ANNUAL REPORT & ACCOUNTS

2023

GRAFENIA plc

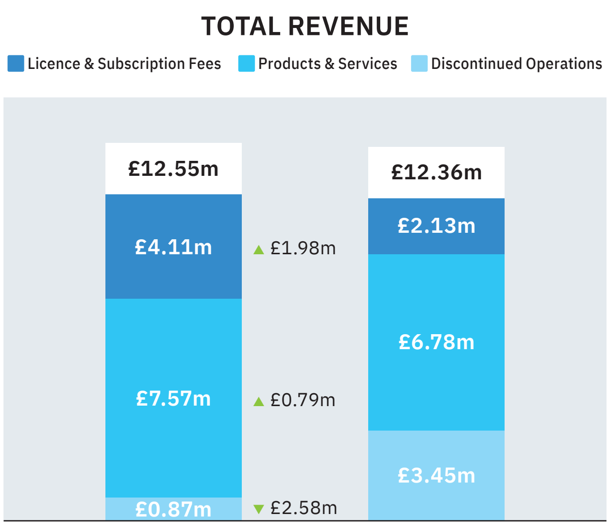
Contents

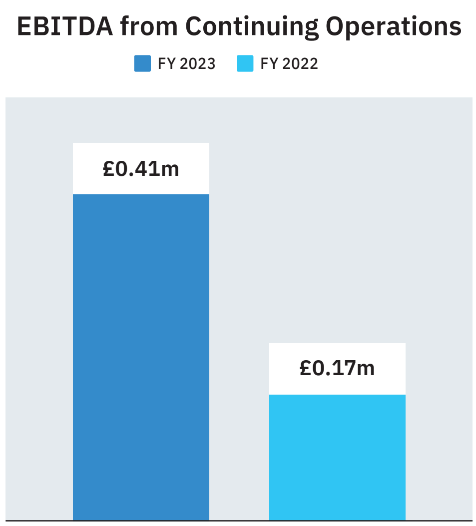
In summary

Grafenia is a serial acquirer of vertical market software (VMS) businesses. We help founders find the right exit strategy, without fuss. Continuing operations in an independent, decentralised way. Providing a permanent home for their teams, management talent and culture.

Grafenia has made four acquisitions in the financial year and is currently seeking software businesses to add to the Group.

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.





	FY 2023	FY 2022
EBITDA	£0.46m	£0.33m
EBITDA %	4%	3%
Net Debt*	(£16.72m)	(£5.25m)
EPS	(£1.41)p	(£1.60)p

* including debt of discontinued operation in the prior year

Grafenia has made four acquisitions in the financial year

Chairman's Statement

I started last year's Chairman's Statement by saying: "Going forward, we will double down on the software & systems part of our business."

And double down we did!

Today, a total of five software businesses are part of the Group. Importantly, our executive team built this from our nucleus: the Nettl Systems business. As explained last year, the heritage of our firm is to use software and systems to help clients. That DNA has provided the right base to welcome several VMS companies into the Grafenia family over the course of the last fiscal year.

But first things first: here is our scorecard of the 2022/23 financial year:

Operational Performance

In the last financial year, our turnover increased by 1.5% to **£12.55m** *(2022: £12.36m)*. Of this, £11.68m *(2022: £8.92m)* related to continuing operations with £2.15m coming from our new acquisitions. Overall gross profit decreased by 4.6% to **£6.39m** *(2022: £6.70m)* following the sale of Works Manchester and the resulting reduction in product sales margin. On continuing operations, gross profit increased 62.4% to **£5.75m** *(2022: £3.54m)*, an improved margin of **49.2%** *(2022: 39.7%)* from the addition of high margin software licence fees from the acquired companies.

The year showed EBITDA, which is earnings before interest, tax, depreciation and amortisation, of **£0.46m** *(2022: £0.33m)*. Our total comprehensive loss for the year reduced to **£1.61m** versus £1.84m last year.

We finished the fiscal year with cash of **£1.99m** *(2022: £1.59m of which £0.13m related to discontinued operations)* and net debt of **£16.72m** *(2022: net debt £5.25m)*. We invested **£8.37m**, net of cash, on the acquisition of software companies, and capitalised **£0.39m** in development expenditure *(2022: £0.55m)*.

Our nucleus: the Nettl Systems business

These figures are still very much influenced by the transition that the business has been undergoing. In the CEO's report, we are going to provide some additional colour on the underlying revenues and profits of the Group. I fully expect next year's Operational Performance section in the Chairman's Statement to reflect the company operating as a simpler and tidy software group.

People at Grafenia

During the last financial year under review, we welcomed the teams of Vertical Plus, Watermark Technologies, Care Management Systems and Topfloor Systems to our Group. 71 new team members joined us.

Sometimes you have to get smaller to grow bigger. At the beginning of the financial year, our team drastically reduced after the sale of our former manufacturing business. That has allowed us to focus and subsequently, scale again.

Many people deserve praise for this execution. In general, transformations are never easy. Transformations in public companies - where each step needs to be communicated and receives public scrutiny - can be particularly tough.

On behalf of my other non-executive Board members and all shareholders, I would like to express my sincere appreciation for the hard work that our executive team has put into this transformation.

We can be proud of the reliability and efficiency of our FD, Iain and our Company Secretary, Richard. Large parts of the heavy lifting in the transformation have been their workstreams. Both executed this very well.

Roman, our M&A director, has excelled at finding and analysing potential software businesses to join our Group. The speed of acquisition while not compromising on business and team quality has been a true success story. Thank you, Roman.

On 3 May, we named Gavin as CEO after a thorough evaluation process of the Board. We are really proud of the work Gavin has done reshaping the organisation through the last year. We are keen to see him lead the Group during the scale up over the coming years!

Nettl Systems - The operating platform for the graphics sector

Outlook and Current Priorities

In the next few years, our priorities will be all about scaling our acquisition and management processes to become the best owner for the right software companies, their founders, teams and customers. The current focus is the UK and Ireland.

As announced in our Pre-Close Statement on 3 May, we are currently exploring funding options to support our growth strategy, both in terms of new acquisitions and funding existing obligations. We will update the market in due course on what course of action we propose to that end.

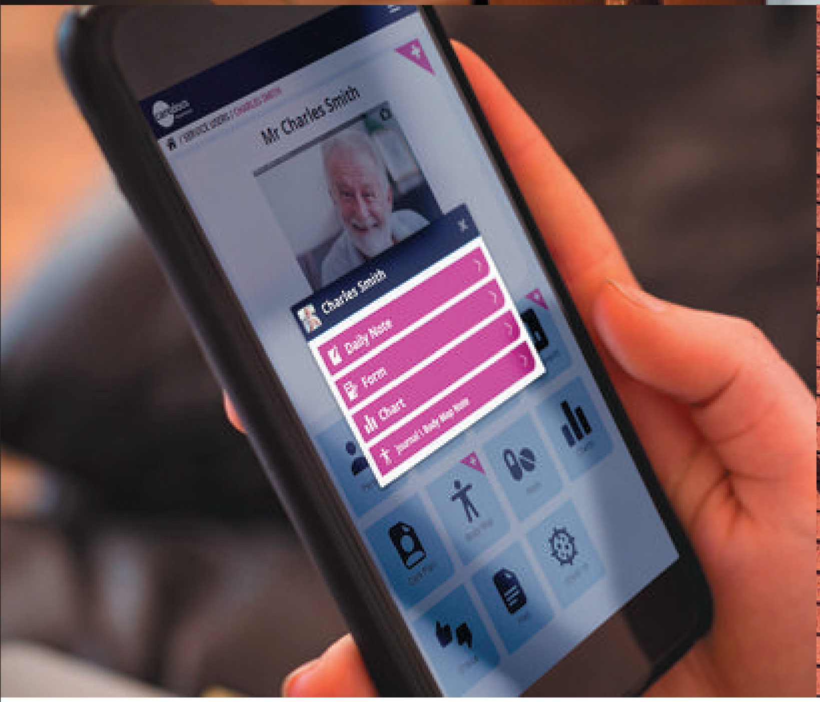
In past Chairman's Statements I repeatedly said: "The success of my tenure should be measured by whether we figure out a way to make better use of our public listing."

More than ever, I want to be held accountable to that statement and to the ambition to use our public listing in a more sensible manner. Very clearly, I haven't been successful yet but feel more positive than ever that our strategy of acquiring software companies is the best route forward to sustainable value creation. Several successful public peers in VMS come to mind. If Grafenia only achieves a small share of their success, shareholders will be greatly rewarded.

We have the right team, the right operating model and, hopefully soon, the right funding strategy in place to win. I want to thank all of our shareholders for their patience and support over the years and our transformative last financial year in particular.

Our AGM will take place in September 2023. I hope to see you there and to get the opportunity to discuss our strategy in more detail!

Jan-Hendrik Mohr
Chairman
25 July 2023



CareDocs, a care management and planning platform

STRATEGIC REPORT

Chief Executive's Statement

Dear Shareholders,

It has been a year of progress for the Company. Previously, we reported on the efforts and energy that had gone into preparing the business for its transition. In order to grow the size of our Group. To become a serial acquirer of VMS businesses.

As we've executed our plans, although it is early days, we've started to see those efforts bear fruit. It's important to say at the outset that our newly expanded portfolio of companies not only represents a change in our operational approach, but also fundamentally alters the way we understand our identity, communicate our progress, and report our performance.

First of all, as always, we'd like to sincerely thank our teams for their hard work and dedication throughout our evolution. We've welcomed a great number of new people into the Group this year. We recognise and appreciate the efforts of each and every partner and team member across all of our operating companies.

We've grown again this year, ending the full year with sales from continuing operations of **£11.7m** *(2022: £8.9m)*. An addition of **£2.8m**.

£0.6m *(7%)* came from organic growth of our Nettl Systems business unit and **£2.2m** *(25%)* from the addition of four newly acquired business units.

Historically, Grafenia has been known predominantly within the graphics sector. As the market changed, we changed with it. Over the years, moving from a franchise model with printing.com to a software and brand licensing model with Nettl Systems. In both cases, the 'secret sauce' was always the software. We've built software our entire life. It runs our business and we licence it around the world.

Given the Company's background in software, in 2021, we announced a change in our acquisition plans. To focus on and invest in building the structure required to become a serial acquirer of VMS businesses.

The first step in the transformation was the sale of our production facility Works Manchester. That moved our business away from asset-heavy manufacturing, enabling us to focus on software and systems.

This did not change the Nettl Systems offering to our partners. Works Manchester became the largest Works Maker, supplying printed product via our platforms. What it meant was, our Nettl Systems business became a software operation, with a significantly reduced cost base. But as a group, we became smaller as a result of the divestment, with the same central costs. Growing the size of the Group, faster, became the priority.

The next step in the transformation was to ramp up our acquisition activity with the aim of achieving that growth. We now have a well developed deal process and acquisition 'flywheel' which has resulted in four new acquisitions during the previous financial year and a healthy pipeline of deal flow. This will be the continuing focus of the Group moving forward with the aim of driving long-term shareholder value.

To date we've funded the initial consideration of the acquisitions through the issue of bonds. During the year we issued **£11.2m** of bonds, at nominal value, raising **£9.5m** before expenses. We deployed **£9.6m** of capital, including **£0.3m** of deal costs.

Bond Utilisation

	Initial Consideration	Deferred Consideration	Bond 1 (Cash)	Bond 2 (Cash)	Bond 3 (Cash)	Total (Cash)
	-	-	£4.25m	£2.72m	£2.55m	£9.52m
Vertical Plus	£1.25m	£1.00m	£1.25m	-	-	
Watermark	£1.50m	£1.00m	£1.50m	-	-	
CareDocs	£2.98m	£0.52m	-	£2.98m	-	
Topfloor	£3.42m*	£0.85m*	-	-	£3.42m*	
Total Consideration	£9.15m	£3.37m				£12.52m
Capital Deployed			£2.75m	£2.98m	£3.42m	£9.15m
Difference			£1.5m	-£0.26m	-£0.87m	£0.37m

*EUR to GBP conversion as at 17/02/23 = 0.89

OUR METHOD

Software Circle is the name we give our specialist M&A team. Led by M&A Director, Roman Rothenberg, we're continually reaching out to and evaluating VMS business targets, as owners look to retire, succession plan or be part of something bigger. We find potential acquisitions through our outreach program, engaging with niche, business-to-business, and mission-critical platforms.

We look for businesses where the majority of revenues are recurring in nature and logo churn is low. The sustainability of our strategy is underpinned by the recurring revenue model. This approach allows for a more reliable revenue stream, promoting long-term stability.

Take a look at **www.grafenia.com/acquisition** to see the full detail. The businesses we have acquired – and our current targets – have been stable or shown growth over the past three years.

We've invested in building our acquisition 'flywheel'. A structured approach to drive leads and identify potential acquisition targets.

