases of its own shares	35,979,992	30,000	-

* including any votes giving discretion to the Chair.

Audit committee report

The Audit Committee comprises Jan-Hendrik Mohr as chairman, Conrad Bona and Simon Barrell. The Audit Committee meets at least twice a year and is responsible for reviewing the annual and half-yearly financial statements, the system of internal controls and risk management, and the terms of appointment and remuneration of the auditor. It is also the forum through which the auditor reports to the Board. The Audit Committee is also responsible for reviewing the objectivity of the external auditor and the terms under which the external auditor is appointed to perform non-audit services.

During the year the Audit Committee worked with the Group auditors, on the findings of the 2021 audit as well as reviewing the company's full year results on behalf of the Board. It considered significant accounting policies, ensured compliance with accounting standards and considered reports from the external auditor on accounting topics of a judgemental nature requiring attention. The Committee over the year, had separate discussions with the auditor without management being present on the adequacy of controls and any judgemental areas, as well as feedback on the 2021 audit. Feedback from the 2021 audit did inform the setting out of audit priorities with RSM in the current year's audit process.

Directors' remuneration report

As a company listed on AIM the Company is exempt from the S420 obligation of the Companies Act 2006 to prepare a Directors' Remuneration Report and the S439A obligation to put a written remuneration policy to a shareholder vote once every three years.

REMUNERATION COMMITTEE

The Company has an established Remuneration Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee are Jan-Hendrik Mohr, Conrad Bona and Simon Barrell who are Non-executive Directors. Jan-Hendrik Mohr chairs the Committee.

In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive 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.

The main elements of the remuneration packages for Executive Directors and senior management is Basic annual salary (including Directors' fees) and benefits.

BASIC ANNUAL 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 private medical insurance.

ANNUAL CASH BONUS

During the year, in line with other employees within the group, the Executive Directors were entitled to a nominal cash bonus based on attendance. No company performance related incentive payments have been made for the financial year ended 31 March 2022.

PENSION ARRANGEMENTS

The company contributes the legally required pension contributions.

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, except for the Chief Executive who has a twelve month notice period. There are no specific 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' contracts are subject to three months written notice.

ELEMENTS OF REMUNERATION

Year ended 31 March 2022:

	Basic salary £	Fees £	Benefits £	Bonuses £	Pension £	2022 Total £
J-H Mohr	-	15,000	-	-	-	15,000
C C Bona	-	15,000	-	-	450	15,450
S G Barrell	-	15,000	-	-	-	15,000
P R Gunning	170,250	-	1,057	50	15,525	186,882
I S Brown	85,109	-	618	50	2,555	88,332
G G Cockerill	90,000	-	474	50	2,702	93,226
R A Lightfoot	75,373	-	1,484	50	2,268	79,175
	420,732	45,000	3,633	200	23,500	493,065

Year ended 31 March 2021:

	Basic salary £	Fees £	Benefits £	Bonuses £	Pension £	2022 Total £
J-H Mohr	-	15,000	-	-	-	15,000
C C Bona	-	15,000	-	-	464	15,464
S G Barrell	-	15,000	-	-	-	15,000
P R Gunning	170,250	-	1,012	-	15,525	186,787
I S Brown	85,000	-	305	-	2,577	87,882
G G Cockerill	90,000	-	457	-	2,774	93,231
R A Lightfoot	77,000	-	1,430	-	2,326	80,756
	422,250	45,000	3,204	-	23,666	494,120

DIRECTORS' INTERESTS

At 31 March 2022, the Directors had the following beneficial interests in the Company's shares:

	Ordinary shares of 1p each	
	31 March 2022	31 March 2021
J-H Mohr	**-**	-
C C Bona	**1,170,007**	1,170,007
G G Cockerill	**92,518**	92,518
R A Lightfoot	**152,156**	152,156
I S Brown	**84,208**	84,208
S G Barrell	**85,356**	85,356

The market price of shares as at 31 March 2022 was 5.35 pence *(2021: 5.63 pence)*. The range during the period under review was 3.75 pence to 6.75 pence.

Independent auditors' report to the members of Grafenia plc

OPINION

We have audited the financial statements of Grafenia plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 31 March 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	**Group** · Revenue recognition · Bond accounting treatment **Parent Company** · Impairment of investments and intercompany receivables
Materiality	**Group** · Overall materiality: £283k *(2021: £283k)* · Performance materiality: £212k *(2021: 212k)* **Parent Company** · Overall materiality: £232k *(2021: £247k)* · Performance materiality: £174k *(2021: 185k)*
Scope	Our audit procedures covered 98% of revenue, 97% of net assets and 99% of results before tax.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Key audit matter description

Key audit matter description	*(Refer to pages 54 regarding the accounting policy in respect of revenue recognition and note 2 in respect of revenue and operating segments).* There are numerous revenue streams within the business. There is a risk that revenue is not accurately captured within the financial statements or that the established revenue recognition policy is not appropriately applied given the various types of revenue earned. There is a fraud risk in respect to revenue cut-off.
How the matter was addressed in the audit	The Group's revenue recognition accounting policies were scrutinised against the requirements of IFRS 15. The existence and accuracy of revenue recognised was assessed via detailed testing by reference to contracts with customers and invoices issued. The recognition of revenue around the period end was tested on a sample basis to determine that it had been reported in the correct period. The completeness of revenue was reviewed ensuring a sample of cash receipts matched to sales recorded.

IMPAIRMENT OF INVESTMENTS

Key audit matter description	*(Refer to the accounting policy on page 58 in respect of impairment of investments)* The parent company holds significant investments balances with its subsidiary companies. There is a risk that the amounts held on the balance sheet are impaired, due to the business being historically loss making.
How the matter was addressed in the audit	Management's impairment review of investments was obtained and challenged. We challenged the assumptions used by management, sensitised the net present value calculations by considering variations in these assumptions, we compared cash flows included in the workings to management's forecasts and budget information, in order to ensure the information used was consistent with our documentation of the business's actual performance and future plans.

IMPAIRMENT OF INTERCOMPANY RECEIVABLES

Key audit matter description	*(Refer to the accounting policy on page 58 in respect of impairment of intercompany receivables).* The parent company holds significant intercompany balances with its subsidiary companies. There is a risk that the amounts held on the balance sheet are impaired, due to the business being historically loss making.
How the matter was addressed in the audit	Management's impairment review of intercompany accounts was obtained and challenged. We challenged the assumptions used by management and scrutinised their application of IFRS 9.

IMPAIRMENT OF INTANGIBLE ASSETS

Key audit matter description	*(Refer to the accounting policy on page 58 in respect of impairment of intangible assets).* The group holds a significant value of intangible assets. There is a risk that the amounts held on the balance sheet are impaired, due to the business being historically loss making.
How the matter was addressed in the audit	Management's impairment review of intangible assets was obtained and challenged. We obtained and challenged their sensitivity analysis, sensitised the net present value calculations by considering variations in these assumptions, we compared cash flows included in the workings to management's forecasts and budget information, in order to ensure the information used was consistent with our documentation of the business's actual performance and future plans.

