

*Grafenia plc*

## Half-year Report

RNS Number : 5506O  
 Grafenia plc  
 08 November 2016

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**8 NOVEMBER 2016**

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

*Unaudited Interim Results for the six months ended 30 September 2016*

<b>Financial Highlights</b>	<b>Six months to 30 September 2016</b>	<b>Six months to 30 September 2015</b>
<b>Turnover</b>	<b>£5.14m</b>	£5.28m
<b>EBITDA*</b>	<b>£0.46m</b>	£0.59m
<b>Operating Loss before restructuring costs</b>	<b>£(0.38)m</b>	£(0.10)m
<b>Loss before tax</b>	<b>£(0.41)m</b>	£(0.20)m
 <b>EPS</b>	 <b>(0.56)p</b>	 (0.02)p
 <b>Dividend</b>	 -	 0.25p
 <b>Capital Expenditure</b>	 <b>£0.44m</b>	 £1.09m
 <b>Cash</b>	 <b>£0.50m</b>	 £0.34m
 <b>Net Cash**</b>	 <b>£0.20m</b>	 -

\* EBITDA is profit for the period plus interest, tax, depreciation and amortisation.

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

- Nettl grows to over 80 locations
- First pilot Nettl Business Store opens
- printing.com adds over 20 new partners
- Further Brand Partners added since period end
- Strong pipeline of new Partners
- Commenced search for strategic acquisitions

**For further information:**

**Grafenia plc**

**Peter Gunning (Chief Executive)**

**07973 191 632**

**Alan Roberts (Finance Director)**

**0161 848 5713**

**N+1 Singer (Nominated Adviser)**

**Richard Lindley / James White**

**0207 496 3000**

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

**Chief Executive's Statement**

This has been an important and busy six months as we continue to transition the Company's business model. We have taken key and necessary steps to reposition our Channels for growth.

**Trading Results and Cash**

Turnover during the six month period was **£5.14m** (2015: £5.28m), a decline of 2.65% compared to the corresponding period last year. Although the volume of orders we produced in the UK and Ireland was higher than the same period last year, lower pricing impacted print sales. Gross margin contracted from 66.8% to **63.0%**.

EBITDA\* was **£0.46m** (2015: £0.59m), a decline of 22.03% compared to the corresponding period last year. There was an operating loss of **£0.42m** (2015: operating loss £0.18m). Restructuring costs of £0.04m (2015: £0.08m) have been incurred in the period.

At 30 September 2016, the Company had cash of **£0.50m** (2015: £0.34m). Operating activities generated **£0.30m of cash** (2015: £0.37m). During the period working capital increased by **£0.15m** (2015: £0.43m).

Capital expenditure was **£0.44m** (2015: £1.09m) with the total including £0.36m invested in the ongoing development of our software which underpins our operations and is licenced to our Partners.

**Trading Review**

We generate revenue from two main sources: licence fees and the sale of printing.

During the last six months, we have continued to simplify our business model and refine our Partner acquisition funnel.

Our objective is to attract graphic professionals to our Marqetspace trade channel. Once we have established a trading relationship with them, our aim is to expand the share of printing and display products they buy from us, to resell to their clients.

We build trust with Marqetspace clients by being a reliable trade production partner. Once we have earned their trust, our field-based account managers learn about their plans for growth. We use that knowledge to identify ways to help, whether that's with software, systems or marketing support. Our aim is to convert clients into Brand Partners, to build deeper relationships and to licence our Nettl and printing.com subscription models.

We call this our Partner acquisition funnel and the results of this approach are looking promising. In the first half of the year we attracted over 300 new Marqetspace buyers. In the same period, we have grown our Nettl network to 80 locations and added over 20 new printing.com Partners, many being Marqetspace clients. When we convert a Marqetspace client to a Brand Partner, we typically see a higher level of print sales. As well as licence fee revenue, we expect these higher print sales to show benefit in the second half of the year. We have added further Brand Partners since the end of the interim period.

