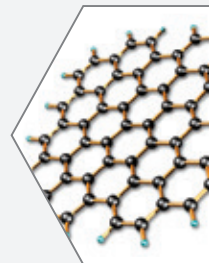
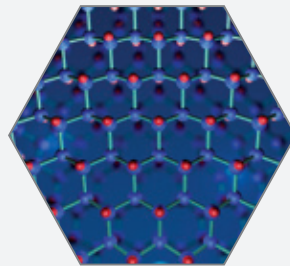
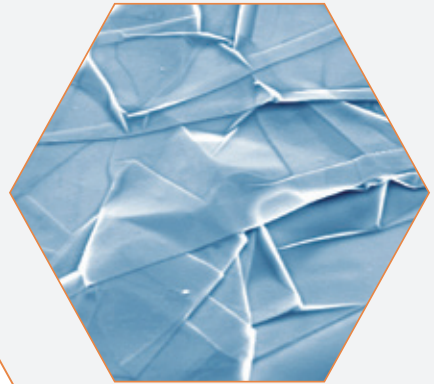


Versarien

Versarien plc
Financial statements for the
half year ended 30 September 2014



Developing **advanced materials** and enabling **engineering** **exploitation**

We utilise proprietary materials technology to create innovative engineering solutions that are capable of having game-changing impact in a broad variety of industry sectors.

Founded in 2010, we have continued to develop advanced materials and processes to satisfy customer specific applications whilst expanding our portfolio of intellectual property through acquisition.

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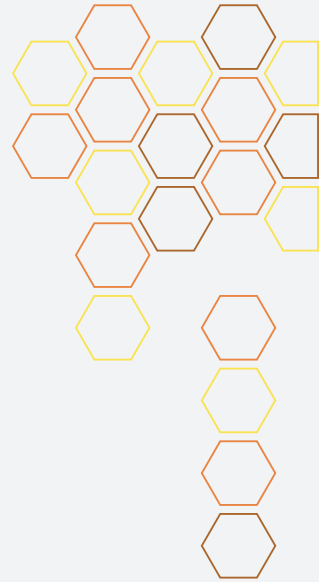


For further information
about our operations
visit our website at

www.versarien.com

Highlights

- Group revenues up 127% to £2.5 million (2013: £1.1 million)
- EBITDA loss before exceptional costs reduced by 76% to £25,000 (2013: £106,000)
- Net assets increased by 169% to £7.8 million (2013: £2.9 million) following successful placing of £5.5 million before costs
- Cash at 30 September 2014 of £4.9 million (2013: £0.7 million)
- Acquisition of graphene producer 2-DTech Limited, for a total consideration of £740,000 including £220,000 in cash, £220,000 in new Ordinary shares and £300,000 in project development commitments
- Commencement of joint venture, DV Composite Tooling Limited, to develop cutters incorporating the Group's core technologies for supply to the composites sector
- Total Carbide sales up 118% to £2.4 million (£2013: £1.1 million) with operating profits up 365% to £511,000 (2013: £110,000)
- Versarien Technologies sales of £11,000 (2013: £2,000) with operating loss of £356,000 (2013: £243,000). The Company continues to advance its customer relationships for the commercial production of porous copper foam and has received £63,000 of grants from Innovate UK
- 2-DTech Limited sales of £51,000 with operating loss of £102,000; announced partnership with the National Graphene Institute and won its first two grants from Innovate UK to develop graphene applications



Chairman's statement

Ian Balchin, Non-executive Chairman, Versarien plc

The outlook for the Group remains extremely positive. Total Carbide remains cash generative and will help to support application developments at both Versarien Technologies and 2-DTech whilst they themselves continue to make strides in the development of their technology products. I look forward to reporting on further progress on the full results for the year.

I am pleased to report on the continued progress made by Versarien following its flotation in June of last year. Our business model is to develop the Group's intellectual property portfolio by either establishing new arrangements with research institutions or by identifying embryonic early stage companies that fit with our advanced materials technology.

Since publication of our full year results in July, Versarien has concluded negotiations to start up a joint venture to produce and distribute a new range of tooling for the composites industry which will be strengthened using our graphene and tungsten carbide technologies. We have also agreed terms leading to the Group becoming a partner of the National Graphene Institute. As part of NGI's Technical Advisory Board 2-DTech will develop and communicate a roadmap of strategically managed projects that will be carried out either within The University of Manchester academic schools or elsewhere as appropriate. Further information on both of these developments is contained in the Chief Executive Officer's Report.

