ANNUAL REPORT 2021

Our focus on GSCALE **continues**

Our IP-led, proprietary technology and innovative new engineering solutions form the basis of our business as we seek to monetise the opportunities we have from our collaborations.

SCALING UP OUR BUSINESSES

Work Package G Graphene
Graphene production expanding through the purchase of two new large graphene ink systems and multi-system graphene powder production equipment.

Work Package S Seat
Extended to rail interior applications and light weighting of electric vehicles. Rail seat back mould tool procured for component development and testing.

Work Package C Concrete
Focus on reduction of CO_2 emissions and increased asset life. Tests show significant improved strength, faster curing and less corrosion. In discussions with large infrastructure providers for projects such as HS2.

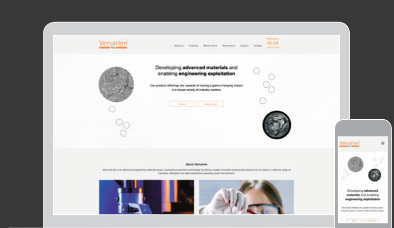
Work Package A Arch
Extended to cover thermoplastics, engineering polymers, bio polymers and speciality plastics. Applications include spectacle frames and packaging with global companies.

Work Package L Leisure
Focus on textile print, coat and blend with partners such as MAS Holdings and Coats. Print process scaled to pilot level production using Graphinks™. Supply agreement signed with Crosslete and further development agreement signed with global brand.

Work Package E Elastomers
Focus on graphene in automotive tyres, oil and gas and shoes where significant reduction in outer sole wear has been seen.

READ MORE ON PAGE 5

For further information about our operations visit our website at **www.versarien.com**



OUR YEAR IN BRIEF

FINANCIAL HIGHLIGHTS

Revenue	Adjusted LBITDA*	Loss before tax**
£6.6m	£1.8m	£8.1m
(2020: £8.3m)	(2020: £1.6m)	(2020: £4.7m)
Cash at 31 March 2021	**Fundraising*** **	**Total equity**
£2.4m	£3.5m	£16.5m
(2020: £1.7m)	gross of share issue costs	(2020: £15.7m)

* Adjusted LBITDA (Loss before interest, tax, depreciation and amortisation) excludes exceptional items, other gains/losses and share-based payment charges.

** After a non-cash share-based payment charge in the year of £1.2 million (2020: £1.2 million) and a non-cash £3.3 million charge arising from a reduction in the IFRS 13 valuation of the Lanstead Sharing Agreements (2020: £1.0 million gain).

*** In December 2020, issue of 8.75 million ordinary shares re-invested into an 18-month sharing agreement with Lanstead Capital Investors LP ("Lanstead"), a US headquartered institutional investor.

OPERATIONAL HIGHLIGHTS

- Acquisition of chemical vapour deposition ("CVD") graphene assets and IP from Hanwha Aerospace Company Limited, South Korea, for a consideration of 11 million ordinary shares in Versarien valued at £4.34 million
- Awarded £5 million Innovate UK loan with £2.26 million received during the year for the Company's GSCALE project (an acronym for Graphene, Seat, Concrete, Arch, Leisure, Elastomer)
- Awarded a £1.95 million development agreement by the Defence, Science and Technology Laboratory, a part of the Ministry of Defence
- Award of EU Grant of £303,000 (€357,000) to Gnanomat for scale-up and development of electrode materials
- Launch of graphene enhanced protective face masks utilising Polygrene™, Versarien's graphene enhanced polymer
- Project completed with Rolls Royce and the Graphene Engineering Innovation Centre to understand and create technological advances in the aerospace sector utilising CVD graphene and other 2D materials
- Formation of the Versarien Graphene Advisory Panel ("VGAP")
- Board strengthened by the appointment of James Stewart CBE as the Company's new independent Non-executive Chairman
- Appointment of Dr. Stephen Hodge to the Company's Board as Chief Technology Officer