The trade print market remains fiercely competitive and we do not expect print margins to improve. It is likely we will see further margin pressure in the second half. Our focus is to mitigate this by accelerating the growth of our networks of Brand Partners, by delivering value which our Partners believe is worth paying licence fees for. This value includes software to automate their studio and make interaction with clients more efficient. We provide an extensive catalogue of regularly updated marketing collateral, which Partners can use to sell print, display and web locally. This is coupled with automated digital marketing, which we undertake on their behalf.

### **Sale of Printing**

During the first half, we completed a major exercise to simplify our pricing proposition.

Historically, our printing.com channel focused on discounted monthly promotions, whilst Nettl sold the same products at constant pricing. The majority of Nettl Partners also have printing.com Brand licences and the previous dual pricing for the same printed product was confusing for both clients and Partners, which we believe adversely impacted sales.

Through "Project OnePrice", we have re-aligned the pricing of our printing.com and Nettl Channels and positioned them competitively in an increasingly aggressive marketplace.

In the first half we manufactured 14% more orders in the UK and Ireland than the same period last year, however overall print revenues decreased from £4.56m to **£4.34m** due to lower pricing.

Our UK and Irish Brand Partners operating under the Nettl and printing.com brands generated print revenues of **£2.27m** (2015: £2.84m). These sales are combined since Nettl web studios continue to sell the printing.com product range and indeed receive local online orders via the printing.com website.

Sale of print through our Trade Channels, Marqetspace and W3P, generated print revenues of **£1.81m** (2015: £1.44m).

In the previous year, we invested in equipment to enter the digital textiles market often referred to as "ink-on-fabric". Sales of ink-on-fabric displays and furniture are included in the printing totals and we are pleased to help the majority of our Brand Partners make sales in this emerging market. At the close of the interim period we achieved an annualised monthly run rate ("AMRR") of **£0.55m** across all Channels. We expect this product line to continue to grow in the second half of the year.

There are typically two parts to each display: a fabric printed graphic, which we manufacture and finish in our Production Hub; and a frame, which we buy in bulk. These frames have an extended lead time and our expanding product range is represented by an increase in inventories to **£0.33m** (2015: £0.22m).

### **Brand Partner Channels**

We launched Nettl in September 2014 after identifying that SME clients were prioritising their budget on web and digital marketing, ahead of print. We believe we need to first win their web design, so that we can secure their print and display spend.

SME clients increasingly want sophisticated online solutions. They want to take payments from their own customers, accept online bookings, sell products online and take advantage of the relentless growth of ecommerce. Nettl Partners design, build and deploy sites and systems for local businesses, helping clients to navigate the myriad of choices.

Nettl is a bolt-on model for graphics businesses. It allows a graphic designer, print shop or agency to get started with web and deliver higher value projects including websites. It's a suite of training, software and marketing which all work together to enable our Partners do more, with their existing people.

Partners pay an initial licence fee, which covers their classroom training and starter marketing pack. Then they typically pay a monthly subscription of £399 plus fees for deployments and hosting.

During the interim period, the Nettl network grew to 80 locations in the UK and Ireland. We believe the UK could ultimately support 200 or more Nettl locations and we expect to continue growing the network in the second half of the year.

In October 2016 we launched a new pilot "Business Store" format in Birmingham, combining the sale of ecommerce, websites and print and displays, together with meeting space for local businesses. Our vision is to build a 'department store' for SMEs, where they can touch promotional products and talk to us about growing their businesses. Initial feedback from clients and Nettl partners has been positive and we will test and refine this format with the objective of assisting partners to open further Business Store locations.

In February 2016, we relaunched printing.com as a subscription model. The subscription model allows a copyshop, print store, print broker or design agency to bolt-on printing.com to their business. For £299 a month, they receive W3P, a suite of software tools and access to an extensive marketing library for them to use locally. Two thirds of existing printing.com Partners have now converted to the new subscription model and in the first half we added over 20 new printing.com locations. We expect to add further new Partners in the second half.