OUR APPLICATION OF MATERIALITY

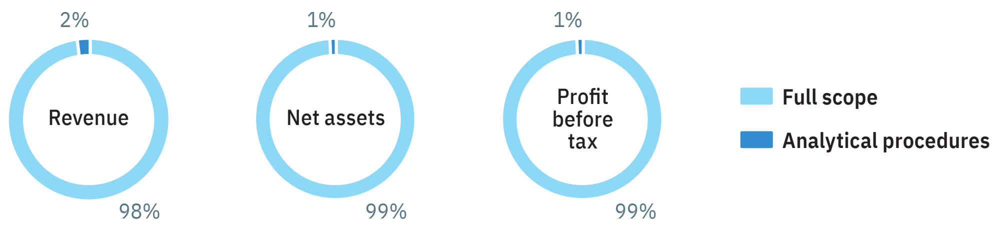
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	**Parent company**
Overall materiality	£283k *(2021: £283k)*	£232k *(2021: £247k)*
Basis for determining overall materiality	2.3% of revenue	1% of net assets
Performance materiality	£212k *(2021: 212k)*	£174K *(2021: 185K)*
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £14k and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £11.6k and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group consists of 5 components, 3 of which are UK based, one of which is based in France and one of which is based in the United States of America.

The coverage achieved by our audit procedures was:



Of the above, no audits or procedures were undertaken by component auditors.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included consideration of the cash flow forecasts and scenario analysis present and headroom provided by existing funding facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

THE EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
IFRS/UK-adopted IAS, FRS101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Additional audit procedures performed by the audit engagement team:
Revenue recognition	The Group's revenue recognition accounting policies were scrutinised against the requirements of IFRS 15. Substantive tests of detail over a sample of sales recognised in the year including agreement of the sales value to underlying sales documentation and the occurrence to evidence of delivery. Consideration of the completeness of sales by reference to journal entries posted to revenue in the year. Reviewing the cut-off treatment of a sample of sales recorded around the year end. We have tested licence income to ensure this has been correctly recognised in line with policy.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

USE OF OUR REPORT

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. 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 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.

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
Date: 26 July 2022

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2022	Note	2022 £000 Continuing operation	2022 £000 Discontinued operation	2022 £000 Total	2021 £000 Continuing operation	2021 £000 Discontinued operation	2021 £000 Total
Revenue	2	**8,916**	**3,445**	**12,361**	6,944	2,804	9,748
Raw materials and consumables used		**(5,377)**	**(286)**	**(5,663)**	(3,568)	(605)	(4,173)
Gross profit		**3,539**	**3,159**	**6,698**	3,376	2,199	5,575
Staff costs	4	**(2,019)**	**(2,221)**	**(4,240)**	(1,808)	(1,892)	(3,700)
Doubtful debt expense		**(32)**	**(11)**	**(43)**	(155)	(5)	(160)
Other operating charges	3	**(1,322)**	**(763)**	**(2,085)**	(1,178)	(697)	(1,875)
Earnings before interest, tax, depreciation and amortisation		**166**	**164**	**330**	235	(395)	(160)
Depreciation and amortisation	9 & 10	**(944)**	**(569)**	**(1,513)**	(1,184)	(521)	(1,705)
Operating loss	3	**(778)**	**(405)**	**(1,183)**	(949)	(916)	(1,865)
Financial income		**6**	**-**	**6**	16	-	16
Financial expenses	5	**(346)**	**(186)**	**(532)**	(290)	(187)	(477)
Net financing expense		**(340)**	**(186)**	**(526)**	(274)	(187)	(461)
Loss before tax		**(1,118)**	**(591)**	**(1,709)**	(1,223)	(1,103)	(2,326)
Tax income	6	**559**	**-**	**559**	249	(8)	241
Loss for the year		**(559)**	**(591)**	**(1,150)**	(974)	(1,111)	(2,085)
Re-measurement to fair value on discontinued operations	22	**-**	**(686)**	**(686)**	-	-	-
Loss and total comprehensive income for the year		**(559)**	**(1,277)**	**(1,836)**	(974)	(1,111)	(2,085)
Loss per share attributable to the ordinary equity shareholders of Grafenia plc Basic and diluted[1], pence per share	7	**(0.49)p**	**(1.12)p**	**(1.60)p**	(0.85)p	(0.98)p	(1.83)p

(1) Earnings per share suffers no dilution

The notes on pages 53-76 form part of these financial statements.

Consolidated and company statement of financial position

AT 31 MARCH 2022	*Note*	**Group 2022 £000**	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Non-current assets					
Property, plant and equipment	*9*	**1,077**	5,065	**-**	-
Intangible assets	*10*	**1,391**	3,510	-	-
Investments in subsidiaries	*11*	**-**	-	**986**	3,578
Total non-current assets		**2,468**	8,575	**986**	3,578
Current assets					
Inventories	*12*	**29**	444	**-**	-
Trade and other receivables	*13*	**1,281**	1,545	**8,331**	7,445
Prepayments		**283**	278	**36**	9
Cash and cash equivalents	*14*	**1,462**	2,740	**984**	2,266
Asset held for sale/disposal group	*11 & 22*	**6,234**	-	**2,592**	-
Total current assets		**9,289**	5,007	**11,943**	9,720
Total assets		**11,757**	13,582	**12,929**	13,298
Current liabilities					
Other interest-bearing loans and borrowings	*16*	**308**	931	**172**	120
Trade and other payables	*15*	**1,512**	1,799	**83**	84
Deferred income	*15*	**77**	60	**-**	-
Liabilities relating to disposal group	*22*	**3,530**	-	**-**	-
Total current liabilities		**5,427**	2,790	**255**	204
Non-current liabilities					
Other interest-bearing loans and borrowings	*16*	**3,842**	6,149	**2,953**	2,964
Deferred tax liabilities	*8*	**-**	389	**-**	-
Total non-current liabilities		**3,842**	6,538	**2,953**	2,964
Total liabilities		**9,269**	9,328	**3,208**	3,168
Net assets		**2,488**	4,254	**9,721**	10,130
Equity attributable to equity holders of the parent					
Share capital	*19*	**1,145**	1,145	**1,145**	1,145
Merger reserve		**838**	838	**627**	627
Share premium	*20*	**7,866**	7,866	**7,866**	7,866
Share based payment reserve		**88**	84	**88**	84
Translation reserve		**66**	-	**-**	-
Retained earnings		**(7,515)**	(5,679)	**(5)**	408
Total equity		**2,488**	4,254	**9,721**	10,130

The Parent Company result for the year was a loss of £413,000 *(2021: loss £325,000)*.

The notes on pages 53-76 form part of these financial statements.

The financial statements of Grafenia plc, registered number 03983312, were approved by the board of directors on 26 July 2022 and were signed on its behalf by:

I S BROWN

Director

Consolidated and company statement of changes in shareholders' equity

GROUP – YEAR ENDED 31 MARCH 2022

	Share Capital £000	Merger reserve £000	Share Premium £000	Share Based Payment Reserve £000	Tranlsation Reserve £000	Retained Earnings £000	Total £000
Balance at 31 March 2020	1,135	838	7,801	74	-	(3,594)	6,254
Loss and total comprehensive income for the year from continuing operation	-	-	-	-	-	(974)	(974)
Loss and total comprehensive income for the year from discontinued operation	-	-	-	-	-	(1,111)	(1,111)
Shares issued in the period	10	-	65	-	-	-	75
Share option reserve	-	-	-	10	-	-	10
Total movement in equity	10	-	65	10	-	(2,085)	(2,000)
Balance at 31 March 2021	1,145	838	7,866	84	-	(5,679)	4,254
Loss and total comprehensive income for the year from continuing operation	**-**	**-**	**-**	**-**	**-**	**(559)**	**(559)**
Loss and total comprehensive income for the year from discontinued operation	**-**	**-**	**-**	**-**	**-**	**(1,277)**	**(1,277)**
Retranslation of net assets of overseas subsidiaries	**-**	**-**	**-**	**-**	**66**	-	66
Share option reserve	**-**	**-**	**-**	**4**	**-**	**-**	**4**
Total movement in equity	**-**	**-**	**-**	**4**	**66**	**(1,836)**	**(1,766)**
Balance at 31 March 2022	**1,145**	**838**	**7,866**	**88**	**66**	**(7,515)**	**2,488**