POST PERIOD HIGHLIGHTS

- £1.93 million strategic investment in Versarien by Graphene Lab Limited including 5% royalty agreement and 2% trademark agreement on sales
- Acquisition of Spanish graphene manufacturing assets to provide up to an additional 100 tonne powder capacity per annum
- Orders placed for the purchase of ink scale up equipment to give an additional 12,000 litres of ink capacity per annum
- Lease signed on new dedicated graphene production facility in Longhope, Gloucestershire
- Textile supply agreement signed with Crosslete and discussions ongoing with multiple garment suppliers
- Agreement signed with one of the world's largest packaging companies to evaluate graphene-based coatings

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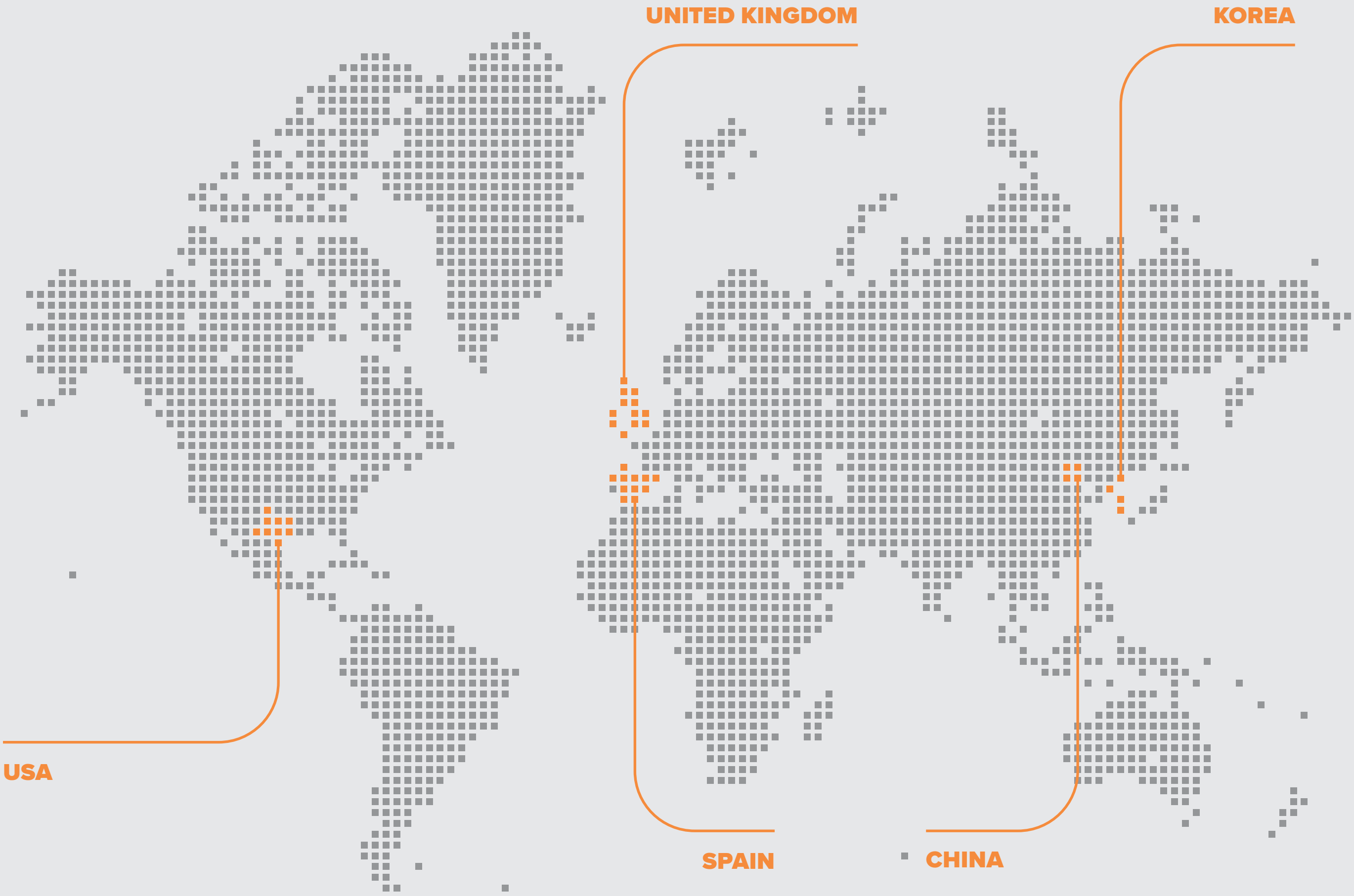