In the six months to 30 September 2014, revenues for the Group, including a full period contribution from Total Carbide, were £2.5 million (2013: £1.1million), which returned

an operating loss before exceptional items of £128,000 (2013: £190,000). The pre-tax loss for the period was £296,000 (2013: loss £368,000). It was particularly pleasing to note the performance of Total Carbide, which returned an operating profit, before special and non-recurring items of £569,000 (2013: £110,000). Full details of financial performance are disclosed in the Chief Executive Officer's Report.

A year has now passed since flotation and the Board has reviewed the commitments to corporate governance described in the admission document. The Audit Committee invited tenders for the Group audit and it, together with the Board as a whole, has decided to appoint PwC to report going forwards.

The outlook for the Group remains extremely positive. Total Carbide remains cash generative and will help to support application developments at both Versarien Technologies and 2-DTech whilst they themselves continue to make strides in the development of their technology products. I look forward to reporting on further progress on the full results for the year.

Ian Balchin
Non-executive Chairman
11 December 2014

"It was particularly pleasing to note the performance of Total Carbide, which returned an operating profit before exceptional items of £569,000 (2013: £110,000)."

Chief Executive Officer's statement

Neill Ricketts, Chief Executive Officer, Versarien plc

The results for the first half of the year have been particularly pleasing in some respects with the Group near to breaking-even before exceptional items, interest, depreciation and amortisation. Versarien's mature business, Total Carbide Limited, has performed strongly and generated cash to significantly fund the technologies in the Group.

Business overview

Since the start of the current financial year Versarien has made significant progress:

→ The Group acquired 85% of the issued share capital of 2-DTech from The University of Manchester in May 2014. 2-DTech specialises in the supply, characterisation and early stage development of graphene products. The total consideration for the acquisition was £740,000 settled by a mix of cash, new Ordinary shares and the commitment to fund at least two further graphene-related research projects to be undertaken by The University of Manchester to a total of £300,000. These will be in graphene-enhanced composites and graphene-enhanced inks.

The technology and expertise we have acquired through 2-DTech will enable a significant enhancement of the Versarien product range, building upon the Group's experience in manufacturing for the technology sector and enabling Versarien to apply its experience and expertise to commercialising the considerable market opportunities for graphene in the UK and abroad.

In line with Versarien's strategy of supporting the road to product commercialisation through technology finance, the Company announced in November that 2-DTech has been awarded two separate grants from InnovateUK,

formerly known as the Technology Strategy Board. It will receive £80,000 as part of a collaborative project with Evodental, a dental implant centre providing full mouth reconstruction and surgery, to produce graphene-reinforced polymers for fixed dental prostheses. 2-DTech will also receive £98,000 to explore the functionalisation of solid-state dye-sensitised solar cells, which will be expedited in conjunction with Dyesol Ltd, the Australian solar clean tech company.

Last month 2-DTech also announced that it had signed a memorandum of understanding (MOU) with The National Graphene Institute (NGI), which once finalised will result in 2-DTech becoming a project partner of the NGI. Under the terms of the MOU, this partnership will bring together the graphene technology and applications potential that exists through The University of Manchester and the NGI, with the operational aspects of new product development and manufacturing expertise that 2-DTech and the other Versarien business divisions can offer. 2-DTech will also undertake its research and development project activity with the NGI in the NGI's £61 million purpose built centre, which is located on The University of Manchester campus and is due to open in March 2015.

→ In April 2014, Versarien raised £5,500,000 (before

expenses) through the placing of 21,153,847 new Ordinary shares at 26 pence per share. The placing was oversubscribed and the proceeds used to fund the acquisition of 2-DTech and the development of the Group's technology.

→ In November 2014, the Group agreed terms to form a 50:50 joint venture with Dimar Limited, a leading manufacturer of cutting tools based in Israel, to distribute a new range of tooling for the composites industry. The new venture, DV Composites Limited, will leverage Versarien's existing sales channels into the automotive, aerospace and marine sectors. Dimar currently sells a range of high performance tooling to a number of global organisations in these sectors. DV Composites will be based and operate out of Versarien's headquarters in Mitcheldean and will distribute these new products, alongside its development products for the composite industry, enabling further traction.