COMPANY – YEAR ENDED 31 MARCH 2022

	Share Capital £000	Merger reserve £000	Share Premium £000	Share Based Payment Reserve £000	Tranlsation Reserve £000	Retained Earnings £000	Total £000
Balance at 31 March 2020	1,135	627	7,801	74	-	733	10,370
Loss and total comprehensive income for the year	-	-	-	-	-	(325)	(325)
Shares issued in the period	10	-	65	-	-	-	75
Share based payments	-	-	-	10	-	-	10
Total movement in equity	10	-	65	10	-	(325)	(240)
Balance at 31 March 2021	1,145	627	7,866	84	-	408	10,130
Loss and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(413)**	**(413)**
Share based payments	**-**	**-**	**-**	**4**	**-**	**-**	**4**
Total movement in equity	**-**	**-**	**-**	**4**	**-**	**(413)**	**(409)**
Balance at 31 March 2022	**1,145**	**627**	**7,866**	**88**	**-**	**(5)**	**9,721**

The notes on pages 53-76 form part of these financial statements.

Consolidated statement of cash flows

FOR YEAR ENDED 31 MARCH 2022	Note	Group 2022 £000	Group 2021 £000
Cash flows from operating activities			
Loss for the year		**(559)**	(974)
Adjustments for:			
Depreciation, amortisation and impairment		**944**	1,184
Loss / (profit) on sale of plant and equipment		**-**	5
Release of deferred profit on sale of plant and equipment	*3*	**(9)**	(14)
Share based payments		**4**	10
Net finance expense		**340**	274
Bad debt expense		**(54)**	174
Foreign exchange loss		**66**	-
Tax income		**(559)**	(249)
Operating cash flow before changes in working capital and provisions		**173**	410
Change in trade and other receivables		**(86)**	222
Change in inventories		**2**	-
Change in trade and other payables		**184**	(229)
Cash generated from / (utilised by) operations		**273**	403
Interest received		**-**	7
R&D tax income received		**-**	172
Net cash inflow / (outflow) from operating activities from continuing operation		**273**	582
Net cash inflow / (outflow) from operating activities from discontinued operation		**(139)**	(370)
Net cash inflow / (outflow) from operating activities		**134**	212
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**-**	10
Acquisition of plant and equipment		**(27)**	(90)
Capitalised development expenditure	*10*	**(525)**	(370)
Acquisition of other intangible assets	*10*	**(20)**	(259)
Acquisition of Subsidiary net of cash (group)		**-**	(84)
Net cash used in investing activities from continuing operation		**(572)**	(793)
Net cash used in investing activities from discontinued operation		**(3)**	(49)
Net cash used in investing activities		**(575)**	(842)
Cash flows from financing activities			
Proceeds from share issue		**-**	75
Proceeds / (repayment) of funding from invoice finance		**-**	10
Proceeds from loans		**-**	3,010
Repayment of loans	*16*	**(196)**	(81)
Capital payment of lease liabilities		**(115)**	(164)
Interest payment of lease liabilities		**(67)**	(72)
Payment of deferred consideration		**-**	(148)
Net cash generated from financing activities from continuing operation		**(378)**	2,630
Net cash generated from financing activities from discontinued operation		**(330)**	(364)
Net cash generated from financing activities	*23*	**(708)**	2,266
Net increase / (decrease) in cash and cash equivalents from continuing operations		**(677)**	2,419
Net increase / (decrease) in cash and cash equivalent from discontinued operations		**(472)**	(783)
Cash and cash equivalents at start of year		**2,740**	1,104
Cash and cash equivalents at 31 March 2022	*14*	**1,591**	2,740
Comprises of:			
Cash and cash equivalent from continuing operation		**1,462**	2,714
Cash and cash equivalent from discontinued operation		**129**	26

The notes on pages 53-76 form part of these financial statements.

Notes to the the financial statements

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Grafenia plc (the "Company") is a public limited company incorporated and domiciled in the UK. The company's registered office is Third Avenue, The Village, Trafford Park, Manchester M17 1FG.

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

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

There have been no significant new or revised International Financial Reporting Standards adopted by the Group in the year.

BASIS OF PREPARATION

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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements are prepared under the historic cost convention.

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the periods presented.

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 and related notes that form a part of these approved financial statements.

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.

GOING CONCERN

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 Chairman's and Chief Executive's Statement on pages 3-17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 9-25. In addition, note 21 to the financial statements includes details of the Group's financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As part of the consideration of the appropriateness of adopting the going concern basis of accounting, the Directors have prepared a forecast and applied reasonable sensitivities. The primary cash flow impact identified in the sensitivity analysis is a significant reduction in cash collections driven by lower customer demand. The Directors also considered the potential levers at their discretion to improve the cash position, including a number of further reductions in operating expenditure across the group, primarily related to workforce cost reductions. Having considered these scenarios, the Group continues to have sufficient cash headroom.

Based on the above the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and is well placed to manage its business risks successfully despite the continued uncertain economic outlook caused by Covid-19. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

For acquisitions 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.
- 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 re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On 19 May 2022, the group announced the sale of its manufacturing operation based in Manchester. The manufacturing operation, referred to as 'Works Manchester' consists of the legal entity, Works Manchester Limited, along with the Manchester based production assets, related leases and staff contracts of Grafenia Operations Limited. Accordingly, these assets and liabilities have been designated as held for sale and separately disclosed in the statement of financial position and the financial impact of the discontinued operation is separately disclosed in the Statement of comprehensive income.

Following the disposal, Grafenia entered into a 5 year supply agreement with Works Manchester Limited to provide products to our Company stores and Partners. This change reduces the gross profit percentage of the group, but at the same time reduces staff costs and overheads. To accurately reflect the performance of continuing operations, the Statement of comprehensive income has been presented to show the results had the disposal and new supply agreement been in effect for both the current and the comparative financial years.

INVESTMENTS

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. 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'.

REVENUE

IFRS 15, in respect of the recognition of Revenue from Contracts with customers, requires the Group to separately recognise revenue with respect to the various components of the contractual arrangements. Where contracts have separately identifiable components with distinct patterns of delivery and customer acceptance, revenue is accounted for separately once the performance obligation is satisfied.

The Group contracts with its customers on two main bases:

- Production of product. The group considers the performance obligation to have been met when the product is delivered and, where required, installed.
- Licence fees, including franchise fees, for SaaS products are for a set period of time as specified with the customer. There is considered to be a single performance obligation for delivering a managed software service which is satisfied over the length of the contract. Revenue is therefore recognised over the life of the contract.

No adjustment is made to the revenue recognised in respect of any financing component of the contract.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the board of directors.

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.

FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

The Group and Company classify all its financial assets into the amortised cost category. The accounting policies for each category is as follows:

- Trade and loan receivables: Trade receivables are initially recognised and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. An impairment provision is calculated by considering the trade receivables and expected credit losses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward- looking information on factors affecting the Group's customers.
- An estimate for doubtful debts is also made when collection of the full amount is no longer probable. Debts are written off when they are identified as being uncollectible.
- Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- They arise principally through the intercompany loans; Impairment of loan receivables is calculated utilising the lifetime expected credit losses of these loans and the changes in the credit risk of the counterparty.
- Cash and cash equivalents in the statement of financial position comprise cash at bank and cash in hand.