USA

Versarien Graphene Inc is the sales office to develop opportunities allied to GSCALE projects supported by R&D in the UK.

UNITED KINGDOM

New dedicated graphene production facility in Longhope supported by research and development operations at the University of Manchester and University of Cambridge.

SPAIN

Gnanomat operates pilot manufacturing facilities in Madrid for energy storage devices. Its versatile technology can be used in antimicrobial and electromagnetic interference shielding applications.

CHINA

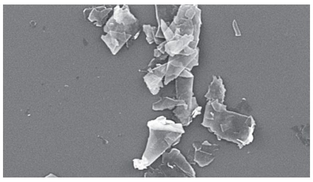
Beijing Versarien Technology Limited is the China sales office that is supported by UK R&D and focuses on GSCALE applications applicable to People's Republic of China.

KOREA

Versarien Korea Limited is a manufacturing facility that operates the CVD assets acquired from Hanwha.

GROUP COMPANIES

GRAPHENE AND PLASTICS



2-DTECH LIMITED

2-DTech Limited specialises in the supply, characterisation and early stage development of graphene products.

Core products

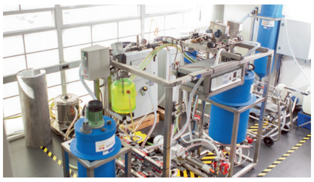
- **Nanene –** high-quality nanoplatelet graphene powders
- **Polygrene –** our graphene enhanced polymer range
- **Hexotene –** nanoplatelet hexagonal boron nitride (h-BN) powder

CAMBRIDGE GRAPHENE LIMITED

Cambridge Graphene Limited supplies novel inks based on graphene and related materials, using patented processes to develop graphene materials technology.

Core products

- **Graphinks –** a range of high performance, electrically conductive graphene inks suitable for a wide range of printing processes, substrates and applications



GNANOMAT S.L.

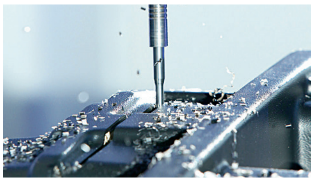
Gnanomat S.L., based in the Parque Cientifico Madrid, Spain, is a company capable of utilising Versarien's graphene products in an environmentally friendly, scalable production process for energy storage devices that offer high power density, fast recharging and long lifetime for use in electrical vehicles and portable electronics products.

Core products

- Hybrid nanomaterials for energy storage devices

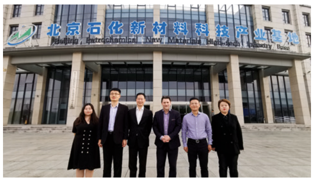
VERSARIEN GRAPHENE INC

Versarien Graphene Inc, (VGI) based in Texas, United States of America, is the distribution arm for the UK's graphene development technologies.



AAC CYROMA LIMITED

AAC Cyroma specialises in the supply of vacuum-formed, injection-moulded products and graphene enhanced plastic products.



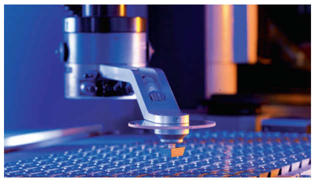
BEIJING VERSARIEN TECHNOLOGY LIMITED

Beijing Versarien Technology Limited (BVT) based in Beijing, China is the distribution arm for the UK's graphene development technologies.