As part of our transition, we no longer refer to printing.com or Nettl Studios as franchisees. They are called Partners, to reflect our strategy of aligning what we do, with what they value. In September 2016 we held a series of local 'town hall' events to get together and share best practice. Over 150 Brand Partners and their team members attended these seven "Pow Wows". We believe events like these are important in building trust and developing relationships.

### **Trade Partner Channels**

Around 2,300 graphic professionals have ordered from Marqetspace.com to date and we continue to attract new clients. As well as guiding clients through our print range, our field-based account managers demonstrate our growing ink-on-fabric displays and talk about our software and subscription models.

During the interim period, we upgraded the Marqetspace website and refreshed the branding to make it more appealing to our clients. Marqetspace.com is our largest w3shop and development is centred around reducing or eliminating manual processing time in order to compress job lifecycles and extend client cut-offs.

Marqetspace remains an important part of our Partner acquisition funnel and is a source of future Nettl and printing.com Brand Partners.

### **Other channels**

Flyerzone.co.uk and Flyerzone.ie are online print channels with an offering focused to micro businesses. We operate these Channels with low overhead to provide contribution to print volumes. During the first half Flyerzone generated revenues of **£0.22m** (2015: £0.27m).

Our operations in France, which include Flyerzone.fr remained at **£0.15m** (2015: £0.15m), although more orders were transacted online.

### **Licence Fees**

Our strategy is to grow recurring subscription revenue from our Brand Partner models. Overall revenue from Licence Fees increased to £0.79m (2015: £0.72m). This includes fees our Partners pay for using W3P, our systems and brands.

### **International Platforms**

Our international Partners master licence our brands and/or systems in their countries. We have existing Partners in the US, New Zealand, Australia, France and Poland. Each use our platform in different ways, however we are typically paid a share of licence fees generated and/or transaction fees.

We have continuing discussions with potential Partners in other territories and our intention is to exploit our intellectual property via licencing arrangements.

### **Dividend**

The Directors are not declaring an Interim Dividend (2015: 0.25p per share).

### **Previously announced Board Changes**

During the first half of the year, Les Wheatley stepped down as Non Executive Chairman. The Board wishes to thank Les for his years of service. A temporary Chairman is appointed at Board Meetings, with the current Directors performing the role on a rotational basis.

### **Acquisitions**

Whilst we continue to seek organic growth with our Nettl, printing.com and Marqetspace formulas we are also pursuing acquisitions, complementary to our core operations. Early opportunities identified are relatively small businesses, however we have identified potentially value-creating areas which we believe could allow us to scale our business more quickly.

We will update the market with further details as appropriate.

### **Outlook**

In our last update to the market on 14<sup>th</sup> October, we stated that trading had been challenging. After a good start to the month, trading in October ended below our internal budgets and did not reflect usual seasonality patterns.

In a typical year, our results are usually weighted in favour of the second half and we expect this to continue in the current financial year. Given the sporadic trading pattern of the first half, coupled with early trading in the second half and future economic uncertainty, we cannot forecast transactional print volumes with a high degree of certainty. As we expand our Brand partner base, our aim is to grow more predictable revenues.

Whilst we are allocating more resources to our Partner acquisition strategy and anticipate growing both our Nettl and printing.com Brand Partner networks, we must remain cautious on the outlook for the second half of the year. If transactional print revenues continue to perform below our internal budgets, it is likely that our full year results will be significantly below market expectations.