Financial results

The results for the first half of the year have been particularly pleasing in some respects with the Group near to breaking-even before exceptional items, interest, depreciation and amortisation. Versarien's mature business, Total Carbide Limited, has performed strongly and generated cash to significantly fund the technologies in the Group. We have used comparatively little of the funds

Chief Executive Officer's statement *continued*

Neill Ricketts, Chief Executive Officer, Versarien plc

Financial results continued

raised from the placing and at the half year had cash and facilities of £5.5 million. In addition, the Group's bankers have agreed to provide further facilities of £0.75 million for asset funding. Consequently, we remain well placed to continue to roll out our technologies.

The Group's revenue for the first six months of the financial year totalled £2,479,000 (2013: £1,081,000) with operating losses before exceptional items reduced to £128,000 (2013: £190,000). This includes a full period of trading from Total Carbide. Exceptional items of £164,000 (2013: £173,000) include £96,000 in respect of moving Total Carbide production facilities, £45,000 acquisition costs and £23,000 set-up costs for the associated company venture, DV Composite Tooling Limited. The resulting pre tax loss for the six months to 30 September was £296,000 (2013: loss £368,000). Following the placing and acquisition of 2DTech Limited, completed on 1 May 2014, Group net assets at the half year were £7,823,000 (2013: £2,872,000).

Total Carbide Limited

Total Carbide sales were £2,441,000 (2013: £1,080,000) with an operating profit before exceptional items of £569,000 (2013: £110,000), a return of 23% on sales (2013: 10%). The business is highly operationally geared and enjoyed a substantial increase in demand from the oil and gas sector in the first half.

The lease on the factory premises is due to end in February 2016 and the business will therefore be relocated. Work has begun on the planning and implementation of the move including employing staff to set up some production capability at the Group's Mitcheldean facility, the costs of which total £96,000 and have been treated as exceptional items.

Versarien Technologies Limited

VTL's revenue for the period was minimal at £11,000 (2013: £2,000) with an operating loss of £356,000 (2013: £243,000). At the start of the year the company had capitalised £70,000 in respect of development costs and in the six months to 30 September has added a further £103,000 as work continued on specific applications and processes. Grant payments received in respect of these projects totalled £69,000, which has been credited to deferred income.

As well as continuing to develop custom solutions for specific clients the Company has also commenced development of standard products for supply of IGBT power semi-conductor thermal management devices, integrated power modules for hybrid and electric vehicles, compact high efficiency liquid to liquid heat exchangers for domestic heat pumps and air heat sinks which outperform competing ceramic products. To support this strategy VTL has strengthened its development team with the recruitment of three senior engineers, which will enable the Company to progress with both custom and standard product offerings.

VTL has also signed its first distribution agreement for the supply of VersarienCu to research establishments.

2-DTech Limited

Since its acquisition on 1 May 2014, 2-DTech's income for the period was £51,000 and its grant income was £25,000 leaving £225,000 in deferred income to release as the projects currently underway roll out. This produced an operating loss for the post-acquisition period of £102,000.

As a result of 2-DTech's progress referred to in the business overview we have strengthened the team further by the appointment of Dr Nigel Salter (ex-Oxford Instruments technical director) as managing

director, Dr Aravind Vijayaraghaven (lecturer in nanomaterials at The University of Manchester, and public engagement co-ordinator for the National Graphene Institute) as a consultant and Dr Andrew Strudwick (BASF graphene scientist) as a research scientist.

DV Composite Tooling Limited

This joint venture with Dimar Limited, an Israeli based company, is in its start-up phase and as at the half year we had expended £23,000 on start up costs which have been accounted for as exceptional items. The product range was launched at the Advanced Engineering UK 2014 Show held at the NEC in Birmingham earlier this month and was well received. It provides the Group with an opportunity to use its core technologies with Dimar's products for the fast growing composites industry.

Outlook

2-DTech is the youngest company in the Group but its recent achievements provide the Board with confidence that it will make financial progress over the coming year. Versarien Technologies is fast developing its technology platform but timing of substantial revenues is highly dependent upon customers' time horizons. Total Carbide's results are linked to activity within the Oil and Gas sectors, but despite the drop in the oil price, are expected to continue to help support our technology businesses as they develop.

The Group continues to look for appropriate acquisition opportunities that fit its business model and will enhance its product offerings. Overall the Board views the future with much optimism.