FINANCIAL LIABILITIES

The Group and Company treat financial liabilities in accordance with the following accounting policies:

- Trade payables and other short-term monetary liabilities are recognised at fair value and subsequently at amortised cost.
- Invoice discounting and loans are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. "Interest expense" in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.
- Bearer Bonds are initially recognised at fair value net of any discount or transaction costs directly attributable to the issue of the instrument. They are subsequently measured at amortised cost using the effective interest rate method. "Interest expense" in this context includes initial transaction costs and the initial discount to the nominal value on inception, as well as any interest payable while the liability is outstanding.

SHARE CAPITAL

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds within share premium.

BORROWING COSTS

Borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

CURRENT TAXATION

The current tax is based upon the taxable profit for the period together with adjustments, where necessary, in respect of prior periods.
The Group's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the financial period end date.

Current tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

DEFERRED TAXATION

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

PROPERTY, PLANT AND EQUIPMENT

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.

Depreciation is charged to profit or 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:

Fixtures and fittings	- 20% to 33% straight line
Plant and equipment	- 7% to 30% straight line
Motor Vehicles	- 25% straight line
Leasehold improvements	- over remaining lease life, straight line
Right of use assets	- over the life of the lease, straight line

Where assets have been depreciated down to their estimated residual value they are no longer depreciated, a number of assets were subject to this in the year.

INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT COSTS

Research costs are expenses as incurred. Development costs are charged to the profit or 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 three years. Impairment risk is reviewed by the Board.

Amortisation is charged to profit or loss on a straight-line basis over the useful economic life of the asset as follows:

Domains & brand	- 20 years
Software	- 3 years
Capitalised development costs	- 3 years
Customer Lists	- 3 to 10 years
Other	- 20 years

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Research costs are expensed as incurred.

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 set at three years.

CUSTOMER LISTS

Customer lists arise on the buy-back of Studios and on the acquisition of subsidiary companies. Customer lists are being amortised over three to ten years and are individually tested bi-annually for indications of impairment.

GOODWILL

Goodwill may arise on acquisitions, where this occurs the valuation will be supported by a fair value assessment of the revenues expected to flow from customer relationships allowing for an appropriate level of attrition.

IMPAIRMENT OF NON FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed at each reporting 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 or loss.

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.

LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within Property, Plant and Equipment and disclosed separately in note 17.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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 or loss on the date the entities within the group's right to receive payments is established.

SHARE BASED PAYMNTS

The Group operates an equity-settled share-based compensation plan through a SAYE scheme, under which the Company receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted, calculated using the Black Scholes model. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1. ACCOUNTING POLICIES (CONTINUED)

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 or 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 profit or loss.

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

CRITICAL ACCOUNTING 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 AND VALUATION OF SOFTWARE AND DEVELOPMENT COSTS AND ACQUIRED INTANGIBLES

The Board considers that the Group's key differentiators stem from its proprietary software, operationally w3p, developed to support Brand Partners Nettl and printing.com, Marqetspace 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 working to a detailed specification and schedule. The Board exercises judgement in determining the costs to be capitalised and determine the useful economic life to be applied typically 3 years or whilst the asset in question remains in use. Acquired intangibles have been identified as the customer base and brand, the valuation is based upon future discounted cash flows and expectations for the business. Further, the Board will use estimates of future incremental cash flows to periodically assess the carrying value of intangible assets.

IMPAIRMENT OF INTANGIBLE ASSETS AND INVESTMENT IN SUBSIDIARIES.

In assessing impairment, Management estimates the recoverable amount of cash generating units based on expected future cash flows and uses the weighted average cost of capital to discount them. At the end of each reporting period the Management reviews a five year forward looking financial projection including a terminal value for the Group. The Management has further evaluated the terminal growth expectations and the applied discount rate applicable to derive a Net Present Valuation (NPV) of the Group. If the NPV of the Group shows a lower valuation than the net assets or the company cost of investment in subsidiaries plus intercompany balances due, an impairment will be made. Based on this evaluation, including management estimates and assumptions, no impairment was made during the reporting period. Estimation uncertainty relates to assumptions about future operating results in particular sales volumes and the determination of a suitable discount rate.

ESTIMATION OF THE EXPECTED CREDIT LOSSES ON TRADE AND INTERCOMPANY RECEIVABLES

In assessing the expected credit losses, in respect of the trade and intercompany receivables under IFRS 9, the Group considers the past performance of the receivable book along with future factors that may affect the credit worthiness of the receivables. Estimations have therefore been made within these assumptions which could affect the carrying value of the trade and intercompany receivables.

BEARER BONDS

The bearer bonds issued by the Company have no fixed maturity. In order to establish an effective interest rate, management is required to determine the expected life of the bonds and has estimated this to be 20 years from the date of issue. In assessing the fair value of the embedded derivative relating to the exclusive one way call option, judgement is required in order to assess the likelihood of the business exercising this option.

2.REVENUE AND SEGMENTAL INFORMATION

The Group's operating and reporting segments are geographic being UK & Ireland, Europe and others. The segmental analysis by nature of service includes Licence Fees, Company owned Studio revenue, Brand Partner print, Online sales plus Trade print and Works signs businesses. This disclosure correlates with the information which is presented to the Board, which 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 Board at a consolidated level and therefore have not been allocated between segments in the analysis below.

ANALYSIS BY LOCATION OF SALES	**UK & Ireland £000**	**Europe £000**	**Other £000**	**Total £000**
Year ended 31 March 2022 Segment revenues	**11,723**	**289**	**349**	**12,361**
Year ended 31 March 2021 Segment revenues	9,117	242	389	9,748

Revenue generated outside the UK is attributable to partners in Australia, Belgium, France, New Zealand, The Netherlands and the USA.

No single customer provided the Group with over 9% of its revenue.

3.DISAGGREGATION OF REVENUE

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

	Continuing Operations					**Discontinued Operations**	**Total**
	Licence Fees £000	**Company Stores £000**	**Brand Partner Print £000**	**Online & Trade £'000**	**£000**	**Works Sign Businesses £000**	**£000**
Year ended 31 March 2022	**2,135**	**2,462**	**2,439**	**1,880**	**8,916**	**3,445**	**12,361**
Year ended 31 March 2021	2,077	1,832	1,916	1,119	6,944	2,804	9,748

Of the Group's non-current assets (excluding deferred tax) of £2,486,000 *(2021: £8,575,000)*, £2,475,000 *(2021: £8,545,000)* are located in the UK. Non-current assets located outside the UK are in France £nil *(2021: £5,000)* and Ireland £11,000 *(2021: £25,000)*.

3. LOSS BEFORE TAXATION

Included in operating loss are the following:

	2022 £000	2021 £000
Amortisation of intangible assets	**936**	1,121
Depreciation	**577**	584
Loss / (profit) on sale of plant and equipment	**-**	(5)
Profit on sale and leaseback recognised in the year	**9**	14
Coronavirus job retention scheme income	**(140)**	(729)
Research and development cost	**291**	-
Restructuring costs	**-**	97
Cost attributable to continuing operation	**1,096**	627
Cost attributable to discontinued operation	**577**	455

Auditors' remuneration:

	2022 £000	2021 £000
Audit of these financial statements	**44**	40
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**40**	33
Fees payable to the auditor attributable to continuing operation	**74**	63
Fees payable to the auditor attributable to discontinued operation	**10**	10

4. STAFF NUMBERS AND COSTS

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

Number of employees	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Administration	**37**	31	**3**	3
Sales and distribution	**50**	59	**-**	-
Production	**59**	69	**-**	-
	146	159	**3**	3

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 2022 £121,000 of contributions were charged to the Consolidated Statement of Comprehensive Income *(2021: £117,000)*. Charges relating to the discontinued operation were £54,000 *(2021: £52,000)*. As at 31 March 2022 £25,000 *(2021: £34,000)* of contributions were outstanding on the balance sheet.