To help us find and prioritise the right kind of deals, we have a framework, a set of what we call 'Guard Rails'. For example:

- Target is UK/IE based
- Has a clearly defined niche market
- Majority of revenues are recurring in nature, a minimum of £500k per annum
- Valuation Multiple within range (adj EBITDA)
- Logo Churn < 10%
- Customer Concentration as % of Recurring Revenue is low
- Number of Customers > 30

Once acquired, each business is run in a decentralised way by its own senior management team, supported by the Grafenia Board. Including Nettl Systems, where Chris Lowe has been promoted to become managing director, having led our Licensed Partner teams for over six years.

When operating our business units, we actively avoid any centralisation where possible. Keeping the entrepreneurial spirit and culture that exists in the businesses we acquire. Avoiding the inherent risks associated with integration.

Our aim is to become the permanent home for those businesses and their management talent. Depending on the reason for the sale, sometimes the owners remain. Sometimes the owners leave as part of the deal but have an existing management team in place. Other times, we'll hire a managing director to replace the owners during a transition period.

Once there is mutual conviction that a target is right, we value a business based on a multiple of its adjusted earnings. Our experience from the first four deals we've completed suggests we are able to acquire VMS businesses within our targeted adjusted EBITDA range.

Watermark, a document management platform optimised for independent financial advisors

Our progress so far

Over the last 12 months, we set out to prove three things. That we can find and buy businesses that meet our criteria within the valuation metrics that we set. That we can complete those deals quickly and efficiently. And of course, that we can successfully operate those businesses.

A year on, we've made four acquisitions and Grafenia is now home to five software business units (including Nettl Systems) that match our criteria, across multiple sectors. The Group looks a little different today. We no longer own the production facility Works Manchester and Grafenia no longer exists solely in the graphics space. Our portfolio of businesses now operate primarily within the following sectors: Graphics and Ecommerce, Finance, Property and Care Management. Further information on the acquisitions made during the year can be found in note 23.

Vertical Plus Limited (Vertical Plus)

In October 2022, we acquired Vertical Plus, an E-commerce storefront and Inventory management platform operating in the UK, for a consideration of £2.25m plus an earnout of up to £0.63m. Recurring revenues are generated through licence fees to access the software and royalties from sales generated via the platform.

Two owner managers left the business, one remaining for a transition period as a consultant and sales director, Justin Smith, formerly also an owner, was promoted to managing director upon completion.

Watermark Technologies Limited (Watermark)

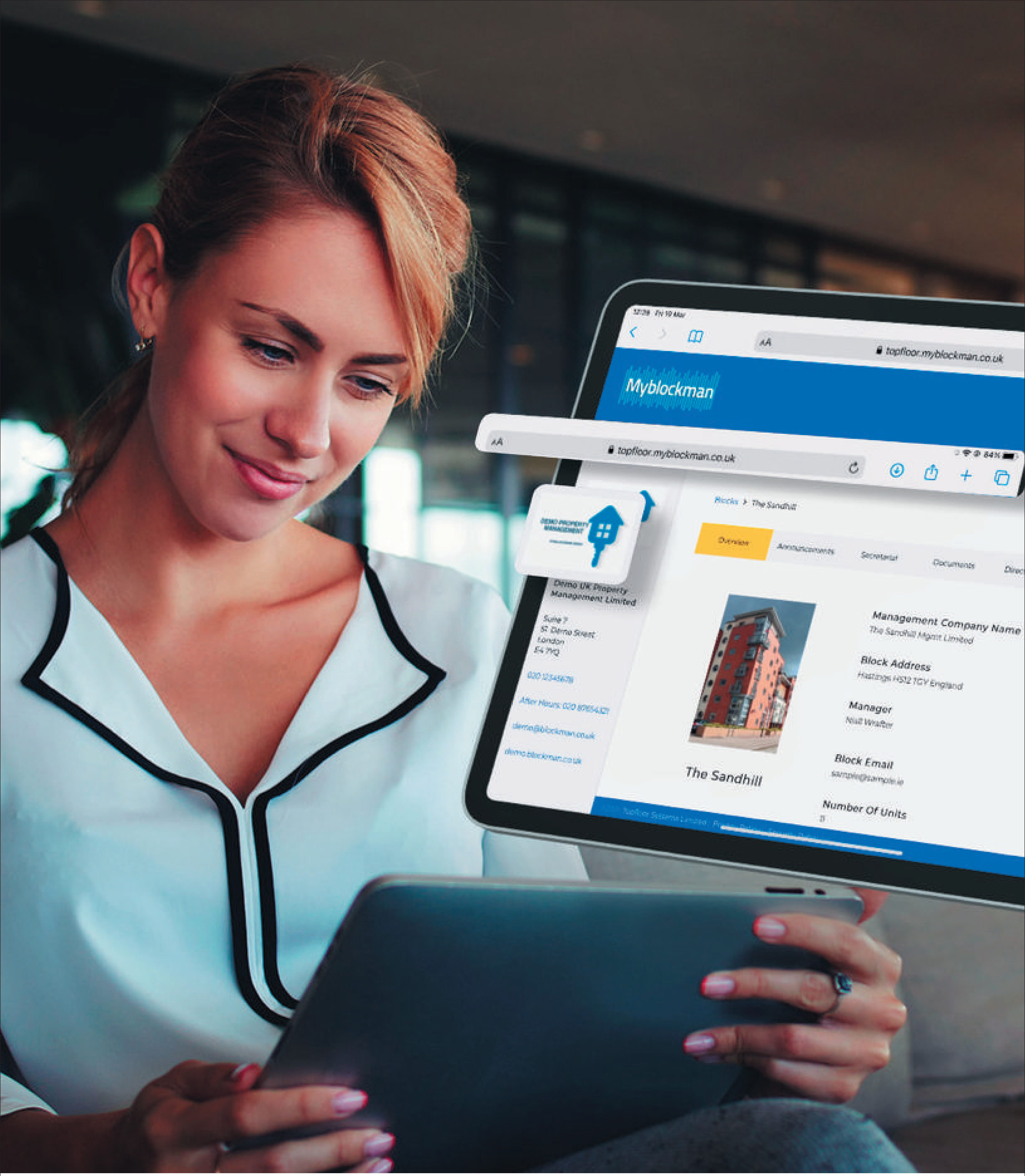
In December 2022, we acquired Watermark, a document management platform optimised for independent financial advisors and other financial services operating in the UK, for a consideration of £2.5m. Watermark provide services through both its office-based 'Volume' system and its cloud-based 'Papercloud' platform. Recurring revenues are generated through licence fees to access the software.

Two founder managers left the business, both remaining for a transition period as consultants. James Hughes, involved during the acquisition process, moved from our Software Circle team to become managing director and drive the business forward.

Care Management Systems Limited (CareDocs)

In January 2023, we acquired Care Management Systems t/a CareDocs, a care home management platform operating in the UK, for a consideration of £3.5m. Recurring revenues are generated through licence fees to access the software on each device required.

Two founder managers left the business, one remaining for a transition period as a consultant. A management team was already in place, Alan Pocock (General Manager), Sarah Conn (Sales Director) and James Leyland (Customer Engagement and Marketing Director). All remain post completion.



Topfloor's Myblockman portal for lessees & unit owners

Topfloor Systems Limited (Topfloor)

In February 2023, we acquired Topfloor, a property management platform operating in the UK and Ireland, for a consideration of €4.8m plus an earnout of up to €1.4m. Topfloor provide software services for property management through its 'Blockman' and 'Letman' platforms. Blockman – a web based application for apartment blocks and estate managing agents and Letman – a web based application for lease administration and client rent accounting of residential property units. Recurring revenues are generated through licence fees to access the software.

One of three founder managers left upon completion. Two remain, the CEO Niall Wrafter and CTO Cathal Browne.

Historic Performance - Sales in last 3 financial years* (unaudited):

*Respective financial year for each business

**EUR to GBP conversion as at 17/02/23 = 0.89

Financial year	2020	2021	2022
Total Sales**	£6.2m	£7.1m	£7.1m
Vertical Plus	£1.8m	£2.4m	£2.0m
Watermark	£1.2m	£1.2m	£1.2m
CareDocs	£2.1m	£2.3m	£2.5m
Topfloor	€1.2m	€1.4m	€1.6m

We have successfully onboarded our newly acquired businesses and they are contributing to profitability.

Our five operating businesses generated a positive EBITDA of **£0.8m** after Group central costs of **£0.9m**. Central costs include our Executive and Non-Executive teams, Software Circle and other central salaries, audit fees, other advisor fees, bond fees and AGM costs.

After deducting the associated non-recurring deal costs of £0.3m involved in the acquisitions, the EBITDA for the year was **£0.5m** *(2022 £0.3m).*

The four acquisitions have a combined annualised turnover of over ~£7.0m. **£2.2m** of total sales in the financial year were generated by these acquisitions, having been acquired during the latter stages of the financial year.

We plan to drive organic growth across the Group by benchmarking key performance metrics, providing focus, structure and know-how around operational best practice. Ultimately, we acquire these businesses for what they can do for the Company i.e. bring recurring revenues and profit.

Nettl Systems

Our Nettl Systems business today, is what you may have known the Grafenia Group to be this time last year. Licencing software and brands to graphic professionals. Nettl Systems licences printing.com and Nettl directly in the UK and Ireland. Also licencing Nettl in Belgium, France, the Netherlands and in the USA. In Australia and New Zealand, we master licence to our partner.

Operating Nettl company stores and online print stores also remains part of the Nettl Systems business. Collectively contributing **£4.5m** of total sales *(2022: £4.3m).*

Overall, Nettl Systems generated **£9.5m** of sales *(2022: £8.9m).* A 7% year-on-year increase. That's a welcome result, but it was coming off a year still impacted by the COVID pandemic. We expect Nettl Systems to grow organically, as we continually develop the platform to future-proof our partners and increase the product range to help them say yes to clients, more often. But that growth may be more modest, and may not significantly 'move the needle' in terms of Group size. Our focus at Group level, is therefore on scaling by way of acquisition.

Operating Business Unit Sales:

Below you'll see a breakdown of the sales contribution of our five operating business units for the period since acquisition.

Business Unit	Sector	Revenue Category	Date Acquired	Initial Consideration	Deferred Consideration	Group Sales 2023
Nettl Systems	Graphics & Ecommerce	Graphics & Ecommerce	n/a	n/a	n/a	£9.53m
Vertical Plus	Ecommerce	Graphics & Ecommerce	01/10/22	£1.25m	£1.00m	£1.01m
Watermark	Document Management	Professional Services	07/12/22	£1.50m	£1.00m	£0.42m
CareDocs	Care Home Management	Health & Care	18/01/23	£2.98m	£0.52m	£0.55m
Topfloor	Property Management	Property	17/02/23	£3.42m	£0.85m	£0.17m
			Total	**£9.15m**	**£3.37m**	**£11.68m**

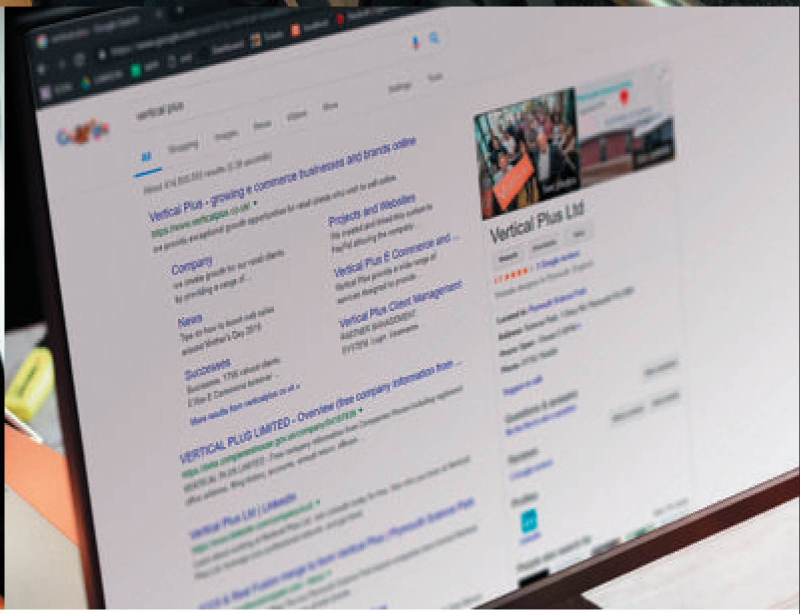
Current trading and outlook

Our new financial year started in April. We're currently trading in line with our internal forecasts and newly acquired business units are performing as expected. With the acquisitions we've added to the Group, on a run-rate basis, annualised sales would be approximately **£17m**. We're therefore cautiously optimistic about the upcoming year. With a full year's trade from our newly acquired businesses, our goal of achieving EBITDA at 10-15% of sales, after central costs, remains a realistic target.