Neill Ricketts

Chief Executive Officer
11 December 2014

Group statement of comprehensive income

For the half year ended 30 September 2014

	Notes	Six months ended 30 September 2014 Unaudited £'000	Six months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Continuing operations				
Revenue		2,479	1,081	2,953
Cost of sales		(1,469)	(787)	(1,881)
Gross profit		1,010	294	1,072
Other operating income		25	65	98
Operating expenses (including exceptional items)		(1,327)	(722)	(1,811)
Loss from operations before exceptional items		(128)	(190)	(444)
Exceptional items	2	(164)	(173)	(197)
Loss from operations		(292)	(363)	(641)
Finance charge		(4)	(5)	(12)
Loss before income tax		(296)	(368)	(653)
Income tax		—	—	—
Loss for the period		(296)	(368)	(653)
Loss attributable to:				
– Owner of the parent company		(281)	(368)	(653)
– Non-controlling interest		(15)	—	—
		(296)	(368)	(653)
Loss per share attributable to the equity holders of the Company:				
Basic and diluted	3	(0.28p)	(0.52p)	(0.85p)

There were no comprehensive gains or losses in the year other than those included in the Group Statement of Comprehensive Income.

Group statement of financial position

As at 30 September 2014

	Note	30 September 2014 Unaudited £ '000	30 September 2013 Unaudited £ '000	31 March 2014 Audited £ '000
Assets				
Non-current assets				
Goodwill and other intangibles	4	1,307	610	586
Property and equipment		1,236	1,149	1,091
Deferred taxation		65	65	65
		2,608	1,824	1,742
Current assets				
Inventory		907	724	765
Trade and other receivables		983	856	955
Cash and cash equivalents		4,871	668	215
		6,761	2,248	1,935
Total assets		9,369	4,072	3,677
Equity				
Called up share capital		1,054	831	831
Share premium		7,138	1,853	1,853
Merger reserve		1,017	1,017	1,017
Share-based payment reserve		47	23	35
Retained earnings		(1,418)	(852)	(1,137)
Equity attributable to owners of the parent company		7,838	2,872	2,599
Non-controlling interest		(15)	—	—
Total equity		7,823	2,872	2,599
Liabilities				
Non-current liabilities				
Trade and other payables		113	111	115
Provisions		200	200	200
Long-term borrowings		—	73	34
		313	384	349
Current liabilities				
Trade and other payables		886	544	549
Invoice discounting advances		—	231	156
Deferred consideration		300	—	—
Current portion of long-term borrowings		47	41	24
		1,233	816	729
Total liabilities		1,546	1,200	1,078
Total equity and liabilities		9,369	4,072	3,677

Group statement of changes in equity

For the half year ended 30 September 2014

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained Earnings £'000	Non-controlling interest £'000	Total equity £'000
At 1 April 2013 (unaudited)	529	—	53	—	(484)	—	98
Issued in the period	302	2,434	964	—	—	—	3,700
Cost of share issue	—	(581)	—	—	—	—	(581)
Share-based charge	—	—	—	23	—	—	23
Loss for the period	—	—	—	—	(368)	—	(368)
At 30 September 2013 (unaudited)	831	1,853	1,017	23	(852)	—	2,872
Loss for the period	—	—	—	—	(285)	—	(285)
Share-based payments	—	—	—	12	—	—	12
At 1 April 2014 (audited)	831	1,853	1,017	35	(1,137)	—	2,599
Issue of shares	223	5,537	—	—	—	—	5,760
Cost of share issue	—	(252)	—	—	—	—	(252)
Loss for the period	—	—	—	—	(281)	(15)	(296)
Share-based charge	—	—	—	12	—	—	12
At 30 September 2014 (unaudited)	1,054	7,138	1,017	47	(1,418)	(15)	7,823

Included within the merger reserve is £53,000 in respect of the merger with Versarien Technologies Limited and £964,000 in respect of the acquisition of Total Carbide Limited. £212,000 in respect of the acquisition of 2D-Tech Limited is included within the share premium account.

Review of the period

Financial statements

Statement of Group cash flows

For the half year ended 30 September 2014

	Six months ended 30 September 2014 Unaudited £'000	Six months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Cash flows from operating activities			
Cash used in operations	(300)	(429)	(715)
Interest paid	(4)	(5)	(12)
Net cash from operating activities	(304)	(434)	(727)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	37	(1,175)	(1,175)
Purchase of intangible non-current assets	(103)	(17)	(18)
Purchase of tangible non-current assets	(95)	(5)	(33)
Net cash from investing activities	(161)	(1,197)	(1,226)
Cash flows from financing activities			
Share issue	5,540	2,650	2,650
Costs of share issue	(252)	(581)	(581)
Repayment of finance leases	(11)	(33)	(89)
Invoice discounting loan	(156)	231	156
Net cash from financing activities	5,121	2,267	2,136
Increase in cash and cash equivalents	4,656	636	183
Cash and cash equivalents at start of period	215	32	32
Cash and cash equivalents at end of period	4,871	668	215