**Peter Gunning**  
**Chief Executive Officer**  
**8 November 2016**

*Unaudited Interim Results for the period ended 30 September 2016*

**Consolidated Statement of Comprehensive Income**

for the six months ended 30 September 2016

<i><b>Continuing Operations</b></i>	Note	<i><b>Unaudited</b></i>	<i><b>Unaudited</b></i>	<i><b>Year ended 31 March</b></i>
		<i><b>Period ended 30 September 2016 £000</b></i>	<i><b>Period ended 30 September 2015 £000</b></i>	
<b>Revenue</b>	3	<b>5,136</b>	5,279	10,766
Raw materials and consumables used		(1,900)	(1,750)	(3,631)
<b>Gross profit</b>		<b>3,236</b>	3,529	7,135
Staff costs		(1,825)	(1,911)	(3,776)
Other operating charges		(921)	(941)	(1,838)
Depreciation and amortisation		(867)	(781)	(1,462)
Restructuring costs		(41)	(78)	(308)
<b>Operating loss</b>		<b>(418)</b>	(182)	(249)
Financial income		<b>24</b>	1	5
Financial expenses		(11)	(13)	(16)
<b>Net financing (expense)/income</b>		<b>13</b>	(12)	(11)
<b>Loss before tax</b>		<b>(405)</b>	(194)	(260)
Taxation	4	<b>150</b>	41	270
<b>(Loss)/ Profit for the period</b>		<b>(255)</b>	(153)	10
Profit from discontinued operations after tax	6	-	142	54
<b>Total comprehensive (expense)/income for the period</b>		<b>(255)</b>	(11)	64
<b>EPS - Continuing Operations</b>	5	<b>(0.56)p</b>	(0.32)p	0.02p
<b>EPS - Discontinued Operations</b>	5	-	0.30p	0.12p
<b>EPS - Total (1)</b>	5	<b>(0.56)p</b>	(0.02)p	0.14p

(1) Earnings per share suffers no dilution

Consolidated Statement of Financial Position  
at 30 September 2016

***Unaudited***      ***Unaudited***

	<i>30 September 2016 £000</i>	<i>30 September 2015 £000</i>	<i>31 March 2016 £000</i>
<b><i>Non-current assets</i></b>			
Property, plant and equipment	1,411	1,386	1,513
Intangible assets	2,568	2,981	2,893
Other receivables	78	13	27
<b>Total non-current assets</b>	<b>4,057</b>	<b>4,380</b>	<b>4,433</b>
<b><i>Current assets</i></b>			
Inventories	339	233	316
Trade and other receivables	2,695	2,419	2,608
Cash and cash equivalents	495	121	686
Assets held for sale (Note 6)	-	1,671	-
<b>Total current assets</b>	<b>3,529</b>	<b>4,444</b>	<b>3,841</b>
<b>Total assets</b>	<b>7,586</b>	<b>8,824</b>	<b>8,274</b>
<b><i>Current liabilities</i></b>			
Other interest-bearing loans and borrowings	(68)	(46)	(66)
Trade and other payables	(1,277)	(1,534)	(1,363)
Current tax payable	-	(150)	-
Accruals and deferred income	(491)	(448)	(699)
Other liabilities	(100)	(116)	(108)
Liabilities held for sale (Note 6)	-	(493)	-
<b>Total current liabilities</b>	<b>(1,936)</b>	<b>(2,787)</b>	<b>(2,236)</b>
<b><i>Non-current liabilities</i></b>			
Other interest-bearing loans and borrowings	(230)	(203)	(264)
Deferred tax liabilities	(437)	(364)	(512)
<b>Total non-current liabilities</b>	<b>(667)</b>	<b>(567)</b>	<b>(776)</b>
<b>Total liabilities</b>	<b>(2,603)</b>	<b>(3,354)</b>	<b>(3,012)</b>
<b>Net assets</b>	<b>4,983</b>	<b>5,470</b>	<b>5,262</b>
<b><i>Equity</i></b>			
Share capital	475	475	475
Merger reserve	838	838	838
Retained earnings	3,931	4,226	4,186
Treasury Shares	(261)	(69)	(237)
<b>Total equity</b>	<b>4,983</b>	<b>5,470</b>	<b>5,262</b>