As we further reposition our business, the search for VMS businesses continues and our deal flow looks healthy. As previously announced, we are looking to raise additional funds to continue the execution of our acquisition strategy, both in terms of new acquisitions and funding existing obligations, and the growth of the Group.

Thank you for your continued support. I hope to see you in person at our AGM.

Gavin Cockerill
Chief Executive
25 July 2023



Vertical Plus, an ecommerce storefront and inventory management platform

STRATEGIC REPORT

Financial Review

Revenue

Group revenue for the year was £12.55m, *(2022: £12.36m)*, an increase of 1.5% year-on-year. That change is best visualised in the following table:

Business Unit	Group Sales 2023	Group Sales 2022
Graphics & Ecommerce	£10.54m	£8.92m
Professional services	£0.42m	n/a
Healthcare	£0.55m	n/a
Property	£0.17m	n/a
Discontinued Operations	£0.87m	£3.44m
	£12.55m	**£12.36m**

Our Graphics and Ecommerce division contains the pre-existing Nettl Systems business plus the newly acquired business of Vertical Plus. Like-for-like Nettl Systems revenue grew to **£9.53m** *(2022: £8.92m)*, a 7% increase as product volumes continued to recover from the pandemic impacted years and inflationary price increases were applied. The addition of Vertical Plus added an additional **£1.01m** of revenue in the second half of the year.

Additional divisions have been created for the three other acquisitions, further contributing a combined **£1.14m** of predominately recurring revenue. As a result, licence and subscription revenue generated by the Group rose to **£4.10m** *(2022: 2.14m)*.

Gross profit

Gross profit of the Group decreased to **£6.39m** *(2022: £6.70m)*. The fall results from the sale of the discontinued operation, Works Manchester, on 31 May 2022 with gross profit from discontinued operations reducing to **£0.64m** *(2022: £3.16m)*. When we sold Works Manchester we entered into a 5 year supply agreement to provide products to our Company stores and Partners. This change in how we operate reduces the gross profit percentage of the Group, but at the same time reduces staff costs and overheads.

Gross profit from continuing operations was **£5.75m** *(2022: £3.54m)* and a gross margin percentage increase of **49.2%** *(2022: 39.7%)* reflects the increase in recurring licence fee based revenue. For the newly acquired businesses, the directly related costs of providing the service tend to be a low percentage of revenue, mainly consisting of the server costs required to run the different platforms. Like-for-like, the gross margin within our Nettl Systems operations was **41.1%** *(2022: 39.7%)* reflecting the impact in the year of inflationary price rises made in both this and the prior financial year as production costs have continued to rise. Unfortunately, costs continue to rise and we continue to monitor our selling prices accordingly.

Other operating costs

Overall staff costs decreased by 8% to **£3.89m** *(2022: £4.24m)* whilst the average number of persons employed fell by 37% to **92** *(2022: 146)*. An element of this mis-match relates to wage inflation, but the primary driver is due to the change in the make-up of the staff base, with traditionally lower paid manufacturing roles leaving the Group on the sale of Works Manchester and higher paid software engineering roles coming in.

Other operating charges were **£1.96m** *(2022: £2.09m)* with significant overheads removed as a result of the sale of the primary production facility in Manchester. The acquisitions are comparatively light in overheads, we have however incurred acquisition related costs in the year, comprising legal and professional fees plus associated stamp duty. Across the four acquisitions these totalled **£0.35m** in the year under review.

Profitability

This has been impacted in the year following a writedown of **£0.81m** against consideration receivable following a missed instalment from Rymack Signs Solutions limited on 31 May 2023. This, combined with the factors discussed above, resulted in a pre-tax loss of **£2.62m** *(2022: £1.71m)* and a loss per share of **1.41p** *(2022: 1.60p)*. Our earnings before interest, tax, depreciation and amortisation (EBITDA) was **£0.46m** *(2022: £0.33m)*. Excluding Works Manchester, EBITDA was **£0.41m** *(2022: 0.17m)*. Within this, the newly acquired subsidiaries, excluding the related costs of acquisition, have contributed **£0.72m**. The Parent Company result for the year was a loss of **£2.21m** *(2022: loss £0.41m).*

Operating Cash Flow

The Group generated **£0.30m** of cash through operating activities *(2022: generated £0.13m)*. The sale of Works Manchester has impacted working capital in the year as more favourable terms with multiple suppliers could not be supported under one credit arrangement when Works Manchester became the primary supplier to Nettl Systems.

Investment activity

We continued our investment in the Group's software platforms, totalling **£0.39m** *(2022: £0.55m),* with continued enhancements and new features to the Group's SaaS platforms. The primary investment activity in the year has been that of new subsidiaries, with **£8.37m** deployed, net of cash acquired.

Financing activity

In order to finance the investment above, as well as the associated legal and professional fees and stamp duty, we have issued £11.20m nominal value of bonds, raising **£9.52m** before expenses. Interest payments on this facility do not commence until August 2024.

Loan repayments related to our CBILS facility totalled **£0.31m** *(2022: 0.20m)*. Monthly payments on this facility continue until April 2025.

We finished the financial year with cash of **£1.99m** *(2022: £1.59m of which £0.13m related to discontinued operations)*. Net debt rose to **£16.72m** *(2022: net debt of £5.25m)* on account of the additional bonds issued and future consideration payments for the acquired businesses.

KPIs

Management monitors a number of KPIs, which underpin the performance of the Group and its operating businesses. The financial KPIs are Revenue, Recurring Revenue from licence and subscriptions, EBITDA and overall profit or 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.

There are also a number of non-financial KPIs which management monitors, that ultimately drive the financial performance of our operating businesses. We use these KPIs when assessing the suitability of acquisition targets as well as benchmarking post acquisition performance. We track changes in monthly recurring revenues (MRR) in order to measure Logo Churn percentage - the rate at which a SaaS or subscription company is losing customers, on an ongoing basis. Although acquiring new customers is a core goal of any SaaS company, ensuring the retention of subscribing customers is just as important. We also measure a number of cost base categories as a percentage of Annual Recurring Revenues (ARR) to benchmark operational efficiencies.

Outlook

Whilst this year has been very different from the last, next year we expect more of the same. As the acquired businesses contribute a full financial year, we expect more recurring revenue growth and more growth in EBITDA. With the acquisitions we've added to the Group, on a run-rate basis annualised revenue would be approximately £17m. Our stated goal for a number of years has to reach 10%-15% EBITDA in the mid-term, we now believe this is a realistic target for the upcoming year. Our search for software businesses continues, our deal flow looks healthy and we are currently considering raising additional funds to continue the execution of our acquisition strategy, and the growth of the Group.

Principal Risks and Uncertainties

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

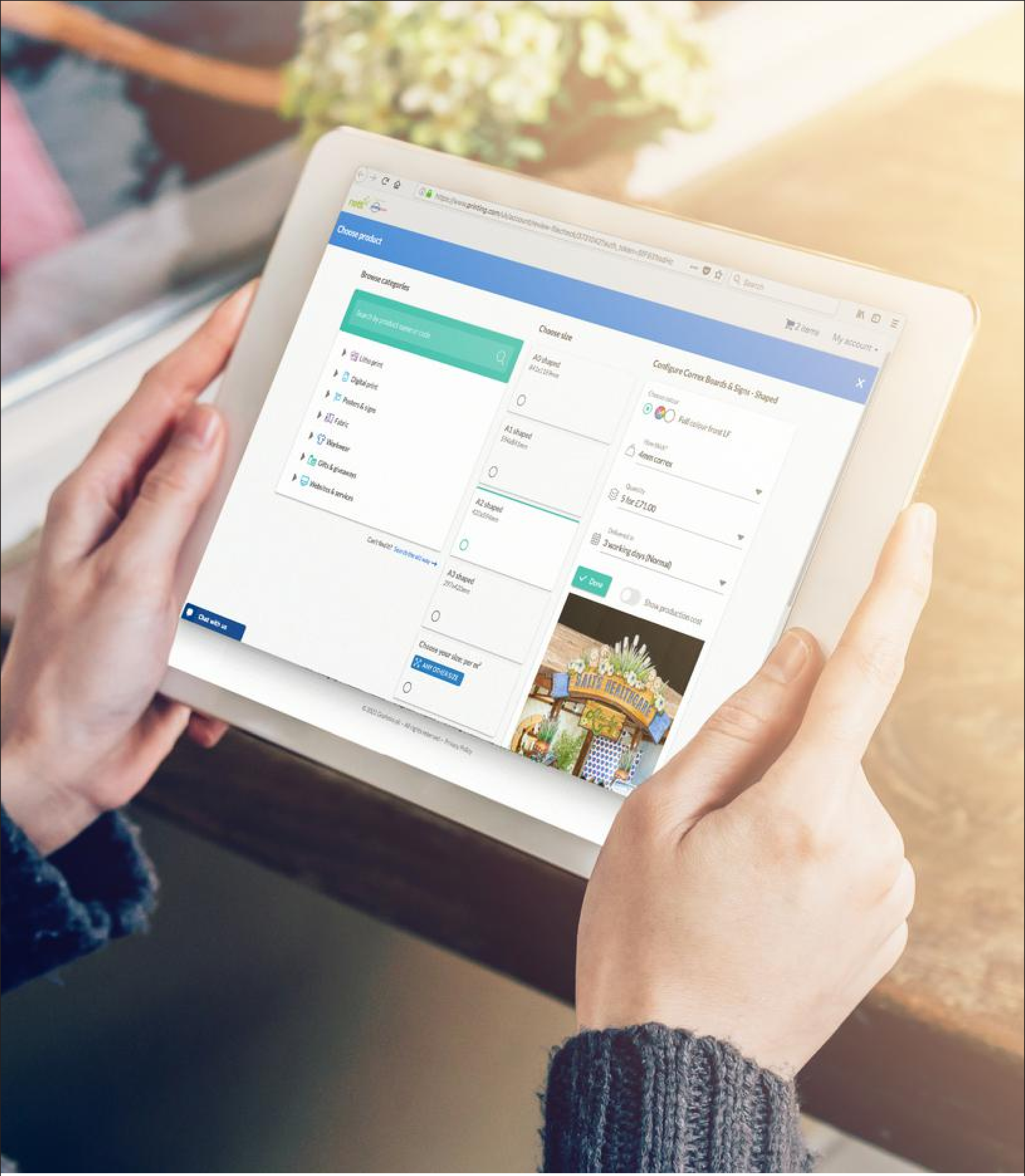
Risk	Potential Impact	Mitigation
Economic and political factors beyond the Group's direct control	A downturn in the macroeconomy may reduce consumer demand generally. Costs may be increased by changes to government policy, including tax changes or other legislation. Supply chains may be subject to disruption, or inflationary pressure. Changes in interest rates could impact the ability to raise required capital to fund the acquisition strategy.	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.
Competitive environment	Some of 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.

Risk	Potential Impact	Mitigation
Acquisition of a sub-optimal business	A poor performing acquisition would consume management time, focus and Group cash flows.	We operate a structured and rigorous due-diligence process when assessing potential acquisitions to ensure the target meets our acquisition criteria and establish the quality of its earnings. We also model alternative scenarios and build contingency plans for each.
Technological change	Advances in software and advances in artificial intelligence may impact on operational effectiveness and earnings potential.	We are constantly improving our platforms and adding new features to ensure we remain at the forefront of technological advancement.
Technological failure	The Group and its clients depend on the 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
25 July 2023



Nettl partners buy print, signs and branded merchandise via our platform

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. The strategic planning process involves gathering market and business information, scenario planning and the application of experience and knowledge of current affairs by members of the Board.

Key Board Decisions	Considerations
Acquisition of software businesses	All acquisition targets are assessed against a set of criteria to determine their suitability to join the Group. Those acquired during the year met the requirements of having stable customer bases with revenue of a recurring nature, are profitable and are cash generative.
Expansion of the Board	Adding an additional non-executive director to the Board who has a successful history investing in public holding companies and who specialises in 'value investing' brought additional expertise to support the Company's acquisition strategy moving forward.
Issue of additional bonds	For the first phase of acquisitions, issuing additional bonds was considered the most efficient option to finance the initial consideration payments required. Alternative methods of funding may have taken an extended timeline to access, been time consuming to obtain, expensive, unavailable or available in limited sums or, in the case of equity, too dilutive to existing shareholders given the Company's share price at the time.
Seek additional equity	To continue the acquisition strategy additional funding is required. Raising equity from new and existing shareholders would enable them to invest at an early stage in the journey, with the strategy validated following a successful first phase. The Group would raise the funds it requires without adding to the annual interest payment burden, increasing the amount of cash flows available for re-investment.

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
25 July 2023

Directors

Jan Mohr
Chairman

Jan is based in Hamburg, Germany and is Managing Director of the advisory firm JMX Capital GmbH and CEO of MEDIQON Group AG. 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's in Finance at Stockholm School of Economics as a German National Merit Scholar.