Note to the statement of Group cash flows

For the half year ended 30 September 2014

	Six months ended 30 September 2014 Unaudited £'000	Six months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Loss before income tax	(296)	(368)	(653)
Share-based charge	12	23	35
Depreciation and amortisation	103	84	194
Finance costs	4	5	12
Increase in inventories	(132)	(20)	(61)
Decrease/(increase) in trade and other receivables	14	(97)	(131)
Decrease in trade and other payables	(5)	(56)	(111)
Cash used in operations	(300)	(429)	(715)

Review of the period

Financial statements

Notes to the unaudited interim statements

For the half year ended 30 September 2014

1. Basis of preparation

The interim financial information has been prepared on the basis of International Financial Reporting Standards (IFRSs) as adopted by the European Union. Full details of accounting policies are included in the Annual Report for the year ended 31 March 2014. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts. The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK groups, in the preparation of these interim financial statements.

2. Exceptional items

	Six months ended 30 September 2014 Unaudited £'000	Six months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Acquisition costs	45	123	147
Restructuring costs	96	50	50
Associate company set-up costs	23	—	—
	164	173	197

Acquisition costs relate to the purchase of 2-DTech Limited together with other amounts expended on potential acquisitions which did not proceed to completion. Restructuring costs relate to an expected move of the leasehold premises from which Total Carbide currently operates. The associate company set-up costs relate to the Group's joint venture, DV Composite Tooling Limited.

3. Loss per share

The loss per share has been calculated by dividing the loss after taxation of £281,000 (2013: £368,000) by the weighted average number of shares in issue of 101,541,596 (2013: 71,157,101) during the period.

The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS33 "Earnings Per Share", potential Ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 30 September 2014 there were 2,882,478 (2013: 3,388,534) potential Ordinary shares which have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at that date.

4. Intangible assets

	30 September 2014 Unaudited £'000	30 September 2013 Unaudited £'000	31 March 2014 Audited £'000
Goodwill	999	354	354
Fair value of intangibles acquired	91	116	103
Development costs	170	69	67
Licence	47	71	62
Total	1,307	610	586

5. Acquisition of subsidiary

On 1 May 2014 the Company completed the acquisition of 85% of the share capital of 2D-Tech Limited for a consideration of £740,000 comprising cash of £220,000, 846,153 Ordinary shares at a price of 26 pence per share and a commitment to fund vendor projects at a maximum cost of £300,000. The provisional fair value of the assets and liabilities of 2D-Tech at the date of acquisition was as follows:

	Provisional fair value £'000
Non-current assets	
Property, plant and equipment	126
Current assets	
Inventories	10
Trade and other receivables	42
Cash and cash equivalents	257
	309
Total assets	435
Current liabilities	
Trade and other payables	(78)
Accruals and deferred income	(262)
Total liabilities	(340)
Net assets acquired	95
Goodwill	645
Consideration	740
Consideration satisfied by:	
Shares issued	220
Cash	220
Deferred consideration	300
	740

In accordance with IFRS 3, the Board has reviewed the fair value of the assets and liabilities using the information available to it since 2-DTech was acquired.

6. Dividends

As stated in the AIM admission document the Board's objective is to continue to grow the Group's business and it is expected that any surplus cash resources will, in the short to medium term, be re-invested into the research and development of the Group's products. In view of this, no dividend is declared and the Directors will not be recommending a dividend for the foreseeable future. However, the Board intends that the Company will recommend or declare dividends at some future date once they consider it commercially prudent for the Company to do so, bearing in mind its financial position and the capital resources required for its development.

7. Interim Report

Copies of the Interim Report are being sent to shareholders and are available to the public from the offices of Versarien plc at Building 4, Vantage Point Business Village, Mitcheldean, Gloucestershire GL17 0DD. The Interim Report and interim announcement will also be available on the Group's website at www.versarien.com.

Group information

Directors

Ian Balchin

Non-executive Chairman

Neill Ricketts

Chief Executive Officer

Will Batrick

Chief Technical Officer

Christopher Leigh

Chief Financial Officer

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Company registration number

8418328



Gold Medal
Winners – 2012



HP Smart
Business of the
Year – 2013



Innovator of
the Year
– 2013



Start Up
of the Year
– 2013



Winners – 2014



Winners – 2014

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