VERSARIEN KOREA LIMITED

Versarien Korea Limited is the newly formed subsidiary in South Korea housing the graphene CVD assets acquired from Hanwha Aerospace.

HARD WEAR AND METALLIC PRODUCTS

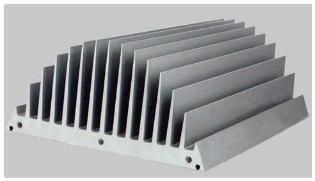


TOTAL CARBIDE LIMITED

Total Carbide Limited is a leading manufacturer in sintered tungsten carbide for applications in arduous environments.

Core products

- Special inserts and blanks
- Cutting knives
- Wear-resistant parts
- Nozzles and valve inserts for flow control
- Tungsten carbide parts for defence and aerospace



VERSARIEN TECHNOLOGIES LIMITED

Versarien Technologies Limited has developed an additive process for creating advanced micro-porous metals targeting the thermal management industry and supplies extruded aluminium.

Core products

- Aluminium industrial products
- Aluminium heat sinks

We continue to expand our global reach **whilst focussing on the opportunities of the GSCALE project**

Despite the challenges presented by the Covid-19 pandemic, I am pleased to report that the Company has continued apace with its strategy to commercialise its graphene technologies and expand its portfolio of graphene products. In so doing, it is supported by the UK Government through the Innovate UK loan of £5 million, the £1.9 million development contract from DSTL as well as through the continued support of Lanstead.

In December 2020, we expanded our product portfolio with the acquisition of the Chemical Vapour Deposition ("CVD") assets and IP from Hanwha Aerospace Company Limited ("Hanwha"). The CVD plant and equipment has now been successfully transferred from Hanwha to its new premises leased by Versarien Korea Limited ("VKL"), with re-commissioning underway. We have been assisted by our South Korean partner Graphene Lab Limited ("GLL") which, as previously announced, took a 15% stake in VKL as well as subscribing £1.93 million of new capital to Versarien. The VKL board has been strengthened by the appointment of three new local directors.

Significant progress has also been made with the GSCALE project, for which we have now purchased additional graphene production equipment at a cost approaching £1 million. Particular applications highlights include the impressive results in concrete where the mechanical properties have been improved and surface cracking reduced by using graphene additive and in textiles where a development and supply agreements have been signed.

The DSTL contract continues to progress well with revenues of £0.3 million in the year and a further £1.6 million anticipated for delivery this year.

I would like to thank all our staff for their continued endeavours, particularly during the pandemic, without whom we would not have been able to make the progress that we have. I look forward to the Company making further progress during the current financial year.

James Stewart CBE
Non-executive Chairman

16 August 2021

We continue to progress our **GSCALE project to commercialisation**

The acquisition of the Hanwha CVD graphene assets and patents, the setting up of VKL in Korea and our partnership/investment from GLL continues our strategy of establishing a global platform for our technology. We now have operations in the United Kingdom, Spain and South Korea as well as sales arms in the USA and China. This global footprint will facilitate our commercial development as the global graphene market begins to gain traction.

We have continued to progress graphene enhanced mask sales which can only be achieved if the required standards have been met. We now have seventeen certificates and have met the following standards:

- GB2626-2019 (general standards);
- ISO 18184:2014(E) (antiviral);
- GB/T 20944.3-2008 (anti-bacterial);
- GB/T 20944.2-2007 (anti-bacterial); and
- EN 149-2001+A1-2009 (filtering, clogging, cleaning and disinfecting).

In addition, our masks have been independently tested and proven not to emit graphene particles which will enable us to register them as nano-safe masks.