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

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Wages and salaries	**3,696**	3,170	**45**	45
Social security costs	**423**	413	**2**	2
Other pension costs	**121**	117	**-**	-
	4,240	3,700	**47**	47
Cost attributable to continued operation	**2,019**	1,808	**-**	-
Cost attributable to discontinued operation	**2,221**	1,892	**-**	-

Wages and salaries in 2022 are net of £140,000 *(2021: £729,000)* income from the Coronavirus job retention scheme.

KEY MANAGEMENT COMPENSATION:

	2022 £000	2021 £000
Executive directors		
Emoluments	**424**	425
Company contributions to money purchase pension plans	**24**	24
	448	449
Non-executive directors		
Emoluments	**45**	45
Company contributions to money purchase pension plans	**-**	-
	45	45
Total directors remuneration	**493**	494
Employers national insurance contributions	**55**	56
Total	**548**	550

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 pages 41-42 where details of fees and benefits can be found.

The aggregate of emoluments for the highest paid Director was £171,000 *(2021: £171,000)*, and Company pension contributions of £16,000 *(2021: £16,000)* were made to a money purchase scheme on their behalf. Directors for whom retirement benefits are accruing under money purchase schemes 5 *(2021: 5)*.

5. FINANCE EXPENSE

Finance expense	2022 £000	2021 £000
Lease interest	**234**	260
Invoice finance	**21**	9
Bearer Bond interest	**237**	100
Loan interest	**35**	55
Foreign exchange losses	**5**	53
Total finance expense	**532**	477
Total finance expense attributable to continuing operation	**346**	290
Total finance expense attributable to discontinued operation	**186**	187

6. TAXATION

Recognised in the income statement	2022 £000	2021 £000
Current tax expense		
Current year	**(166)**	(166)
Adjustments for prior years	**(12)**	(1)
	(178)	(167)
Deferred tax expense		
Origination and reversal of temporary differences (see note 8)	**(63)**	(74)
Previously unrecognised deferred tax asset currently recognised (see note 8)	**(318)**	-
Total tax in income statement	**(559)**	(241)

RECONCILIATION OF EFFECTIVE TAX RATE

Factors affecting the tax charge for the current period:

The current tax charge for the period is lower *(2021: lower)* than the standard rate of corporation tax in the UK of 19% *(2021: 19%)*.

The differences are explained below:	2022 £000	2021 £000
Loss before tax	**(1,991)**	(2,326)
Tax using the UK corporation tax rate of 19% *(2021:19%)*	**(378)**	(442)
Effects of:		
Other tax adjustments, reliefs and transfers	**(530)**	(99)
Adjustments in respect of prior periods – current tax	**(11)**	(1)
Adjustments in respect of prior periods – deferred tax	**(1)**	-
Deferred tax not recognised	**584**	248
Research and Development losses surrendered	**219**	223
Research and Development super deduction	**(124)**	(170)
Previously unrecognised deferred tax asset currently recognised (see note 8)	**(318)**	-
Total tax credit	**(559)**	(241)

The Group tax debtor amounts to £167,000 *(2021 Debtor: £163,000)*. The deferred tax liabilities as at 31 March 2022 have been calculated using the tax rate of 25% which was substantively enacted at the balance sheet date.

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

7. EARNINGS PER SHARE

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

	2022 £000	2021 £000
Loss after taxation for the financial year from continuing operations	(559)	(974)
Loss after taxation for the financial year from discontinued operations	(1,277)	(1,111)
Total loss after taxation for the financial year	(1,836)	(2,085)

	Weighted average number of Shares	Weighted average number of Shares
For basic earnings per ordinary share	114,490,828	113,831,139
For diluted earnings per ordinary share	114,490,828	113,831,139
Basic and diluted loss per share	(1.60)p	(1.83)p
Basic and diluted loss per share from continuing operation	(0.49)p	(0.85)p
Basic and diluted loss per share from discontinued operation	(1.12)p	(0.98)p

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.

8. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

Recognised deferred tax assets and liabilities

	Assets 2022 £000	Assets 2021 £000	Liabilities 2022 £000	Liabilities 2021 £000	Total 2022 £000	Total 2021 £000
Intangible assets	-	-	(318)	(389)	(318)	(389)
Trading losses	(318)	-	-	-	318	-
Tax asset/(liabilities)	318	-	(318)	(389)	-	(389)

Movement in deferred tax during the year.	1 April 2021 £000	Recognised on acquisition of subsidiary £000	Recognised in income £000	Removal of discontinued operation £000	Deferred tax asset utilisation £000	31 March 2022 £000
Intangible assets	(389)	-	63	8	-	(318)
Trading losses	-	-	-	-	318	318
	(389)	-	63	8	318	-

Movement in deferred tax during the year.	1 April 2020 £000	Recognised on acquisition of subsidiary £000	Recognised in income £000	Removal of discontinued operation £000	Deferred tax asset utilisation £000	31 March 2021 £000
Intangible assets	(448)	(15)	74	-	-	(389)
	(448)	(15)	74	-	-	(389)

The Group has unrecognised deferred tax assets in respect of carried forward losses of £1,526,000 *(2021: £1,255,000)*.

Company

The Company had no recognised deferred tax assets as at 31 March 2022 *(2021: nil)*.

9. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
Balance at 31 March 2020	2,575	5,591	139	1,583	9,888
Right-of-use assets recognised on IFRS 16 adoption	-	168	8	4	180
Additions	-	1	-	-	1
Disposals	-	(523)	(28)	-	(551)
Balance at 31 March 2021	2,575	5,237	119	1,587	9,518
Additions	-	31	-	-	31
Transferred to assets held within disposal group (note 22)	(735)	(4,913)	(28)	(763)	(6,439)
Balance at 31 March 2022	**1,840**	**355**	**91**	**824**	**3,110**
Depreciation and impairment					
Balance at 31 March 2020	836	2,494	101	974	4,405
Depreciation charge for the year	260	140	27	157	584
Disposals	-	(508)	(28)	-	(536)
Balance at 31 March 2021	1,096	2,126	100	1,131	4,453
Depreciation charge for the year	213	236	10	118	577
Transferred to assets held within disposal group (note 22)	(382)	(2,057)	(25)	(533)	(2,997)
Balance at 31 March 2022	**927**	**305**	**85**	**716**	**2,033**
Net book value					
At 31 March 2020	1,739	3,097	38	609	5,483
At 31 March 2021	1,479	3,111	19	456	5,065
At 31 March 2022	**913**	**50**	**6**	**108**	**1,077**

Right-of-use assets are included within the same asset categories as they would have been if they were owned. As of 31 March 2022 the Group has right-of-use assets with a carrying value of £3,453,000 *(2021: £3,806,000).* Right-of-use of assets from discontinued operation is £2,540,000 *(2021: £2,762,000)*. A table showing the net book value of right-of-use assets within property, plant and equipment at 31 March 2022 and 31 March 2021, split by category, is disclosed in note 17.