Jan was appointed to the Board in March 2016. Age 34.

Gavin Cockerill
Chief Executive Officer

After graduating from Birmingham City University in 2000 and following a short stint in advertising, Gavin helped launch and grow printing.com studios in the UK. Since joining the Group he has been involved in progressing the Nettl and printing.com software licencing business models and its numerous master licences globally. In 2012 he launched and developed the Group's online platforms.

Gavin was appointed Chief Operating Officer in October 2015. He has been a member of the Board since January 2018, was appointed Acting CEO in May 2022 and CEO in May 2023. Age 44.

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 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 36.

Richard Lightfoot
Director and 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 51.

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 practising law, Conrad now advises companies on a wide range of commercial, financial and business matters. He is currently a non-executive director of System1 Group Plc. He has both Canadian and British citizenship.

Conrad was appointed to the Board in October 2015. Age 54.

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 and Westminster Group 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 64.

Matthias Riechert
Non-Executive Director

Matthias is a founder and Director of P&R Investment Management Limited ("P&R"), an investment advisory firm. Previously, Matthias worked in sales and trading at Citigroup Global Markets for nine years. He has an MBA from London Business School and Columbia Business School where he specialised in value investing.

Matthias was appointed to the Board as a Non-Executive Director in October 2022. Age 50.

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 2023. The Directors have proposed that no final dividend will be paid *(2022: nil)*.

PRINCIPAL ACTIVITIES

During the year we divested most of our manufacturing operations, Works Manchester. The principal activity of the Group is the delivery of Software as a Service (SaaS) that solves clients' problems. We buy and operate VMS businesses, licensing a suite of mission critical software to predominantly SME customers across a variety of sectors.

DIRECTORS

The following Directors have held office since 1 April 2022:

J-H Mohr	Non-executive Chairman
C C Bona	Non-executive Director
S G Barrell	Non-executive Director
M Riechert	Non-executive Director – appointed 31 October 2022
G G Cockerill	Chief Executive Officer
R A Lightfoot	Director and Company Secretary
I S Brown	Group Finance Director
P R Gunning	Chief Executive Officer – resigned 18 May 2022

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

I S Brown who retires by rotation and M Riechert who was appointed during the year, both being eligible, offer themselves up for re-election in accordance with the Company's Articles of Association.

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 on-line message boards, 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 on the transformation of the business, announcing and explaining the divestment of Works Manchester and completion of acquisitions as they joined the Group.

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

RESEARCH AND DEVELOPMENT

Developing the software platforms across our Group is an ongoing process. Each year we introduce new features and services with the aim of increasing annual recurring revenues and reducing logo churn. In our newly acquired subsidiaries, management teams have developed clear roadmaps for the necessary enhancements in the years ahead, which we continually review.

During 2023, highlights include:

- Nettl Systems – the addition of a new email builder for partners allowing them to easily build and edit email templates to market themselves to clients. Utilising key data within the same system, to personalise messages and improve response rates. Along with the launch of SEO Console, a low cost DIY Portal for customers to improve their SEO visibility.
- Vertical Plus – the development of Cleargro, an advanced inventory management system plugin extension for Wordpress websites, extending the potential client base.
- Watermark – the addition of new features to PaperCloud allowing customers to migrate to a cloud-based solution.
- CareDocs – ongoing investment in the platform to meet NHS Assured Supplier requirements.

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 *(2022: 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 2023:

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%**
Frankfurter Investmentgesellschaft	**5,805,000**	**5.07%**
Scherzer & Co SA	**5,675,500**	**4.96%**
Axxion SA	**5,634,919**	**4.92%**

POST BALANCE SHEET EVENT

On 1 June 2023 Grafenia plc announced that a £514,223 instalment of deferred consideration from Rymack Sign Solutions Limited, a privately owned company trading as PFI Group ("PFI"), due on 31 May 2023 was not made. The Company remains in discussions with PFI to resolve the matter. The total outstanding consideration is £2,809,973. The carrying value in the financial statements is £1,698,000.

FUTURE DEVELOPMENTS

As we further reposition our business, the search for VMS businesses continues and our deal flow looks healthy. As previously announced, we are looking to raise additional funds to continue the execution of our acquisition strategy, both in terms of new acquisitions and funding existing obligations, and the growth of the Group.

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 steady revenues and increased cash contributions from the new operating divisions as we enter the first full year of ownership. 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. The Directors recognise the need to raise additional funds in order to meet both liabilities for consideration payable in respect of past acquisitions and ongoing working capital. Whilst this creates a material uncertainty we anticipate being able to raise such funds through the issue of new share capital and/or by raising additional debt finance. The Directors have 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 and negotiating the timing of future payment obligations.

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.

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 in September 2023 and shareholders will receive a notice in due course. In addition to the ordinary business, the Company will also propose a number of resolutions, which will be dealt with as special business. Details will be 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. As discussed more fully in the Audit Committee report, the Company has determined that it is appropriate this year to re-tender the audit. The process is due to take place in August and a resolution to appoint the successful audit firm 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
25 July 2023

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 2023

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) is 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 did 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

In the summer and early autumn of 2022, the Board ran a strategy exercise to establish the right operating model and leadership structure for the Group going forward. Our aim was first shared with our shareholders at the 2022 AGM. It puts our acquisition strategy at the centre of our focus to drive long term shareholder value, and is as follows:

"To be a leading serial acquirer and operator of VMS businesses. A permanent home for software leaders, teams and customers."

Our strategy to achieve this is to build our acquisition 'flywheel', deploying capital to buy VMS businesses that meet our criteria and to operate those in a decentralised way to accelerate our growth.

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 – www.grafenia.com/acquisition.

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 Chairman and Company Secretary go to additional lengths to identify and communicate with major shareholders whose holding is via nominee accounts and encourage attendance at the AGM, voting and shareholder feedback and engagement. Both the Chairman and CEO also meet on an adhoc basis with significant and major shareholders and provide feedback to the Board.

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:

- on-line message boards and forums as well as third party applications and business communication platforms. Use of such platforms came into sharp focus during the pandemic and now continue to support homeworking; and
- regular virtual meetings bringing together our customer facing operational senior management and team leaders.

Customers and Suppliers

The Group 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.

The Group's business units operate in different sectors and are run in a decentralised way by their own senior management teams who are responsible for engaging with customers and suppliers through events such as exhibitions, roadshows, conferences, on site visits and remote sessions. Direct feedback and responses to initiatives such as on-line polls and votes have shaped key strategic and operational decisions around important aspects of our businesses, ranging from pricing to environmental policies and considerations.

Environment

The Company is conscious of the environmental impact of the industries that its business units operate in. We seek to mitigate and minimise the Company's impact on the environment through practices and procedures appropriate to each business unit. Nettl Systems for example offers biodegradable products and recycled options to its customers and previously invested in technologies to reduce its energy consumption such as 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. Board papers include a comprehensive CEO's report covering a wide range of KPIs consistently applied across all business units, Red Amber Green (RAG) reporting against valuations models and pre acquisition expectations and Return On Sales (ROS) benchmarking that dictates the operational focus for each business unit, that in turn forms the basis of the operational focus set out in a 'Playbook' for each business units senior management team to then execute.
- The Executive Directors meet prior to each full Board to discuss risks and opportunities facing the Group's various business units.
- The CEO meets regularly, sometimes daily and at least bi-weekly, with the senior management teams of each business unit 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 a comprehensive onboarding programme undertaken with the senior management team of each business acquired which includes:
    - the development of a 100 day plan to address, amongst other things, due diligence findings.
    - preparation of a financial budget and the plumbing in of the business unit's accounting platform to the Group's central reporting platform.
    - building reporting processes, procedures and infrastructure for benchmarking KPI's and Monthly Recurring Revenue (MRR) metrics that the Group applies consistently across all business units to measure operational performance.
    - development of a 'Playbook' based on a RASCI model (setting out who is Responsible, Accountable, Supporting, Consulted and Informed for particular 'Milestones/Tasks') which sets Objectives and Key Results (OKRs) agreed with the Management teams to measure the success of a financial year, align future objectives, identify operational efficiencies, evaluate pricing and determine where organic investment should go.
- The Company has information systems for monitoring its financial performance against approved budgets and forecasts.
- Documented quality systems include relevant health and safety policies and procedures for each of the Group's business units. A risk register is maintained and the Executive Directors report 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.

Matthias Riechert joined the Board during the year. The Board currently comprises four 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 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.

During the year the Company raised bond funds of £4m (at face value) from Chapters Group AG of which the Company's Chairman, Jan-Hendrik Mohr, is also minority shareholder and CEO. In addition, Matthias Riechert was appointed to the Board. Matthias is founder owner and Managing Director of P&R Investment Management Limited, which is a sub advisor to Axxion SA. Axxion is a significant shareholder in the Company with 4.29% / 5,634,919 shares and also a bond investor (having invested £4.25m / £5m face value). Given their respective positions with Chapters Group and P&R Investment Management the Board does not consider Mr Mohr and Mr Riechert to be independent for the purposes of Principle 5 of the QCA Code.

To ensure transparency, disclosure, and independent oversight into matters relating to Chapters Group or Axxion's investments in the Company, a sub-committee of the Board, excluding Mr Mohr and Mr Riechert is formed to make decisions regarding the Company's bonds and any other relevant matters. All other Non-Executive Directors are considered independent on the basis that they receive a fixed fee for their services, do not participate in any performance-related remuneration schemes, do not have any interest in a company share option scheme and have no material financial relationships with the Company.

All Board members are required to review their affiliations, relationships, and business interests on an ongoing basis and report to the Board any matter which may compromise their objectivity or impartiality in decision-making or affect their independence.

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	Investment Committee meetings
Number held	**9**	**3**	**2**	**4**
Jan-Hendrik Mohr (Chairman)	9	3	2	4
Conrad Bona (Non-Executive Director)	9	3	2	2
Simon Barrell (Non-Executive Director)	9	3	2	2
Matthias Riechert (Non-Executive Director) *	3	2	2	4
Gavin Cockerill (CEO)	9	-	-	
Richard Lightfoot (Director & Company Secretary)	9	-	-	
Iain Brown (Group Finance Director)	8	3	-	

* appointed on 31 October 2022

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 two German nationals, 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 all new Directors with a comprehensive onboarding pack and on an ongoing basis Directors are provided 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; and
- 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 years' evaluation was formal succession planning and lack of diversity. The Company has made considerable progress on succession planning after going through the CEO transition in the last financial year. To improve the diversity of the board is an ongoing review item in a review process led by a non-executive Board member who was appointed by the Chairman.

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. During the financial year, the Company has successfully managed through a CEO transition. During the evaluation period, the relevant skill sets of both executive and non-executive directors were thoroughly discussed in the board and with external advisers. In addition, a non-executive Board member was tasked with a review of the overall Board effectiveness and skill sets needed for the new strategy of the Company. That review was ongoing at the time this report was published.
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. The Board held a detailed strategic review in early autumn 2022 and whilst our strategy remains to build, buy and license our acquisition strategy has a renewed focus "To be a leading serial acquirer and operator of VMS businesses. A permanent home for software leaders, teams and customers".
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.
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. The Company has documented its Leadership Values which sit at the centre of its operating values and ethics and are disseminated to all team members.

The Group's individual business units have staff manuals which set out, amongst other things, policies and procedures for Equality & Diversity, Modern Slavery, Anti Bribery, Anti Tax Evasion and Whistleblowing.

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; and
- 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, a Remuneration Committee and an Investment 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, Remuneration Committee and Investment Committee presently comprise the Company's Chairman and all Non-executive Directors, it is the Company's present policy for any new Non-executive Directors to join all Committees. During the year Simon Barrell was appointed Chairman of the Audit Committee and Matthias Riechert was appointed Chairman of the Remuneration Committee.

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 meets at least once a year and 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.

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

The Investment Committee provides quality control, mentoring and leadership to the Executive Directors in relation to acquisition opportunities. It is responsible for reviewing deal summaries and valuation models prepared by the Executive Directors and ensuring that investments fall within pre-determined 'Guardrails'.

The Investment Committee meets on an adhoc basis as the Company's dealflow requires.

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 it attracts limited analyst attention and does not support having a dedicated investor relations department, to that end Company announcements are the main source of information. 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.

Both the Chairman and CEO also communicate directly on an adhoc basis with major shareholders.

Internally the Company's governance and performance is disseminated to business units through regular meetings between the CEO and senior management of all business units.

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, Shareholder Circulars and Notices and all Company announcements.

The result of voting in the 2022 AGM is presented as follows:

Resolutions	* For	Against	Withheld
1. To receive the Company's Annual Accounts	46,361,494	19,988	26,784
2. To re-elect Jan-Hendrik Mohr as a Director	46,358,266	50,000	-
3. To re-elect Conrad Christian Bona as a Director	46,358,266	50,000	-
5. To re-appoint RSM UK Audit LLP as auditors of the Company	46,408,266	-	-
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	46,358,266	50,000	-
7. To disapply statutory pre-emption rights	45,589,633	818,613	-
8. To authorise the Company to make market purchases of its own shares	46,408,266	-	-

* including any votes giving discretion to the Chair.