**Consolidated Statement of Changes in Shareholders Equity**  
*for the six months ended 30 September 2016 (unaudited)*

	Share Capital	Share Prem.	Merger Reserve	Treasury Shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Opening shareholders' funds at 1 April 2015	475	-	838	(69)	4,708	5,952
Loss for the period	-	-	-	-	(153)	(153)
Profit from discontinued activity after tax (Note 6)	-	-	-	-	142	142
Dividends paid	-	-	-	-	(471)	(471)
<b>Closing shareholders' funds at 30 September 2015</b>	<b>475</b>	<b>-</b>	<b>838</b>	<b>(69)</b>	<b>4,226</b>	<b>5,470</b>
Opening shareholders' funds at 1 October 2015	475	-	838	(69)	4,226	5,470
Profit for the period	-	-	-	-	163	163
Loss from discontinued activity after tax (Note 6)	-	-	-	-	(88)	(88)
Own shares acquired	-	-	-	(168)	-	(168)
Dividends paid	-	-	-	-	(115)	(115)
<b>Closing shareholders' funds at 31 March 2016</b>	<b>475</b>	<b>-</b>	<b>838</b>	<b>(237)</b>	<b>4,186</b>	<b>5,262</b>
Opening shareholders' funds at 1 April 2016	475	-	838	(237)	4,186	5,262
Loss for the period	-	-	-	-	(255)	(255)
Own shares acquired	-	-	-	(24)	-	(24)
Dividends paid	-	-	-	-	-	-
<b>Closing shareholders' funds at 30 September 2016</b>	<b>475</b>	<b>-</b>	<b>838</b>	<b>(261)</b>	<b>3,931</b>	<b>4,983</b>

**Consolidated Statement of Cash Flows**  
*for the six months ended 30 September 2016*

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Year ended 31 March 2016 £000
<b>Cash flows from operating activities</b>			
(Loss)/Profit for the period	(255)	(11)	64
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	867	814	1,462
(Surplus)/Loss on sale of subsidiary	-	-	(279)

Net finance expense/(income)	(13)	4	11
Exchange (loss)/gain	22	-	-
Taxation	(150)	6	(223)
<b>Operating cash flow before changes in working capital and provisions</b>	<b>471</b>	813	1,035
Change in trade and other receivables	174	(159)	(322)
Change in inventories	(23)	(31)	(114)
Change in trade and other payables	(302)	(240)	(632)
<b>Cash generated/(used) from the operations</b>	<b>320</b>	383	(33)
Interest paid	(11)	(6)	(16)
Tax paid	(6)	(9)	(20)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>303</b>	368	(69)
<b>Cash flows from investing activities</b>			
Proceeds from sale of subsidiary	-	-	1,728
Interest received	2	2	5
Proceeds from sale of plant and equipment	-	1	-
Acquisition of plant and equipment	(83)	(538)	(438)
Capitalised development expenditure	(186)	(287)	(513)
Acquisition of other intangible assets	(169)	(264)	(500)
<b>Net cash (used)/generated in investing activities</b>	<b>(436)</b>	(1,086)	282
<b>Cash flows from financing activities</b>			
Proceeds from supplier finance	-	266	-
Payment of supplier finance	(32)	(17)	(40)
Payment of equity dividend	-	(471)	(586)
Own shares acquired	(24)	-	(168)
<b>Net cash outflow from financing activities</b>	<b>(56)</b>	(222)	(794)
Net decrease in cash and cash equivalents	(189)	(940)	(581)
Exchange diff on cash and cash equivalents	(2)	-	(10)
Cash and cash equivalents at start of period	686	1,277	1,277
<b>Cash and cash equivalents at end of period</b>	<b>495</b>	337	686
The split of cash between continuing operations and assets held for sale is as follows:-			
<b>Attributable to continuing operations</b>	<b>495</b>	337	686
<b>Classified as held for sale</b>	-	-	-
Included in the prior period are cashflows from discontinued operations, note 6.			

## Notes

## **1 Basis of preparation**

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

These financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 March 2016.