The following sections describe the activities of the business in accordance with the segmental analysis adopted since 2017. Since the year end the Board has approved the leasing of new dedicated graphene manufacturing facilities in Longhope, Gloucestershire which will house the recently acquired Spanish plant and equipment, the new ink production equipment and the existing graphene production equipment currently located in Cheltenham. The continued focus on graphene means that the non-core aluminium operations of Versarien Technologies Limited are being wound down and in future the segmental analysis will be split between technology businesses and mature businesses.

GRAPHENE AND PLASTIC PRODUCTS

Domestic Graphene

The UK operations are centred around the GSCALE project funded by the £5 million Innovate UK loan and I am pleased to summarise the significant progress in each of the work packages:

Work Package G (Graphene)

The objective is to scale production of high-quality graphene to greater than 10 tonnes per annum to meet the expected demand from the projects described below. Our key partners include graphite producers and miners, chemical suppliers and equipment manufacturers incorporating recycling and reusing as an environmentally friendly and economic production process.

Post period end, we have also purchased two large scale systems for ink production and ancillary equipment at a cost of £342,000, which will increase ink production capacity from 3,000 litres per annum up to 15,000 litres per annum, (depending on formulation).

In addition, we have purchased the graphene manufacturing assets (including control systems, laboratory test equipment and graphene process IP) used by a former competitor in Spain at a cost of £510,000 (€600,000) which will be used to manufacture graphene that can be used, amongst other applications, in energy storage devices and elastomers. This will give a capacity of up to 100 tonnes per annum when fully commissioned and developed.

These assets will be located in a new dedicated 14,000 sq ft facility in Longhope, Gloucestershire, together with the existing graphene production equipment currently in Cheltenham, where the lease ends in September 2021.

GRAPHENE AND PLASTIC PRODUCTS CONTINUED

Work Package S (Seat)

The Seat work package grew from previous developments of lighter flame-retardant seat backs for the aerospace industry involving the dispersion of graphene in various thermoset systems used in fibre reinforced polymer composites.

We've now extended this to also include rail products, including interior applications and door panels. Automotive opportunities in this field are expanding too with the growth of electric vehicles requiring structural light weighting to enable increased range performance.

Batch size increases have required the design and procurement of resin dispersal scale up equipment, including the purchase of a large processing vessel that will take our current graphene/resin dispersion from 5 litres per day to up to 100 litres per day.

A rail seat back mould tool has been procured, manufactured and delivered to 2-DTech at The University of Manchester's Graphene Engineering Innovation Centre ("GEIC") for trials to develop our product and to be made available to the industry for their trials and testing requirements including mechanical and fire/smoke tests.

Work Package C (Concrete)

The Concrete workstream principally focuses on the reduction of construction CO_2 emissions, with government programmes requiring a plan for net zero carbon by 2050. Graphene can help drive efficiency (i.e. enabling faster, cheaper solutions) and increased asset life through reduced micro-cracking, low permeability and less ferrous rebar corrosion.

We are in advanced discussions with large infrastructure contractors for new rail, road and water applications with projects and trials/demonstrators being planned or already being built.

Trials with a traditional CEM1 concrete mix and the addition of Versarien's graphene show the following (all tests have been undertaken by an independent test house):

- improved compression strength (+38%);
- improved flexural strength (>14%–45%);
- increased split tensile strength (>15%);
- improved water permeability (> 200%) 0mm to 2mm;
- faster curing without micro-cracking; and
- increased corrosion resistance.

Further trials with an international 'ready mix' concrete manufacturer have developed a graphene enhanced, low carbon, pumpable, commercial mix as typically available at any UK ready mix site. This graphene enhanced concrete produced similar performance results as the CEM1 by utilising a fraction of a percent of graphene in the concrete.

Our chosen development product for the construction industry is based on our Graphinks™ products. This is a safe, easy to use (simply add water) product, with excellent mixing results, offering workability and performance using the construction industry's regular admixture control systems.