Audit committee report

The Audit Committee comprises Simon Barrell as chairman, Jan-Hendrik Mohr, Conrad Bona and Matthias Riechert. 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 2022 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. Over the year the Committee 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 2022 audit. Feedback from the 2022 audit did inform the setting out of audit priorities with RSM in the current year's audit process.

Regularly reviewing and assessing the effectiveness of the audit process is essential to maintaining the integrity and quality of financial reporting. In line with best practices and regulatory requirements, the Audit Committee has determined that it is prudent to put the future audit engagement out to tender for the upcoming year. This decision has been made after careful evaluation of various factors, including:

Independence and Objectivity:
To maintain objectivity, independence, and professional scepticism, it is important to periodically rotate the audit firm responsible for conducting the audit. By putting the audit out to tender, we can invite fresh perspectives and ensure a thorough evaluation of audit firms, promoting continued objectivity and independence.

Market Dynamics:
The audit industry is dynamic and subject to constant change. Regularly assessing the market for audit services helps us understand the range of capabilities, expertise, and innovations available to us. By inviting proposals from different audit firms, we can gain insights into emerging best practices, industry-specific expertise, and advancements in audit technologies.

Audit Quality and Value:
The Audit Committee's primary concern is to ensure the highest level of audit quality. By inviting competitive bids from multiple firms, we can evaluate the value proposition offered by each candidate, including their audit methodologies, experience, and industry specialisation. This process will enable us to assess the quality and cost-effectiveness of audit services, ensuring that we receive the best possible value for our shareholders.

Following the evaluation process, to be completed in August 2023, the Audit Committee will recommend the most suitable audit firm to the Board of Directors. The Board will carefully consider the committee's recommendation and make the final proposal for Shareholder approval in the upcoming AGM.

Directors' remuneration report

As a company quoted 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, Matthias Riechert, Conrad Bona and Simon Barrell who are Non-executive Directors. Matthias Riechert 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 are 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 the Executive Directors were each awarded a £10,000 cash bonus following the disposal of Works Manchester Limited. The remuneration committee is currently developing a new incentive scheme that will be linked to the successful execution of the Company's acquisition strategy.

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 2023:

	Basic salary £	Fees £	Benefits £	Bonuses £	Pension £	2023 Total £
J-H Mohr	-	15,000	-	-	-	15,000
C C Bona	-	15,000	-	-	450	15,450
S G Barrell	-	15,000	-	-	-	15,000
M Riechert	-	6,250	-	-	113	6,363
P R Gunning	23,200	-	179	50	2,588	26,017
I S Brown	87,500	-	638	10,050	2,927	101,115
G G Cockerill	92,500	-	714	10,050	3,077	106,341
R A Lightfoot	79,500	-	1,556	10,050	2,687	93,793
	282,700	51,250	3,087	30,200	11,842	379,079

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

DIRECTORS' INTERESTS

At 31 March 2023, the Directors had the following beneficial interests in the Company's shares:

	Ordinary shares of 1p each	
	31 March 2023	31 March 2022
J-H Mohr	**-**	-
C C Bona	**1,168,841**	1,170,007
S G Barrell	**85,356**	85,356
M Riechert	**-**	-
I S Brown	**84,208**	84,208
G G Cockerill	**92,518**	92,518
R A Lightfoot	**152,156**	152,156

The market price of shares as at 31 March 2023 was 9.25 pence *(2022: 5.35 pence)*. The range during the period under review was 5.00 pence to 11.00 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 2023 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in Shareholders' 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 2023 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 · Going concern · Business combinations **Parent Company** · Going concern
Materiality	**Group** · Overall materiality: £273k *(2022: £283k)* · Performance materiality: £204k *(2022: £212k)* **Parent Company** · Overall materiality: £556k *(2022: £232k)* · Performance materiality: £417k *(2022: £174k)*
Scope	Our audit procedures covered 90% of revenue, 91% of total assets and 90% of EBITDA.

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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REVENUE RECOGNITION

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.

BUSINESS COMBINATIONS

Key audit matter description	*(Refer to pages* 54 *regarding the accounting policy in respect of business combinations and note 23 in respect of acquisitions disclosure).* There have been four acquisitions within the period being audited. The fair values assigned to the net assets at the acquisition date, particularly the fair values assigned to separately identifiable intangibles, requires a significant degree of management estimation and judgement. Furthermore, the acquisitions have elements of deferred consideration and contingent consideration. The recognition of which requires significant estimations and assumptions from management.
How the matter was addressed in the audit	The opening balance sheet for acquisition has been agreed to completion accounts, with the reliability of the completion accounts tested. Consideration paid and payable, including deferred and contingent consideration, has been corroborated to supporting agreements. Assumptions in relation to deferred consideration and contingent consideration recognised have been assessed to confirm they have been reflected in the workings at an appropriate value within the recognition of each acquisition. The fair value assigned to net assets as at the acquisition date and the assumptions used within the valuation of these assets have been scrutinised to confirm they are reasonable. Valuation techniques used by management have been reviewed to confirm in line with IFRS 3. Disclosures in relation to acquisitions have been reviewed to ensure appropriate disclosure for each acquisition is reflected within the financial statements.

OUR APPLICATION OF MATERIALITY

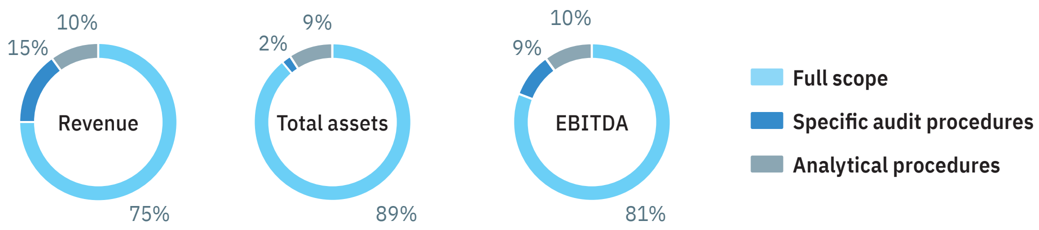
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the 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	£273k *(2022: £283k)*	£556k *(2022: £232k)*
Basis for determining overall materiality	2.2% of revenue	1% of total assets
Performance materiality	£204k *(2022: £212k)*	£417k *(2022: £174k)*
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £13,600 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £27,800 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 7 components, 6 of which are based in the UK and 1 of which is based in the Republic of Ireland.

The coverage achieved by our audit procedures was:



Full scope audits were performed for 2 components, specific audit procedures for 3 components and analytical procedures at group level for the remaining 2 components.

	Number of components	Revenue	Total assets	EBITDA
Full scope audit	2	75%	89%	81%
Specific audit procedures	3	15%	2%	9%
Total	**5**	**90%**	**91%**	**90%**

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

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to Note 1 in the financial statements. As stated in that note, the directors have prepared forecasts to assess the group and parent company's ability to continue as going concern for a period of at least 12 months from the approval of the financial statements. Having considered a range of forecast scenarios the directors have concluded there is a material uncertainty in relation to having sufficient cash available to meet their liabilities as they fall due throughout the period. In reaching their conclusion the directors recognise the need to raise additional funds in order to meet liabilities for consideration payable in respect of past acquisitions and meet working capital requirements. The directors anticipate being able to raise such funds through the issue of new shares and/or by raising additional debt finance through the parent company's existing bond facility. At this time the parent company's ability to successfully raise such funding is uncertain. These circumstances, which are more fully explained in Note 1, indicate that material uncertainty exists that cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of these circumstances.

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 and parent company's ability to continue to adopt the going concern basis of accounting included:

- considering the accuracy of historic forecasts
- challenging the key assumptions in the forecasts prepared including the timing of cash inflows and outflows
- considering the mitigating actions management have identified to reduce costs in the event that actual revenue performance was less than forecast
- reviewing performance since the year end date and how this compares to the forecasts
- reviewing the appropriateness of disclosures in relation to going concern

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 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. 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: 25 July 2023

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2023	Note	2023 £000 Continuing operation	2023 £000 Discontinued operation	2023 £000 Total	2022 £000 Continuing operation	2022 £000 Discontinued operation	2022 £000 Total
Revenue	2	**11,677**	**870**	**12,547**	8,916	3,445	12,361
Cost of sales		**(5,927)**	**(235)**	(6,162)	(5,377)	(286)	(5,663)
Gross profit		**5,750**	**635**	**6,385**	3,539	3,159	6,698
Staff costs	4	**(3,471)**	**(417)**	**(3,888)**	(2,019)	(2,221)	(4,240)
Doubtful debt expense		**(68)**	**(10)**	**(78)**	(32)	(11)	(43)
Other operating charges	3	**(1,806)**	**(155)**	**(1,961)**	(1,322)	(763)	(2,085)
Earnings before interest, tax, depreciation and amortisation		**405**	**53**	**458**	166	164	330
Depreciation and amortisation	9 & 10	**(1,556)**	**-**	**(1,556)**	(944)	(569)	(1,513)
Operating loss	3	**(1,151)**	**53**	**(1,098)**	(778)	(405)	(1,183)
Impairment of assets	25	**(805)**	**-**	**(805)**	-	-	-
Financial income		**135**	**-**	**135**	6	-	6
Financial expenses	5	**(830)**	**(21)**	**(851)**	(346)	(186)	(532)
Net financing expense		**(695)**	**(21)**	**(716)**	(340)	(186)	(526)
Loss before tax		**(2,651)**	**32**	**(2,619)**	(1,118)	(591)	(1,709)
Tax income	6	**1,243**	**-**	**1,243**	559	-	559
Loss for the year		**(1,408)**	**32**	**(1,376)**	(559)	(591)	(1,150)
Re-measurement to fair value on discontinued operations	22	**-**	**(235)**	**(235)**	-	(686)	(686)
Loss and total comprehensive income for the year		**(1,408)**	**(203)**	**(1,611)**	(559)	(1,277)	(1,836)
Loss per share attributable to the ordinary equity shareholders of Grafenia plc Basic and diluted[1], pence per share	7	**(1.23)p**	**(0.18)p**	**(1.41)p**	(0.49)p	(1.12)p	(1.60)p

(1) Earnings per share suffers no dilution

The notes on pages 53-81 form part of these financial statements.

Consolidated and company statement of financial position

AT 31 MARCH 2023	Note	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Non-current assets					
Property, plant and equipment	9	**1,384**	1,077	**-**	-
Intangible assets	10	**16,266**	1,391	**-**	-
Investments in subsidiaries	11	**-**	-	**15,665**	986
Other receivables	13	**-**	-	**8,268**	-
Total non-current assets		**17,650**	2,468	**23,933**	986
Current assets					
Inventories	12	**31**	29	**-**	-
Trade and other receivables	13	**2,137**	1,281	**541**	8,331
Consideration receivable	25	**1,698**	-	**1,698**	-
Prepayments		**110**	283	**26**	36
Cash and cash equivalents	14	**1,994**	1,462	**210**	984
Asset held for sale/disposal group	11 & 22	**-**	6,234	**-**	2,592
Total current assets		**5,970**	9,289	**2,475**	11,943
Total assets		**23,620**	11,757	**26,408**	12,929
Current liabilities					
Other interest-bearing loans and borrowings	16	**3,879**	308	**3,759**	172
Trade and other payables	15	**1,817**	1,512	**1,248**	83
Deferred income	15	**186**	77	**-**	-
Liabilities relating to disposal group	22	**-**	3,530	**-**	-
Total current liabilities		**5,882**	5,427	**5,007**	255
Non-current liabilities					
Other interest-bearing loans and borrowings	16	**14,837**	3,842	**13,886**	2,953
Deferred tax liabilities	8	**1,973**	-	**-**	-
Total non-current liabilities		**16,810**	3,842	**13,886**	2,953
Total liabilities		**22,692**	9,269	**18,893**	3,208
Net assets		**928**	2,488	**7,515**	9,721
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**	88	**88**	88
Translation reserve		**117**	66	**-**	-
Retained earnings		**(9,126)**	(7,515)	**(2,211)**	(5)
Total equity		**928**	2,488	**7,515**	9,721

The Parent Company result for the year was a loss of £2,206,000 *(2022: loss £413,000).*

The notes on pages 53-81 form part of these financial statements.