The comparative figures for the year ended 31 March 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 8 November 2016.

## **2 Significant accounting policies**

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 March 2016.

## **3 Segmental information**

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

This disclosure correlates with the information which is presented to the Chief Operating Decision Maker, the Chief Executive (CEO), who reviews revenue (which is considered to be the primary growth indicator) by segment. The Company's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the CEO at a consolidated level and therefore have not been allocated between segments in the analysis below.

### ***Analysis by location of sales***

Period ended 30 September 2016	UK & Ireland £000	Europe £000	Other £000	Total £000
<b>Segment Revenues</b>	<b>4,752</b>	<b>207</b>	<b>177</b>	<b>5,136</b>
Operating Expenses				(5,513)
Results from operating activities				(377)
Exceptional costs				(41)

Net finance income	<b>13</b>
Loss before tax	(405)
Tax	<b>150</b>
Loss for the period	<b>(255)</b>
<b>Assets</b>	
Unallocated net assets	<b>4,983</b>

***Analysis by location of sales***

Period ended 30 September 2015	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£000
Segment Revenues	4,908	193	178	5,279
Operating Expenses	—	—	—	(5,383)
Results from operating activities				(104)
Restructuring costs				(78)
Net finance expense				(12)
Loss before tax				(194)
Tax				41
Profit from discontinued activity				142
Loss for the period				(11)
<b>Assets</b>				
Unallocated net assets				<b>5,470</b>

***Analysis by type***

Period ended 30 September 2016	Brand Partners	Trade Partners	Other	Total
	£000	£000	£000	£000

Print Revenues	<b>2,268</b>	<b>1,811</b>	<b>264</b>	<b>4,343</b>
Licence Fees	<b>364</b>	<b>173</b>	<b>256</b>	<b>793</b>

<b>Segment Revenues</b>	<b>2,632</b>	<b>1,984</b>	<b>623</b>	<b>5,136</b>
Operating Expenses				(5,513)
Results from operating activities				(377)
Exceptional costs				(41)
Net finance income				13
Loss before tax				(405)
Tax				150
Loss for the period				(255)

#### **Assets**

Unallocated net assets				<b>4,983</b>
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Period ended 30 September 2015	Brand Partners	Trade Partners	Other	Total
	£000	£000	£000	£000
Print Revenues	2,736	1,444	381	4,561
Licence Fees	277	196	245	718
Segment Revenues	3,013	1,640	626	5,279
Operating Expenses				(5,383)
Results from operating activities				(104)
Net finance expense				(12)
Loss before tax				(194)
Tax				41

Profit from discontinued activity	142
Loss for the period	(11)
<b>Assets</b>	
Unallocated net assets	5,470

The comparator segment revenue categories have been restated to the format of the current year presentation.

#### **4 Taxation**

The tax charge is based on the base tax rate of 18% (six month period ended 30 September 2015: 20%, year to 31 March 2016 18%) adjusted for UK R&D Tax claims for the 2016 year.

#### **5 Earnings per share**

The calculation of the basic earnings per share is based on the loss after taxation divided by the weighted average number of shares in issue, being 45,593,934 (*period ended 30 September 2015 47,071,835; year ended 31 March 2016: 46,639,156*).

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

#### **6 Discontinued operations**

The disposal of Grafenia BV was treated as a post balance sheet subsequent event at 30 September 2015 and the Company subsequently applied IFRS 5. The disposal completed on 6 October 2015 and the business was classified as an asset held for sale and treated as a discontinued operation in the prior period.

The results for the prior period exclude those of Grafenia BV as it was classified as a discontinued activity.

**The Company's half yearly report will shortly be sent to shareholders and will be available on the Company's website [www.grafenia.com](http://www.grafenia.com).**

#### **Independent Review Report to Grafenia plc**

##### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2016 which comprises the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## **Directors' responsibilities**

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

**Will Baker**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
1 St Peters' Square  
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