10. INTANGIBLE ASSETS

Group	Domains & brand £000	Software £000	Development costs £000	Customer Lists £000	Goodwill £000	Other £000	Total £000
Cost							
Balance at 31 March 2020	912	4,265	4,059	3,165	141	162	12,704
Additions – internally developed	-	-	419	-	-	-	419
Additions – purchased	-	259	-	-	-	-	259
Acquisition of subsidiary	-	-	-	80	15	-	95
Balance at 31 March 2021	912	4,524	4,478	3,245	156	162	13,477
Additions – internally developed	-	-	525	-	-	-	525
Additions – purchased	-	20	-	-	-	-	20
Transferred to assets held within disposal group (note 22)	(549)	-	-	(2,570)	(18)	-	(3,137)
Balance at 31 March 2022	**363**	**4,544**	**5,003**	**675**	**138**	**162**	**10,885**
Amortisation and impairment							
Balance at 31 March 2020	412	3,805	3,298	1,205	12	114	8,846
Amortisation for the year	30	297	389	399	-	6	1,121
Balance at 31 March 2021	442	4,102	3,687	1,604	12	120	9,967
Amortisation for the year	20	232	387	286	-	11	936
Transferred to assets held within disposal group (note 22)	(115)	-	-	(1,294)	-	-	(1,409)
Balance at 31 March 2022	**347**	**4,334**	**4,074**	**596**	**12**	**131**	**9,494**
Net book value							
At 31 March 2020	500	460	761	1,960	129	48	3,858
At 31 March 2021	470	422	791	1,641	144	42	3,510
At 31 March 2022	**16**	**210**	**929**	**79**	**126**	**31**	**1,391**

IMPAIRMENT TESTING

The recoverable amount of goodwill and intangible assets is determined from value in use calculations.

The Group prepares cash flow forecasts derived from budgets and five-year business plans. The sales growth relates to all key revenue streams of the business and have been determined based on the experience to date of operating these sales channels, with 5% per annum for Licence fees, 2% for services and 1% for product sales.

For the purposes of impairment testing inflationary growth of 0.5% is assumed beyond this period. A pre-tax discount factor of 6.8% *(2021: 7.4%)* was applied.

Following the impairment review, the intangible assets are not considered to be impaired.

Increasing the pre-tax discount factor to 10.0% would not result in an impairment charge against intangible assets.

Amortisation and impairment charge

The amortisation charge of £936,000 *(2021: £1,121,000)* is recognised in profit or loss within depreciation and amortisation expenses. £225,000 *(2021: £338,000)* from discontinued operation, £711,000 *(2021: £783,000)* from continuing operation. An impairment charge of nil *(2021: £nil)* was recognised during the year.

11. INVESTMENTS - COMPANY

	Shares in Subsidiary undertakings £000	Total £000
Cost		
Balance at 31 March 2020	3,457	3,457
Acquisitions in the year	121	121
Balance at 31 March 2021	3,578	3,578
Transferred to assets held for sale	(2,592)	(2,592)
Balance at 31 March 2022	**986**	**986**

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

Subsidiary undertakings – wholly owned	Country of incorporation	Nature of business/status
Grafenia Operations Limited*	UK	Printing – trading
Works Manchester Limited*	UK	Sign Design, Manufacture and Installation – trading
Eggshell Solutions Limited*	UK	Printing and Design - dormant
Printing.com (UK Franchise) Limited*	UK	Partner contracts – dormant
Nettl UK Limited*	UK	Partner contracts – dormant
Grafenia Systems Limited*	UK	Licence agreements – dormant
Grafenia Technology Limited*	UK	Licence agreements – dormant
Creative Enterprise Support Limited*	UK	Enterprise Support – dormant
TemplateCloud Limited*	UK	Template Provision – dormant
W3P Limited*	UK	Software – dormant
Nettl of America LLC^	US	Franchising - trading
Grafenia France S.à.r.l.^	France	Partner contracts – trading

*** - Owned directly by Grafenia PLC**

^ - Owned by indirectly through ownership of the company's 100% subsidiary Grafenia Operations Limited

The registered address for all UK businesses is Focal Point, Third Avenue, Trafford Park, Manchester M17 1FG.

On 19th May 2022, Grafenia plc announced that it had agreed to sell its wholly-owned subsidiary Works Manchester Limited with an investment carrying value of £2.6m. The transaction was subsequently completed on 31 May 2022.

12. INVENTORY

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Raw Materials	**493**	444	**-**	-
Total inventory	**493**	444	**-**	-
Total inventory relating to discontinued operation	**464**	413	**-**	-
Total inventory relating to continuing operation	**29**	31	**-**	-

13. TRADE AND OTHER RECEIVABLES

Other receivables due from subsidiary companies do not have fixed repayment terms.

At 31 March 2022 trade receivables are shown net of an impairment allowance of £1,089,000 *(2021: £1,090,000)*.

Trade and other receivables denominated in currencies other than sterling comprise £114,000 *(2021: £136,000)* of trade receivables.

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Trade receivables	**3,290**	2,408	**-**	-
Less provision for trade receivables	**(1,089)**	(1,090)	**-**	-
Trade receivables net	**2,201**	1,318	**-**	-
Other receivables due from subsidiary companies	**-**	-	**11,575**	10,688
Less provision for subsidiary companies	**-**	-	**(3,244)**	(3,243)
Total financial assets other than cash and cash equivalents classified at amortised cost	**2,201**	1,318	**8,331**	7,445
Corporation tax	**167**	163	**-**	-
Other receivables	**70**	64	**-**	-
Total Other receivables	**237**	227	**-**	-
Total trade and other receivables	**2,438**	1,545	**8,331**	7,445
Total relating to discontinued operation	**1,157**	545	**-**	-
Total relating to continuing operation	**1,281**	1,000	**-**	-

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

	Under 6 months £000	Over 6 months £000	Total £000
Gross carrying amount	1,615	1,675	3,290
Loss provision	(83)	(1,006)	(1,089)
Net carrying amount	**1,532**	**669**	**2,201**

Trade and other receivables represent financial assets and are considered for impairment on an expected credit loss model. The Group continues to trade with the same customers and in the same marketplace and therefore the future expected credit losses have been considered in line with the past performance of the customers in the recovery of their receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on factors affecting the Group's customers including the area of operations of those debtors and the market for the Group's products. The assessment of the expected credit risk for the year has not increased, when looking at the factors affecting the risk noted above. There are no trade receivables outside of credit terms without an impairment provision.

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the impairment allowance for trade receivables are as follows:

Impairment

Group	**As at 31 March 2022 £000**	As at 31 March 2021 £000
Balance at 1 April	**1,090**	1,000
Receivable written off during the year as uncollectible	**(44)**	(70)
Increase in impairment allowance	**43**	160
Balance at 31 March	**1,089**	1,090

Of the total impairment provision £36,000 *(2021: £79,000)* relates to Partners that have ceased trading.

There is no material difference between the net book value and the fair values of trade and other receivables due to their short-term nature.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Of the net trade receivables £512,000 *(2021: £209,000)* was pledged as security for the invoice discounting facility. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

Company

The Company did not have trade receivables at the year end. The intercompany receivables have been considered for impairment on an expected credit loss model and this has resulted in no additional provision in the year *(2021: nil).*

14. CASH AND CASH EQUIVALENTS

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Cash and cash equivalents	**1,591**	2,740	**984**	2,266
Total relating to discontinued operation	**129**	26	**-**	-
Total relating to continuing operation	**1,462**	2,714	**-**	-

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash in transit and other short term highly liquid investments. All cash is held in Sterling other than Euro of £71,000 *(2021: £117,000)* and USD of £26,000 *(2021: £30,000).*

15. TRADE AND OTHER PAYABLES

Current Liabilities	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade payables	**1,445**	689	**5**	1
Accruals	**373**	358	**78**	83
Other liabilities	**529**	752	**-**	-
Total financial liabilities, excluding borrowings classified as financial liabilities measured at amortised cost	**2,347**	1,799	**83**	84
Total relating to discontinued operation	**835**	448	**-**	-
Total relating to continuing operation	**1,512**	1,351	**-**	-
Deferred income	**77**	60	**-**	-
Total relating to discontinued operation	**-**	-	**-**	-
Total relating to continuing operation	**77**	60	**-**	-
Total trade and other payables	**2,424**	1,859	**83**	84

Trade payables denominated in currencies other than Sterling comprise £72,000 *(2021: £43,000)* denominated in Euro.