The financial statements of Grafenia plc, registered number 03983312, were approved by the Board of directors on 25 July 2023 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 2023

	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 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
Loss and total comprehensive income for the year from continuing operation	**-**	**-**	**-**	**-**	**-**	**(1,408)**	**(1,408)**
Loss and total comprehensive income for the year from discontinued operation	**-**	**-**	**-**	**-**	**-**	**(203)**	**(203)**
Retranslation of net assets of overseas subsidiaries	**-**	**-**	**-**	**-**	**51**	**-**	**51**
Share option reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total movement in equity	**-**	**-**	**-**	**-**	**51**	**(1,611)**	**(1,560)**
Balance at 31 March 2023	**1,145**	**838**	**7,866**	**88**	**117**	**(9,126)**	**928**

COMPANY – YEAR ENDED 31 MARCH 2023

	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 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
Loss and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(2,206)**	**(2,206)**
Total movement in equity	**-**	**-**	**-**	**-**	**-**	**(2,206)**	**(2,206)**
Balance at 31 March 2023	**1,145**	**627**	**7,866**	**88**	**-**	**(2,211)**	**7,515**

The notes on pages 53-81 form part of these financial statements.

Consolidated statement of cash flows

FOR YEAR ENDED 31 MARCH 2023	Note	**Group 2023 £000**	Group 2022 £000
Cash flows from operating activities			
Loss for the year		**(1,408)**	(559)
Adjustments for:			
Depreciation, amortisation and impairment		**1,556**	944
Loss on disposal of plant and equipment		**4**	-
Release of deferred profit on sale of plant and equipment	*3*	**-**	(9)
Share based payments		**-**	4
Net finance expense		**695**	340
Bad debt expense		**68**	(54)
Foreign exchange loss		**51**	66
Tax income		**(1,243)**	(559)
Impairment of consideration receivable	*25*	**805**	-
Operating cash flow before changes in working capital and provisions		**528**	173
Change in trade and other receivables		**19**	(86)
Change in inventories		**(2)**	2
Change in trade and other payables		**(413)**	184
Cash generated from / (utilised by) operations		**132**	273
Interest received		**5**	-
R&D tax income received		**67**	-
Net cash inflow / (outflow) from operating activities from continuing operation		**204**	273
Net cash inflow / (outflow) from operating activities from discontinued operation		**104**	(139)
Net cash inflow / (outflow) from operating activities		**308**	134
Cash flows from investing activities			
Acquisition of plant and equipment		**(60)**	(27)
Disposal of plant and equipment		**1**	-
Capitalised development expenditure	*10*	**(390)**	(525)
Acquisition of other intangible assets	*10*	**-**	(20)
Proceeds from disposal of subsidiary		**100**	-
Acquisition of subsidiaries net of cash		**(8,367)**	-
Net cash used in investing activities from continuing operation		**(8,716)**	(572)
Net cash used in investing activities from discontinued operation		**-**	(3)
Net cash used in investing activities		**(8,716)**	(575)
Cash flows from financing activities			
Proceeds from loans		**9,520**	-
Repayment of loans	*16*	**(305)**	(196)
Capital payment of lease liabilities		**(117)**	(115)
Interest payment of lease liabilities		**(63)**	(67)
Net cash generated from/(used in) financing activities from continuing operation	*24*	**9,035**	(378)
Net cash used in financing activities from discontinued operation		**(95)**	(330)
Net cash generated from/(used in) financing activities		**8,940**	(708)
Net increase / (decrease) in cash and cash equivalents from continuing operations		**523**	(677)
Net increase / (decrease) in cash and cash equivalent from discontinued operations		**9**	(472)
Cash and cash equivalents at start of year		**1,462**	2,740
Cash and cash equivalents at 31 March 2023	*14*	**1,994**	1,591
Comprises of:			
Cash and cash equivalent from continuing operation		**1,994**	1,462
Cash and cash equivalent from discontinued operation		**-**	129

The notes on pages 53-81 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. Amendments to IAS 1 Presentation of Financial Statements in respect of Non-current Liabilities with Covenants and IFRS 16 Leases in respect of Sale and Leaseback Transactions are due to come into effect for accounting periods beginning on or after 1 January 2024 and have not been adopted early. These amendments are not expected to have a significant impact on the Group.

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 19-23. In addition, note 21 to the financial statements includes details of the Group's financial instruments 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 recognise the need to raise additional funds in order to meet both liabilities for consideration payable in respect of past acquisitions and ongoing working capital. Whilst this creates a material uncertainty, we anticipate being able to raise such funds through the issue of new share capital and/or by raising additional debt finance. The Directors have 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 and negotiating the timing of future payment obligations.

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

ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

In accordance with IFRS 3 "Business Combinations", when accounting 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.

To the extent that deferred consideration is payable as part of the acquisition cost, the deferred consideration is discounted at an appropriate interest rate and, accordingly, carried at net present value in the consolidated statement of financial position. The discount component is then unwound as an interest charge in the consolidated statement of comprehensive income over the life of the obligation.

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.

Transaction costs are expenses to the statement of comprehensive income as incurred.

On 19 May 2022, the Group announced the sale of its manufacturing operation based in Manchester. The manufacturing operation, referred to as 'Works Manchester' consisted 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 were designated as held for sale and separately disclosed in the statement of financial position and the financial impact of the discontinued operation was 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.

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'. Where surplus cash at the date of acquisition is subsequently withdrawn post-acquisition this is treated as a return of investment, reducing the carrying value of the investment in the subsidiary.

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 four main bases:

- Supply 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.
- Provision of professional services. The Group considers the performance obligation to have been met when the service has been provided.
- Rental of equipment. There is considered to be a single performance obligation for the provision of the IT equipment and the related software installed. Revenue is recognised over the life 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.

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.

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.

ACCOUNTING POLICIES (CONTINUED)

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	- 20% straight line
Leasehold improvements	- over the life of the lease, 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
Acquired Technology	- 3 to 6 years
Customer Lists	- 3 to 10 years

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

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 VMS companies. Customer lists are being amortised over three to ten years and are individually tested bi-annually for indications of impairment.

TECHNOLOGY

Technology assets arise on the acquisition of subsidiary VMS companies by assessing the value-in-use of the software acquired. The technology assets are being amortised over three to six years and are tested bi-annually for indication of impairment.

GOODWILL

Goodwill may arise on acquisitions. Where this occurs the valuation will be supported by a fair value assessment of the expected future cash flows from the related cash generating unit.

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 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.

For leases of assets granted by the Group, those leases are assessed in line with IFRS 16 to determine whether the lease should be classified as a finance lease or an operating lease. Following that assessment, the Group classifies any such leases as operating leases. The associated assets are capitalised as fixed assets and depreciated over their expected useful economic life. Revenue generated from those assets is recognised in line with IFRS 15.

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.

1. ACCOUNTING POLICIES (CONTINUED)

SHARE BASED PAYMENTS

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.

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 an average exchange rate. 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. It is essential to continue investing in these assets. Separate projects are defined 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 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 technology. The valuation is based upon future discounted cash flows and expectations for the business. For VMS businesses acquired in line with the Group's stated strategy, the expected useful lives of the customer base has been determined by reviewing the existing Logo churn at the time of acquisition whilst the Technology's expected useful life is estimated based on the expected requirement for ongoing development. See note 23.

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 does this for each tranche of bond issued. The expected life of bond tranches issued to date ranges from 9 months to 20 years. 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

Following the change in strategy of the Group, as discussed within the Strategic Report, the format of the segmental reporting has been updated. The Group's operating and reporting segments in the current year corresponds with the acquisition activity, see note 23 for further details on acquisitions made during the year. This disclosure correlates with the information which is presented to the Board, which reviews revenue and EBITDA 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 2023	**11,845**	**284**	**418**	**12,547**
Year ended 31 March 2022	11,723	289	349	12,361

Revenue generated outside the UK is attributable to partners in Belgium, France, New Zealand, The Netherlands and the USA within the Nettl Systems business segment.

No single customer provided the Group with over 3% of its revenue.

DISAGGREGATION OF REVENUE AND EBITDA

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

Year ended 31 March 2023	**Graphics & Ecommerce £000**	**Professional services £000**	**Healthcare £000**	**Property £'000**	**Discontinued Operations £000**	**Total £000**
Licence and subscription revenue	3,000	387	544	173	-	**4,104**
Product and service revenue	7,538	35	-	-	870	**8,443**
Revenue	**10,538**	**422**	**544**	**173**	**870**	**12,547**
Divisional contribution	1,192	178	241	94	53	**1,758**
Central Overhead						**(947)**
Acquisition related costs						**(353)**
EBITDA						**458**

Year ended 31 March 2022	**Graphics & Ecommerce £000**	**Professional services £000**	**Healthcare £000**	**Property £'000**	**Discontinued Operations £000**	**Total £000**
Licence and subscription revenue	2,135	-	-	-	-	**2,135**
Product and service revenue	6,781	-	-	-	3,445	**10,226**
Revenue	8,916	-	-	-	3,445	**12,361**
Divisional contribution	742	-	-	-	164	**906**
Central Overhead						**(576)**
EBITDA						**330**

Of the Group's non-current assets (excluding deferred tax) of £17,650,000 *(2022: £2,468,000),* £12,907,000 *(2022: £2,475,000)* are located in the UK. Non-current assets located outside the UK are in Ireland £5,802,000 *(2022: £11,000).*

3. OPERATING LOSS

Included in operating loss are the following:

	2023 £000	2022 £000
Amortisation of intangible assets	**1,321**	936
Depreciation	**235**	577
Loss / (profit) on sale of plant and equipment	**82**	-
(Profit) / loss on sale and leaseback recognised in the year	**(33)**	9
Coronavirus job retention scheme income	**-**	(140)
Acquisition related costs	**353**	-
Research and development cost	**404**	291
	2,362	1,673
Cost attributable to continuing operation	**2,313**	1,096
Cost attributable to discontinued operation	**49**	577

Auditors' remuneration:

	2023 £000	2022 £000
Audit of these financial statements	**140**	44
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**69**	40
Fees payable to the auditor attributable to continuing operation	**209**	74
Fees payable to the auditor attributable to discontinued operation	**-**	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 2023	Group 2022	Company 2023	Company 2022
Administration	**20**	25	**9**	3
Sales and distribution	**8**	8	**-**	-
Production	**10**	59	**-**	-
R&D	**14**	7	**-**	-
Support	**40**	47	**-**	-
	92	146	**9**	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 2023 £77,000 of contributions were charged to the Consolidated Statement of Comprehensive Income *(2022: £121,000).* Charges relating to the discontinued operation were £3,800 *(2022: £54,000)*. As at 31 March 2023 £7,100 (2022: £25,000) of contributions were outstanding on the balance sheet.

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

	Group 2023 £000	Group 2022 £000	**Company 2023 £000**	Company 2022 £000
Wages and salaries	**3,481**	3,696	**528**	45
Social security costs	**317**	423	**-**	2
Other pension costs	**90**	121	**77**	-
	3,888	4,240	**605**	47
Cost attributable to continued operation	**3,471**	2,019	**-**	-
Cost attributable to discontinued operation	**417**	2,221	**-**	-

Wages and salaries in 2023 are net of £nil *(2022: £140,000)* income from the Coronavirus job retention scheme.

KEY MANAGEMENT COMPENSATION:

	2023 £000	2022 £000
Executive directors		
Emoluments	**316**	424
Company contributions to money purchase pension plans	**11**	24
	327	448
Non-executive directors		
Emoluments	**51**	45
Company contributions to money purchase pension plans	**1**	-
	52	45
Total directors remuneration	**379**	493
Employers national insurance contributions	**42**	55
Total	**421**	548

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 £103,000 *(2022: £171,000),* and Company pension contributions of £3,000 *(2022: £16,000)* were made to a money purchase scheme on their behalf. Directors for whom retirement benefits are accruing under money purchase schemes 5 *(2022: 5).*

5. FINANCE EXPENSE

	2023 £000	2022 £000
Lease interest	**83**	234
Invoice finance	**-**	21
Bearer bond interest	**644**	237
Loan interest	**6**	35
Foreign exchange losses	**13**	5
Unwinding of discount on deferred consideration	**105**	-
Total finance expense	**851**	532
Total finance expense attributable to continuing operation	**830**	346
Total finance expense attributable to discontinued operation	**21**	186

6. TAXATION

Recognised in the income statement	**2023 £000**	2022 £000
Current tax expense		
Current year	**(93)**	(166)
Adjustments for prior years	**(18)**	(12)
Overseas corporation tax charge	**2**	-
	(109)	(178)
Deferred tax expense		
Origination and reversal of temporary differences (see note 8)	**(170)**	(63)
Previously unrecognised deferred tax asset currently recognised (see note 8)	**(972)**	(318)
Effect of change in UK corporation tax rate	**3**	-
Adjustments in respect of prior periods	**5**	-
Total tax in income statement	**(1,243)**	(559)

RECONCILIATION OF EFFECTIVE TAX RATE

Factors affecting the tax charge for the current period:

The current tax charge for the period is lower *(2022: lower)* than the standard rate of corporation tax in the UK of 19% *(2022: 19%).*

The differences are explained below:

	2023 £000	2022 £000
Loss before tax	**(2,619)**	(1,991)
Tax using the UK corporation tax rate of 19% *(2022:19%)*	**(498)**	(378)
Effects of:		
Other tax adjustments, reliefs and transfers	**124**	(530)
Adjustments in respect of prior periods – current tax	**(90)**	(11)
Adjustments in respect of prior periods – deferred tax	**6**	(1)
Deferred tax not recognised	**216**	584
Research and Development losses surrendered	**-**	219
Research and Development super deduction	**(29)**	(124)
Previously unrecognised deferred tax asset currently recognised (see note 8)	**(972)**	(318)
Total tax credit	**(1,243)**	(559)

The Group tax debtor amounts to £155,000 *(2022 Debtor: £167,000).* The deferred tax liabilities as at 31 March 2023 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:

	2023 £000	2022 £000
Loss after taxation for the financial year from continuing operations	**(1,408)**	(559)
Loss after taxation for the financial year from discontinued operations	**(203)**	(1,277)
Total loss after taxation for the financial year	**(1,611)**	(1,836)

	Weighted average number of Shares	Weighted average number of Shares
For basic earnings per ordinary share	**114,490,828**	114,490,828
For diluted earnings per ordinary share	**114,490,828**	114,490,828

Basic and diluted loss per share	**(1.41)p**	(1.60)p
Basic and diluted loss per share from continuing operation	**(1.23)p**	(0.49)p
Basic and diluted loss per share from discontinued operation	**(0.18)p**	(1.12)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 2023 £000	Assets 2022 £000	**Liabilities 2023 £000**	Liabilities 2022 £000	**Total 2023 £000**	Total 2022 £000
Intangible assets	**-**	-	**(2,957)**	(318)	**(2,957)**	(318)
Trading losses	**984**	318	**-**	-	**984**	318
Tax asset/(liabilities)	**984**	318	**(2,957)**	(318)	**(1,973)**	-

Movement in deferred tax during the year.	**1 April 2022 £000**	**Recognised acquisition of subsidiary £000**	**Recognised in income £000**	**Removal of discontinued operation £000**	**31 March 2023 £000**
Intangible assets	**(318)**	**(3,107)**	**170**	**298**	**(2,957)**
Trading losses	**318**	**-**	**666**	**-**	**984**
	-	**(3,107)**	**836**	**298**	**(1,973)**

Movement in deferred tax during the year.	1 April 2021 £000	Recognised acquisition of subsidiary £000	Recognised in income £000	Removal of discontinued operation £000	31 March 2022 £000
Intangible assets	(389)	-	63	8	(318)
Trading losses	-	-	318	-	318
	(389)	-	381	8	-

The Group has recognised a deferred tax asset in respect of carried forward trading losses up to the value of the deferred tax liability, to the extent that there are available tax losses within the same UK tax group. The Group has unrecognised deferred tax assets in respect of carried forward losses of £nil *(2022: £1,526,000).*

Company

The Company had no recognised deferred tax assets as at 31 March 2023 *(2022: nil).*

9. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold Improvements £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
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
Additions	-	60	-	-	60
Addition through subsidiary acquisition	186	254	40	7	487
Disposals	-	(18)	-	(5)	(23)
Balance at 31 March 2023	**2,026**	**651**	**131**	**826**	**3,634**
Depreciation and impairment					
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
Depreciation charge for the year	127	36	5	67	235
Disposals	-	(14)	-	(4)	(18)
Balance at 31 March 2023	**1,054**	**327**	**90**	**779**	**2,250**
Net book value					
At 31 March 2021	1,479	3,111	19	456	5,065
At 31 March 2022	913	50	6	108	1,077
At 31 March 2023	**972**	**324**	**41**	**47**	**1,384**

Right-of-use assets are included within the same asset categories as they would have been if they were owned. As of 31 March 2023 the Group has right-of-use assets with a carrying value of £982,000 *(2022: £3,453,000)*. Right-of-use of assets from discontinued operation is £nil *(2022: £2,540,000).* A table showing the net book value of right-of-use assets within property, plant and equipment at 31 March 2023 and 31 March 2022, split by category, is disclosed in note 17.

10. INTANGIBLE ASSETS

Group	Domains & brand £000	Software £000	Development costs £000	Customer Lists £000	Technology £000	Goodwill £000	Other £000	Total £000
Cost								
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**
Additions – internally developed	-	-	390	-	-	-	-	390
Addition through subsidiary acquisition (note 23)	-	-	-	4,517	10,792	497	-	15,806
Balance at 31 March 2023	**363**	**4,544**	**5,393**	**5,192**	**10,792**	**635**	**162**	**27,081**
Amortisation and impairment								
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**
Amortisation for the year	1	149	439	149	583	-	-	1,321
Balance at 31 March 2023	**348**	**4,483**	**4,513**	**745**	**583**	**12**	**131**	**10,815**
Net book value								
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
At 31 March 2023	**15**	**61**	**880**	**4,447**	**10,209**	**623**	**31**	**16,266**

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 and ranges from 0% to 9%. Costs have been assumed to increase in line with an inflationary rate of 5%.

For the purposes of impairment testing inflationary growth of 0.5% is assumed beyond this period. A pre-tax discount factor of 8.59% *(2022: 6.8%)* was applied.

Following the impairment review, the intangible assets are not considered to be impaired. Increasing the pre-tax discount factor to 12.0% would not result in an impairment charge against intangible assets.

Amortisation and impairment charge

The amortisation charge of £1,321,000 *(2022: £936,000)* is recognised in profit or loss within depreciation and amortisation expenses. £nil *(2022: £225,000)* from discontinued operation, £1,321,000 *(2022: £711,000)* from continuing operation. An impairment charge of nil *(2022: £nil)* was recognised during the year.

11. INVESTMENTS - COMPANY

	Shares in Subsidiary undertakings £000	Total £000
Cost		
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
Additions	15,681	15,681
Return of investment	(1,002)	(1,002)
Balance at 31 March 2023	**15,665**	**15,665**

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
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
Vertical Plus Limited*	UK	Software and solutions - Trading
Care Management Systems Limited*	UK	Software and solutions - Trading
Watermark Technologies Limited*	UK	Software and solutions - Trading
Topfloor Systems Limited	Republic of Ireland	Software and solutions - Trading
Nettl of America LLC^	US	Franchising - trading
Grafenia France S.à.r.l.^	France	Partner contracts – trading

*** – Owned directly by Grafenia PLC**

^ – Owned 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.

12. INVENTORY

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Raw Materials	**31**	493	**-**	-
Total inventory	**31**	493	**-**	-
Total inventory relating to discontinued operation	**-**	464	**-**	-
Total inventory relating to continuing operation	**31**	29	**-**	-

13. TRADE AND OTHER RECEIVABLES

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

At 31 March 2023 trade receivables are shown net of an impairment allowance of £1,153,000 *(2022: £1,089,000).*

Trade and other receivables denominated in currencies other than sterling comprise £899,000 *(2022: £114,000)* of trade receivables.

	Group 2023 £000	Group 2022 £000	**Company 2023 £000**	Company 2022 £000
Trade receivables	**2,799**	3,290	**-**	-
Less provision for trade receivables	**(1,153)**	(1,089)	**-**	-
Trade receivables net	**1,646**	2,201	**-**	-
Other receivables due from subsidiary companies within one year	**-**	-	**541**	11,575
Less provision for subsidiary companies within one year	**-**	-	**-**	(3,244)
Total financial assets other than cash and cash equivalents classified at amortised cost	**1,646**	2,201	**541**	8,331
Corporation tax	**155**	167	**-**	-
Other receivables	**336**	70	**-**	-
Total Other receivables	**491**	237	**-**	-
Total trade and other receivables	**2,137**	2,438	**541**	8,331
Total relating to discontinued operation	**-**	1,157	**-**	-
Total relating to continuing operation	**2,137**	1,281	**-**	-
Non-current other receivables				
Other receivables due from subsidiary companies after one year	**-**	-	**10,512**	-
Less provision for subsidiary companies after one year	**-**	-	**(2,244)**	-
Total other receivables	**-**	-	**8,268**	-

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	1,350	1,449	2,799
Loss provision	(82)	(1,071)	(1,153)
Net carrying amount	**1,268**	**378**	**1,646**

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.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Impairment

Group	**As at 31 March 2023 £000**	As at 31 March 2022 £000
Balance at 1 April	**1,089**	1,090
Receivable written off during the year as uncollectible	**(83)**	(44)
Provision arising on acquisition of subsidiaries	**60**	-
Increase in impairment allowance	**87**	43
Balance at 31 March	**1,153**	1,089

Of the total impairment provision £115,000 *(2022: £36,000)* 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 £nil *(2022: £512,000)* 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 an impairment reversal of £1,000,000 *(2022: no reversal or additional impairment)*.

14. CASH AND CASH EQUIVALENTS

	Group 2023 £000	Group 2022 £000	**Company 2023 £000**	Company 2022 £000
Cash and cash equivalents	**1,994**	1,591	**210**	984
Total relating to discontinued operation	**-**	129	**-**	-
Total relating to continuing operation	**1,994**	1,462	**-**	-

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 £137,000 *(2022: £71,000)* and USD of £27,000 *(2022: £26,000).*

15. TRADE AND OTHER PAYABLES

Current Liabilities	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade payables	**700**	1,445	**71**	5
Accruals	**428**	373	**187**	78
Other liabilities	**689**	529	**990**	-
Total financial liabilities, excluding borrowings classified as financial liabilities measured at amortised cost	**1,817**	2,347	**1,248**	83
Total relating to discontinued operation	**-**	835	**-**	-
Total relating to continuing operation	**1,817**	1,512	**-**	-
Deferred income	**186**	77	-	-
Total relating to discontinued operation	**-**	-	**-**	-
Total relating to continuing operation	**186**	77	**-**	-
Total trade and other payables	**2,003**	2,424	**1,248**	83

Trade payables denominated in currencies other than Sterling comprise £87,000 *(2022: £72,000)* 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 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Invoice financing	**-**	512	**-**	-
Lease liabilities	**120**	683	**-**	-
Loans	**279**	172	**279**	172
Deferred consideration	**3,480**	-	**3,480**	-
	3,879	1,367	**3,759**	172
Total relating to discontinued operation	**-**	1,059	**-**	-
Total relating to continuing operation	**3,879**	308	**-**	-
Non-Current Liabilities				
Lease liabilities	**951**	2,517	**-**	-
Loans	**324**	683	**324**	683
Bearer bonds	**12,381**	2,270	**12,381**	2,270
Deferred consideration	**1,181**	-	**1,181**	-
	14,837	5,470	**13,886**	2,953
Total relating to discontinued operation	**-**	1,628	**-**	-
Total relating to continuing operation	**14,837**	3,842	**-**	-

The invoice financing arrangement in the prior year was secured upon the trade debtors to which the arrangement related, see note 13. Following the disposal of Works Manchester Limited in May 2022, the Group has no invoice financing facility or related security.

In July 2020 the Company created a bond facility which could issue up to a maximum of £50,000,000 nominal value. Any bonds issued are interest-free within the first three years of the facilities existence and thereafter pay 6% of the nominal value, annually in arrears, until the Company exercises its call option. The bonds are initially 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. During the year the Company has issued additional bonds with a total nominal value of £11,200,000, raising a net £9,520,000.

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 2023 the liability was £602,000 *(2022: £855,000).*

17. LEASES

Lessee Accounting

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.

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 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
Depreciation	(117)	-	-	(117)
Addition through subsidiary acquisition	186	-	-	186
Balance at 31 March 2023	**982**	**-**	**-**	**982**

LEASE LIABILITIES	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Total £000
Balance at 1 April 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
Interest expense	62	-	-	62
Lease payments	(179)	-	-	(179)
Disposal of subsidiary	-	(23)	-	(23)
Addition through subsidiary acquisition	186	-	-	186
Balance at 31 March 2023	**1,071**	**-**	**-**	**1,071**

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023				2022			
	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	**117**	**-**	**-**	**117**	122	3	6	131
Interest on lease liabilities	**62**	**-**	**-**	**62**	67	-	-	67
Expenses related to low value and short-term leases	**35**	**-**	**-**	**35**	18	-	-	18
	214	**-**	**-**	**214**	207	3	6	216
Discontinued Operation								
Depreciation charge on right of use assets	**-**	**-**	**-**	**-**	91	131	-	222
Interest on lease liabilities	**-**	**21**	**-**	**21**	25	136	-	161
Expenses related to low value and short-term leases	**-**	**-**	**-**	**-**	-	-	-	-
	-	**21**	**-**	**21**	116	267	-	383

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 2023	**1,071**	**1,348**	**99**	**99**	**198**	**531**	**421**
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

Lessor Accounting

The Group leases certain assets to customers with preloaded software. It is not practical to split the revenue from the lease of the physical asset and that of the preloaded software. The revenue associated with leased assets during the year was £217,000 (2022: Nil).