With regards to additive manufactured concrete printing, we are progressing the purchase of a £250,000 robot printing system that will produce graphene enhanced 3D printed structures with a reach of 3 metres in every direction and up to 5 metres high. A significant rail infrastructure project is already engaged in discussions to resolve current challenges in their programme. The robot printing allows complex structures to be printed in situ and in open or confined spaces near live railway lines without the need to close the line.

The potential benefits to the project include improved operator safety (as the robot can print remotely from its operator), less 'live line' downtime (trains can keep running) and efficient and economic delivery of enhanced concrete structures in the rail environment. Similar opportunities are recognised across the road and water sectors too with projects being planned.

Work Package A (Arch)

The Arch workstream covers all of our thermoplastic development and commercial exploitation through enhanced graphene characteristics across:

- consumer and commodity thermoplastics;
- engineering polymers; and
- speciality plastics.

Development under these three themes include:

- polyolefin compounds and masterbatches being developed for extrusion moulded products (joint development agreement with a global consumer product company);
- graphene enhanced thermoplastic polyurethane (TPU), nylon PA12, cellulose acetate, and polycarbonate trials performed and prototypes developed for use in future ranges of eyewear frames and lenses for an eyewear manufacturer – strengths can be improved by 30% enabling longer life products;
- particular focus on the use of graphene to enhance recycled polymer products in such a way that the mechanical performance of the 100% recycled product is equal to a virgin polymer, thus breaking the need for addition of climate challenging oil based raw materials; and
- biopolymers – AAC Cyroma will supply an initial batch of portable suction devices for clearing blocked airways in emergency and chronic conditions which has the potential to make current technology obsolete. This will be manufactured from bio-derived nylon polymer.

Work Package L (Leisure)

The Leisure workstream surrounds the use of graphene inks and graphene nanoplatelets, primarily within the textile sector. Our R&D work gives attention to three distinct processes; print, coat and blend, where we have key industry partners including MAS Holdings and Coats Plc.

The print process, which utilises Graphinks™, has now been scaled to pilot level production and this has allowed us to develop commercial discussions with both new parties and collaboration partners. Along with our key industry partners, we have been able to offer those customers a new range of active wear garments in men's and women's designs, which will see the benefits of thermal regulation, wicking, drying and water repellence given to wearers.

Currently we have sample garments with a number of well-known active wear brands around the world and have signed a supply agreement with Canadian boutique active wear brand Crosslete, who will introduce a new line of men's and women's garments featuring the print technology. We expect to make further announcements in this area in due course taking into consideration new product seasonal launches, commercial confidentiality and Covid-19 recovery plans of global supply chains.

The benefits of the print technology were underpinned by extensive industry testing carried out by BGGT/Shirley Technologies, a leader in its field, whereby tests were carried out in accordance with industry standard test protocols including BSENISO/BSEN/BS/AATCC methods.

In addition to this, the Company is current collaborating with the University of Gloucestershire, which involves a number of athletes and focuses on elite performance and how the print technology can be optimised for elite level participation.

Work Package E (Elastomers)

Elastomers aims to develop large-scale graphene enhanced elastomer masterbatches for two key sectors, oil and gas and automotive tyres, but is applicable to other sectors, in particular shoes. Lab scale tests are showing good results and we are creating a solid foundation of knowledge on which to build our future business ventures in Elastomers.

The impact of the Covid-19 pandemic has seen R&D in this sector scaled back, however, our project continues if somewhat delayed. We have seen really good improvements over control rubber samples at the bench scale and having agreed a pricing structure we are expecting to move to large-scale trials in Q3 2021.

The objective for rubber formulation in tyres is to reduce rolling resistance while not sacrificing grip or wear resistance. We believe that graphene has an important part to play in achieving this. Ongoing tests have made great strides toward this, but increasing wear resistance is more complex. However, in the last set of tests conducted we saw a slightly more than three-fold reduction in wear compared to the best of the other samples tested.