There is no material difference between the net book value and the fair values of current trade and other payables due to their short-term nature.

16. BORROWINGS

For more information on the Group and Company's exposure to interest rate, foreign currency risk and lease liabilities, see note 21.

Current Liabilities	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Invoice Financing	**512**	209	**-**	-
Lease liabilities	**683**	602	**-**	-
Loans	**172**	120	**172**	120
	1,367	931	**172**	120
Total relating to discontinued operation	**1,059**	664	**-**	-
Total relating to continuing operation	**308**	267	**-**	-
Non-Current Liabilities				
Lease liabilities	**2,517**	3,185	**-**	-
Loans	**683**	854	**683**	854
Bearer Bonds	**2,270**	2,110	**2,270**	2,110
	5,470	6,149	**2,953**	2,964
Total relating to discontinued operation	**1,628**	(2,650)	**-**	-
Total relating to continuing operation	**3,842**	(3,499)	**-**	-

The invoice discounting arrangement is secured upon the trade debtors to which the arrangement relates see note 13.

In July 2020 the Company issued bonds with a nominal value of £3,000,000, raising a net £2,010,000. The bonds are interest-free for three years and thereafter pay 6% of the nominal value, annually in arrears, until the company exercises its call option. The bond has initially been measured at fair value, which is considered to be the transaction price. Subsequently the liability is measured at amortised cost based on the expected cash flows over the expected life of the instrument.

In August 2020 an additional term loan for £1,000,000, repayable over six years, was secured through the Coronavirus Business Interruption Loan Scheme at an effective annual interest rate of 8.6%. At 31 March 2022 the liability was £855,000 *(2021: £974,000).*

17. LEASES

All leases where the Group is a lessee are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets;
- Leases with a term of 12 months or less.

IFRS 16 'Leases' was adopted on 1 April 2019 without restatement of comparative figures.

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RIGHT OF USE ASSETS	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Total £000
Balance at 1 April 2020	1,739	2,348	29	4,116
Additions to right of use assets	-	95	-	95
Depreciation	(260)	(122)	(23)	(405)
Balance at 31 March 2021	1,479	2,321	6	3,806
Depreciation	(213)	(134)	(6)	(353)
Transferred to assets relating to disposal group	(353)	(2,187)	-	(2,540)
Balance at 31 March 2022	**913**	**-**	**-**	**913**

LEASE LIABILITIES	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Total £000
Balance at 1 April 2020	1,802	2,274	32	4,108
Additions to lease liabilities	-	90	-	90
Interest expense	107	152	1	260
Lease payments	(340)	(304)	(27)	(671)
Balance at 31 March 2021	1,569	2,212	6	3,787
Interest expense	92	136	-	228
Lease payments	(340)	(469)	(6)	(815)
Transferred to liabilities relating to disposal group (note 22)	(319)	(1,856)	-	(2,175)
Balance at 31 March 2022	**1,002**	**23**	**-**	**1,025**

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022				2021			
	Land and buildings £000	**Plant and equipment £000**	**Motor Vehicles £000**	**Total £000**	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Total £000
Continuing Operation								
Depreciation charge on right of use assets	**122**	**3**	**6**	**131**	123	3	23	149
Interest on lease liabilities	**67**	**-**	**-**	**67**	73	-	1	74
Expenses related to low value and short-term leases	**18**	**-**	**-**	**18**	20	3	-	23
	207	**3**	**6**	**216**	216	6	24	246
Discontinued Operation								
Depreciation charge on right of use assets	**91**	**131**	**-**	**222**	137	119	-	256
Interest on lease liabilities	**25**	**136**	**-**	**161**	34	152	-	186
Expenses related to low value and short-term leases	**-**	**-**	**-**	**-**	-	-	-	-
	116	**267**	**-**	**383**	171	271	-	442

LEASE LIABILITIES - MATURITY ANALYSIS OF CONTRACTUAL UNDISCOUNTED CASH FLOWS

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
31 March 2022	**3,200**	**3,740**	**439**	**426**	**812**	**1,623**	**440**
Total relating to discontinued operation	**2,175**	**2,462**	**352**	**340**	**639**	**1,131**	**-**
Total relating to continuing operation	**1,025**	**1,278**	**87**	**86**	**173**	**492**	**440**
31 March 2021	3,787	4,643	390	441	865	2,216	731
Total relating to discontinued operation	2,650	3,098	291	344	692	1,771	-
Total relating to continuing operation	1,137	1,545	99	97	173	445	731

18. EMPLOYEE BENEFITS

Share-based Save as You Earn (SAYE) Scheme

The Company launched a SAYE Scheme commencing 1 March 2017. The Scheme offered all employees the opportunity to participate in the future growth of the Company through the granting of share options.

The scheme required employees to remain in employment of the business and commit to making a monthly payment of between £5 and £500 for 36 months. These instalments were paid into a savings account, operated by Royal Bank of Scotland plc, held independently from the Company.

Employees were invited to subscribe for options over ordinary shares of 1 penny each in the Company ("Ordinary Shares").

All options issued under the scheme have now lapsed, with none exercised in the latest financial year. The total number of shares under option at the year end was nil *(2021: 450,776)*.

19. SHARE CAPITAL

SHARE CAPITAL – GROUP AND COMPANY

In thousands of shares	**Ordinary shares 2022**	Ordinary shares 2021
In issue at 1 April	**114,491**	113,525
Issued by the Company	**-**	966
Shares on the market at 31 March – fully paid	**114,491**	114,491

Allotted, called up and fully paid	**£000**	£000
114,490,828 *(2021: 114,490,828)* ordinary shares of £0.01 each	**1,145**	1,145
63 deferred shares of £0.10 each	**-**	-
	1,145	1,145

On 3 September 2020 the company announced the exercise of 46,450 options over ordinary shares of £0.01 each at an issue price of £0.0775. The difference between the issue price and the nominal value being taken into the share premium account.

On 14 December 2020 the company announced that employees who had elected to forgo a proportion of their remuneration in favour of the equivalent value in shares, based on a purchase price of £0.0775 each, were issued 919,032 ordinary shares of £0.01.

Dividends

During the year and prior year no dividends were proposed or paid. After the balance sheet date, the Board proposed no final dividend would be made (2021: £nil).

20. SHARE PREMIUM AND OTHER RESERVES

The share premium represents the amounts subscribed for share capital in excess of the nominal value of shares.

	Group and company	
	2022 £000	2021 £000
At 1 April	**7,866**	7,801
Premium on shares issued by the Company in the year	**-**	65
At 31 March	**7,866**	7,866

The Merger reserve arose when the Company undertook a share for share exchange with the companies listed in Note 11.

The share based payment reserve represents the recognised cost of past SAYE schemes that have not been converted into share capital.

The translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

21. FINANCIAL INSTRUMENTS

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 lease liabilities.

The Group's policy during the financial year ended 31 March 2022 and 31 March 2021 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 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 Partners 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 in most instances total debts do not increase while continuing to serve the customer base. Repayment plans have been entered into separately for certain PAYG debtors and make up £242,000 *(2021: £304,000)* of total gross debtors. The Group retains the right to charge interest on overdue balances and re-call debts ahead of the payment plans agreed.