	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Year 5 £000
Future contracted lease income	147	104	66	11	3

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 *(2022: nil)*.

19. SHARE CAPITAL

SHARE CAPITAL – GROUP AND COMPANY

In thousands of shares	**Ordinary shares 2023**	Ordinary shares 2022
In issue at 1 April	**114,491**	114,491
Issued by the Company	**-**	-
Shares on the market at 31 March – fully paid	**114,491**	114,491

Allotted, called up and fully paid	**£000**	£000
114,490,828 (2022: 114,490,828) ordinary shares of £0.01 each	**1,145**	1,145
63 deferred shares of £0.10 each	**-**	-
	1,145	1,145

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 (2022: £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	
	2023 £000	2022 £000
At 1 April	**7,866**	7,866
Premium on shares issued by the Company in the year	**-**	-
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 2023 and 31 March 2022 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 and the deferred consideration receivable following the sale of Works Manchester limited (see note 25).

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 £119,000 *(2022: £242,000)* of total gross debtors. The Group retains the right to charge interest on overdue balances and recall 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 2023	**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	**1,817**	**1,817**	**1,817**	**-**	**-**	**-**	**-**
Lease liabilities	**1,071**	**1,348**	**99**	**99**	**198**	**531**	**421**
Bearer Bonds*	**12,382**	**22,360**	**-**	**-**	**510**	**1,530**	**20,320**
Loans	**602**	**648**	**155**	**155**	**311**	**27**	**-**
Deferred and contingent consideration payable	**4,661**	**5,084**	**182**	**3,584**	**472**	**846**	**-**
	20,533	**31,257**	**2,253**	**3,838**	**1,491**	**2,934**	**20,741**

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

*Based on the expected cash flows used to calculate the effective interest rate for amortised cost. Whilst not a contractual commitment, should the company be successful in raising equity in the current financial year, it expects to use some of the funds to buy back some of the issued bearer bonds.

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 2023 Euro £000	**31 March 2023 GBP £000**	31 March 2022 Euro £000	31 March 2022 GBP £000
Trade and other receivables	**262**	**1,875**	117	2,321
Cash and cash equivalents	**137**	**1,857**	70	1,521
Trade and other payables	**(145)**	**(1,672)**	(72)	(2,275)
	254	**2,060**	115	1,567

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 2023, it is estimated that a general increase of 25% in the value of the Euro would decrease the Group's profit before tax by approximately £17,000 *(2022: £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 £162 *(2022: £4,000)* 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 IN FY22

	Initial recognition £000	**Re-measurement to fair value FY22 £000**	**Held for disposal FY22 £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**

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

Following the preparation of the completion accounts, the final net assets of Works Manchester Limited was £235,000 less than the agreed target net assets. The consideration has been adjusted accordingly with the difference recognised as a re-measurement to fair value in the Consolidated statement of comprehensive income in this financial year.

23. ACQUISITIONS

Acquisition of Vertical Plus Limited (Vertical Plus)

The entire issued share capital of Vertical Plus, an ecommerce software business, was acquired on 1 October 2022 for the total consideration of £3,512,000.

Vertical Plus met the criteria set out in our acquisition strategy (see www.grafenia.com/acquisition). It also complements our core offering and provides cross-selling opportunities across our Nettl network.

In the six-month period that Vertical Plus was owned by the Group, it contributed revenue of £1,011,000 and a profit before tax of £194,000. Had it been owned by the group for the full year, it would have contributed revenue of £1,867,000 and a profit before tax of £227,000, which included one-off costs.

Net assets of Vertical Plus on acquisition:

	Book Value £000	Adjustments £000	**Fair value £000**
Customer base	-	953	**953**
Technology	-	1,527	**1,527**
Property, plant and equipment	18	-	**18**
Cash and cash equivalents	1,078	-	**1,078**
Trade and other receivables	237	-	**237**
Trade and other payables	(161)	-	**(161)**
Deferred tax	-	(620)	**(620)**
Net assets acquired	1,172	1,860	**3,032**
Consideration			**3,512**
Goodwill			**480**

Consideration satisfied by:

Cash	**2,320**
Deferred consideration payable	**921**
Contingent consideration payable	**271**
	3,512

An income approach was used to value contractual customer lists and relationships, using a discount factor of 8.6%. The useful life has been estimated at 10 years.

The technology was valued by using a relief from royalty approach, based on a royalty rate of 30% and using a discount factor of 8.6%. The useful life has been estimated at 3 years.

Trade and other receivables include gross contractual amounts due of £115,000 of which £9,000 was expected to be uncollectible at the date of acquisition.

Contingent consideration of up to £630,000 will be satisfied in cash dependent on Vertical Plus achieving certain earnings targets in each of the first three annual periods following acquisition, with £210,000 payable for each of those annual periods. The likelihood of achieving these targets has been estimated at between 75% - 80%. Should the targets not be achieved, the payout for that period would be nil. Of the total potential contingent consideration, £215,000 relates to remaining employees and, if paid, will be recognised in the consolidated statement of comprehensive income. The expected contingent consideration has been discounted to present value using a WACC of 8.6%.

Acquisition of Watermark Technologies Limited (Watermark)

The entire issued share capital of Watermark, a provider of document management software and systems, was acquired on 7 December 2022 for the total consideration of £3,134,000.

Watermark met Grafenia's acquisition criteria of providing vertical market software with revenues of a recurring nature. We believe it can be sold to SMEs operating in vertical markets beyond the financial, healthcare and insurance sectors.

In the period during the current financial year that Watermark was owned by the Group, it contributed revenue of £422,000 and a profit before tax of £179,000. Had it been owned by the group for the full year, it would have contributed revenue of £1,300,000 and a profit before tax of £495,000.

Net assets of Watermark on acquisition:

	Book Value £000	Adjustments £000	**Fair value £000**
Customer base	-	912	**912**
Technology	-	2,334	**2,334**
Cash and cash equivalents	812	-	**812**
Trade and other receivables	127	-	**127**
Trade and other payables	(239)	-	**(239)**
Deferred tax	-	(812)	**(812)**
Net assets acquired	700	2,434	**3,134**
Consideration			**3,134**
Goodwill			**-**

Consideration satisfied by:

Cash	**2,213**
Deferred consideration payable	**921**
	3,134

An income approach was used to value contractual customer lists and relationships, using a discount factor of 8.6%. The useful life has been estimated at 10 years.

The technology was valued by using a relief from royalty approach, based on a royalty rate of 50% and using a discount factor of 8.6%. The useful life has been estimated at 6 years.

Trade and other receivables include gross contractual amounts due of £112,000 of which nil was expected to be uncollectible at the date of acquisition.

23. ACQUISITIONS (CONTINUED)

Acquisition of Care Management Systems Limited (CareDocs)

The entire issued share capital of CareDocs, a provider of care home management software and systems, was acquired on 18 January 2023 for the total consideration of £3,871,000.

CareDocs met Grafenia's acquisition criteria by being a software business and having a prominent position in its vertical market. Delivering solutions that generate revenues of a recurring nature.

In the period during the current financial year that CareDocs was owned by the Group, it contributed revenue of £544,000 and a profit before tax of £186,000. Had it been owned by the group for the full year, it would have contributed revenue of £2,751,000 and a profit before tax of £87,000, which included one-off costs.

Net assets of CareDocs on acquisition:

	Book Value £000	Adjustments £000	**Fair value £000**
Customer base	-	1,262	**1,262**
Technology	-	2,524	**2,524**
Property, plant and equipment	270	-	**270**
Cash and cash equivalents	698	-	**698**
Trade and other receivables	329	-	**329**
Trade and other payables	(283)	-	**(283)**
Deferred tax	-	(946)	**(946)**
Net assets acquired	1,014	2,840	**3,854**
Consideration			**3,871**
Goodwill			**17**

Consideration satisfied by:

Cash	**3,387**
Deferred consideration payable	**484**
	3,871

An income approach was used to value contractual customer lists and relationships, using a discount factor of 8.6%. The useful life has been estimated at 10 years.

The technology was valued by using a relief from royalty approach, based on a royalty rate of 30% and using a discount factor of 8.6%. The useful life has been estimated at 4 years.

Trade and other receivables include gross contractual amounts due of £402,000 of which £123,000 was expected to be uncollectible at the date of acquisition.

Acquisition of Topfloor Systems Limited (Topfloor)

The entire issued share capital of Topfloor, a provider of property management software services, was acquired on 17 February 2023 for the total consideration of £5,164,000.

Topfloor further extended Grafenia's range of niche VMS companies that generate revenue of a recurring nature.

In the period during the current financial year that Topfloor was owned by the Group, it contributed revenue of £173,000 and a profit before tax of £94,000. Had it been owned by the group for the full year, it would have contributed revenue of £1,445,000 and a loss before tax of £703,000, which included one-off costs.

Net assets of Topfloor on acquisition:

	Book Value £000	Adjustments £000	**Fair value £000**
Customer base	-	1,390	**1,390**
Technology	-	4,407	**4,407**
Property, plant and equipment	10	-	**10**
Cash and cash equivalents	171	-	**171**
Trade and other receivables	31	-	**31**
Trade and other payables	(120)	-	**(120)**
Deferred tax	-	(725)	**(725)**
Net assets acquired	92	5,072	**5,164**
Consideration			**5,164**
Goodwill			**-**

Consideration satisfied by:

Cash	**3,370**
Deferred consideration payable	**889**
Contingent consideration payable	**905**
	5,164

An income approach was used to value contractual customer lists and relationships, using a discount factor of 8.6%. The useful life has been estimated at 10 years.

The technology was valued by using a relief from royalty approach, based on a royalty rate of 50% and using a discount factor of 8.6%. The useful life has been estimated at 6 years.

Trade and other receivables include gross contractual amounts due of £963,000 of which £5,000 was expected to be uncollectible at the date of acquisition.

Contingent consideration of up to €1,400,000 will be satisfied in cash dependent on Topfloor achieving certain earnings targets each of the first three annual periods following acquisition. Based on management's estimation of future revenue growth of 10% per annum, expected contingent consideration is €1,248,000. Should revenue growth be 5% per annum, the contingent consideration payment would be €558,000. The expected contingent consideration has been discounted to present value using a WACC of 8.6%.

24. CHANGES IN LIABILITY ARISING FROM FINANCING ACTIVITIES

	Invoice finance £000	Lease liabilities £000	Loans £000
Balance at 1 April 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
Cash flows			
Repayment of borrowings	**-**	**-**	**(305)**
Proceeds of new loans	**-**	**-**	**9,520**
Lease payments	**-**	**(180)**	**-**
Non cash changes			
Interest	**-**	**63**	**644**
Disposal of subsidiary	**(512)**	**(2,198)**	**-**
New finance lease	**-**	**186**	**-**
Balance at 31 March 2023	**-**	**1,071**	**12,984**

25. CONSIDERATION RECEIVABLE

	2023 £000	2022 £000
Receivable within one year	**1,698**	-
Receivable after one year	**-**	-
Total consideration receivable	**1,698**	-

Consideration is receivable from Rymack Sign Solutions Limited following the sale of Works Manchester Limited on 31st May 2022. The total outstanding consideration is £2,809,973. The carrying value of £1,698,000 is net of an impairment of £805,000 as a result of a missed instalment on 31st May 2023, see note 28 for further details.

26. CAPITAL COMMITMENTS

The Group and Company have no commitments to incur capital expenditure at the year end *(2022: £nil).*

27. RELATED PARTIES

In the year ended 31 March 2023 no dividends were paid *(2022: nil)*.

On 19 May 2022, the Company entered into an consulting agreement (the "Agreement") with Peter Gunning (former CEO), via his consulting company Perpetual Cielo Azul SL, to provide services to Nettl Systems, with focus on developing and assisting the operation of Grafenia's proprietary platforms, as well as advising on the technology integration of any acquisitions made by the Company. Pursuant to the terms of the Agreement, Peter's company has been paid a fee of £15,565 (excluding VAT, as applicable) per month for the first 12 months of the Agreement. Thereafter, additional work will be charged at £750 per day, with a minimum commitment of three days per month. After the initial period, the agreement may be terminated by either party by giving not less than 6 months' notice.

As announced on 19 May 2022, the Agreement with Peter Gunning's company is a related party transaction pursuant to rule 13 of the AIM Rules for Companies. The independent directors, being all of the Company's directors other than Peter Gunning, considered, having consulted with the Company's Nominated Adviser, that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

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.

28. POST BALANCE SHEET EVENTS

On 1 June 2023 Grafenia plc announced that a £514,223 instalment of deferred consideration from Rymack Sign Solutions Limited, a privately owned company trading as PFI Group ("PFI"), due on 31 May 2023 was not made. The Company remains in discussions with PFI to resolve the matter. The total outstanding consideration is £2,809,973. The carrying value in the financial statements is £1,698,000.

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

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