Interest rate risk

The Group and the Company do not have a material exposure to interest rates as most borrowings are at fixed 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 2022

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	**2,347**	**2,347**	**2,347**	**-**	**-**	**-**	**-**
Lease liabilities	**3,200**	**3,740**	**439**	**426**	**812**	**1,623**	**440**
Bearer Bonds*	**2,270**	**5,880**	**-**	**-**	**-**	**540**	**5,340**
Loans	**855**	**1,020**	**118**	**118**	**235**	**549**	**-**
Invoice financing	**512**	**512**	**512**	**-**	**-**	**-**	**-**
	9,184	**13,499**	**3,416**	**544**	**1,047**	**2,712**	**5,780**
Balance relating to discontinued operation	**3,522**	**3,809**	**1,699**	**340**	**639**	**1,131**	**-**
Balance relating to continuing operation	**5,662**	**9,690**	**1,717**	**204**	**408**	**1,581**	**5,780**

31 March 2021

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables	1,799	1,799	1,799	-	-	-	-
Lease liabilities	3,787	4,643	390	441	865	2,216	731
Bearer Bonds*	2,110	5,880	-	-	-	360	5,520
Loans	974	1,216	79	118	235	706	78
Invoice financing	209	209	209	-	-	-	-
	8,879	13,747	2,477	559	1,100	3,282	6,329
Balance relating to discontinued operations	3,982	4,229	1,604	344	692	1,589	-
Balance relating to ontinuing operations	4,897	9,518	873	215	408	1,693	6,329

*Based on the expected cash flows used to calculate the effective interest rate for amortised cost

All trade receivables are contractually due within 6 months.

21. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management

The Group's capital management objective is to ensure the Group's ability to continue as a going concern so that it can in future provide returns for shareholders and benefits for other stakeholders.

To meet this objective, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group. The capital structure of the Group consists of shareholders' equity as set out in the Consolidated Statement of Changes in Equity. All working capital requirements are financed from existing cash resources and borrowings.

Foreign currency risk

Group

The Group transacts with 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 2022 Euro	**31 March 2022 GBP**	31 March 2021 Euro	31 March 2021 GBP
	£000	**£000**	£000	£000
Trade and other receivables	**117**	**2,321**	160	1,734
Cash and cash equivalents	**70**	**1,521**	117	2,623
Trade and other payables	**(72)**	**(2,275)**	(186)	(1,471)
	116	**1,567**	91	2,886

SENSITIVITY ANALYSIS

Where the Group operates in Europe both revenues and costs are in the local currency therefore the level of exchange risk is low. In the Eurozone the Group has a presence in France, Ireland and The Netherlands. In managing 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 2022, it is estimated that a general increase of 25% in the value of the Euro would increase the Group's profit before tax by approximately £6,000 *(2021: £6,000)* with an equal adjustment to equity. A general increase of 25% in the value of the US Dollar would increase the Group's profit before tax by approximately £4,000 *(2021: £1,000)* with an equal adjustment to equity.

LEASE LIABILITIES / 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 lease liabilities is determined by reference to similar lease agreements.

22. DISCONTINUED OPERATION

On 19 May 2022, the group announced the sale of its manufacturing operation based in Manchester. The manufacturing operation, referred to as 'Works Manchester' consists of the legal entity, Works Manchester Limited, along with the Manchester based production assets, related leases and staff contracts of Grafenia Operations Limited. Accordingly, these assets and liabilities have been designated as held for sale and separately disclosed in the statement of financial position and the financial impact of the discontinued operation is separately disclosed in the Statement of comprehensive income.

Following the disposal, Grafenia entered into a 5 year supply agreement with Works Manchester Limited to provide products to our Company stores and Partners. This change reduces the gross profit percentage of the group, but at the same time reduces staff costs and overheads. To accurately reflect the performance of continuing operations, the Statement of comprehensive income has been presented to show the results had the disposal and new supply agreement been in effect for both the current and the comparative financial years.

EFFECT ON GROUP STATEMENT OF FINANCIAL POSITION

	Initial recognition £000	Re-measurement to fair value £000	Held for disposal £000
Property plant and equipment	3,442	(457)	**2,985**
Intangible assets	1,728	(229)	**1,499**
Inventories	464	-	**464**
Trade and other receivables	1,157	-	**1,157**
Cash and cash equivalent	129	-	**129**
Asset relating to disposal group	6,920	(686)	**6,234**
Invoice finance	(512)	-	**(512)**
Lease liabilities	(2,175)	-	**(2,175)**
Trade and other payables	(835)	-	**(835)**
Deferred tax liabilities	(8)	-	**(8)**
Liabilities relating to disposal group	(3,530)	-	**(3,530)**
Net asset and liabilities of discontinued operations	3,390	(686)	**2,704**

Total discounted cash consideration will be received for this disposal is £2.7m (£3.165m gross consideration) which is greater than the carrying value of the discontinued operations recognised. The subsequent impairment of £686,000 has been separately disclosed under re-measurement to fair value on discontinued operations in the Consolidated statement of comprehensive income.

23. CHANGES IN LIABILITY ARISING FROM FINANCING ACTIVITIES

	Invoice finance £000	Lease liabilities £000	Loans £000
Balance at 1 April 2020	128	4,108	-
Cash flows			
Proceeds from new loans	-	-	3,010
Repayment of borrowings	-	-	(81)
Proceeds of invoice finance	81	-	-
Lease payments	-	(671)	-
Non cash changes			
New lease	-	90	-
Interest	-	260	155
Balance at 31 March 2021	209	3,787	3,084
Cash flows			
Repayment of borrowings	**-**	**-**	**(196)**
Proceeds of invoice finance	**303**	**-**	**-**
Lease payments	**-**	**(815)**	**-**
Non cash changes			
Interest	**-**	**228**	**237**
Balance at 31 March 2022	**512**	**3,200**	**3,125**

24. CAPITAL COMMITMENTS

The Group and Company have no commitments to incur capital expenditure at the year end *(2021: £nil).*

25. RELATED PARTIES

The Company provides cross company guarantees in respect of the invoice discounting for £0.51m *(2021: £0.21m)*. In the year ended 31 March 2022 no dividends were paid *(2021: nil).*

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

At the year end the Directors of the Company controlled 3.10 per cent of the voting shares of the Group.

The compensation of the Directors, who are the key management personnel, is disclosed in note 4 and within the Directors Remuneration Report on pages 41-42.

26. POST BALANCE SHEET EVENTS

On 19 May 2022, Grafenia plc announced that it had agreed to sell its wholly-owned subsidiary Works Manchester Limited, formerly Image Everything Limited, and certain business and assets of its wholly owned subsidiary Grafenia Operations Limited to Rymack Sign Solutions Limited, a privately owned company trading as PFI Group, for cash consideration of £3,165,000. Of this consideration, £100,000 is payable over the first 3 months and then £766,250 on the first four anniversaries of the sale. The transaction was subsequently completed on 31 May 2022. The financial impact of this disposal is shown in the primary financial statements and is discussed further in note 22.

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
Richard A Lightfoot

Financial Adviser, Nominated Adviser and Broker
to the Company
Allenby Capital Limited
5 St. Helen's Place
LONDON
EC3A 6AB

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

Auditors
to the Company
RSM UK Audit LLP
3 Hardman Street
MANCHESTER
M3 3HF

Registrars and Receiving Agents
to the Company
Link Asset Services
10th Floor, Central Square
29 Wellington Street
LEEDS
LS1 4DL

Bankers
to the Group
Virgin Money
48-50 Market Street
MANCHESTER
M1 1PW

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

08/22