We have undertaken benchmark testing of shoe competitor products in order to place our results into context. Of note is a 33% reduction in wear in a graphene outer sole formulation under development compared to a leading brand of 'graphene footwear'. We are also seeing good improvements in mechanical properties across the board. Following increased demand masterbatches have been distributed globally in order to facilitate manufacturer testing and small scale production trials.

With every test that is undertaken we gain further valuable information on how our products interact with elastomeric compounds. Good solid progress has been made, interest in graphene enhanced elastomers is increasing and we are moving closer to bringing products to market which we will do so on a foundation of solid scientific understanding.

Overseas Graphene

Versarien's stated strategy is to expand globally and I am pleased to report on our further progress.

Versarien Korea Limited ("VKL")

The year under review saw success with regards to acquisition and expansion into South Korea. The chemical vapour deposition equipment and IP acquisition from Hanwha (originally Samsung's technology) means that the Group now has added another important graphene manufacturing capability within the overall portfolio; whilst the setting up of a new graphene production and R&D facility in South Korea in conjunction with a CVD expert partner allows Versarien to exploit one of the largest markets for electronics and technology in the world.

The move to the new R&D facility was completed in June 2021 and we are now in the process of utility set-up and commissioning in order to produce our first CVD graphene samples and optimise the product quality.

The main focus of business in the short term will be to provide a turnkey CVD graphene production solution, securing or participating in government and other institutional projects, and developing various optical and electronic applications.

Versarien Graphene Inc. ("VGI")

VGI is making good progress in the US market although it has been slowed by the pandemic. Long term relationships having been established with a number of large players including one of the world's largest paints and coatings companies which has completed the first stage 1000-hour anti-corrosion salt spray trials with promising results using graphene as a substitute for zinc. That company is now working on multiple projects with Versarien and we are optimistic that the graphene will perform similarly in enhancing them.

GRAPHENE AND PLASTIC PRODUCTS CONTINUED

Overseas Graphene continued

Gnanomat ("GNA")

In the year under review GNA expanded the scope of its nanomaterial applications whilst still concentrating on energy storage, where excellent performance was seen when its materials were integrated in electrodes of asymmetric pseudo capacitors.

The catalytic properties of GNA's materials were also optimised and tested in other applications, such as secondary metal-air batteries, with very good results in charge, discharge and stability. Findings in this application are currently in the process of intellectual property protection. Work is also ongoing in other energy storage applications such as fuel cells.

The versatility of the technology and the synergies within Versarien allows GNA products to be used in other new potential applications such as providing anti-viral effects against SARS-CoV-2 and electromagnetic interference shielding.

GNA was awarded a grant of £303,000 (€357,000) from EU funding for the INN-PRESSME project in collaboration with other industrial partners. This grant will be used to upgrade Gnanomat's pilot plant and to develop new products in collaboration with its partners, as well as to accelerate the development of products to commercialisation. At present, Gnanomat has collaborations in seven different industrial applications.

Beijing Versarien Technology ("BVT")

BVT, our wholly owned subsidiary in China, is continuing to work with a Chinese supplier on the graphene enhanced face mask project. Some variants including a graphene enhanced children mask and an FFP3 mask have also been developed.

Going forward, it is intended BVT will source more opportunities from China under the GSCALE framework agreed between Innovate UK and Versarien, whilst ensuring that Versarien's China operations are carried out fully in line with the letter and spirit of the UK's National Security and Investment Act 2021.

Future expansion plans include establishing a presence in other potentially lucrative global markets, by way of exporting, acquisitions and/or partnerships, as and when the right opportunities arise. We will also work towards growing our current international operations, which will in turn increase our own capability and reach.

Plastic Products

AAC Cyroma Limited ("AAC") has, over the last 12 months, remained operational throughout the Covid-19 pandemic and lockdown period supporting the NHS with the supply of hospital bed panels and visors, along with products for utility service providers.

Turnover is showing some recovery towards pre-pandemic levels with several new projects and opportunities. The focus for the current financial year for AAC is the conversion of these opportunities into new business and to further progress opportunities for supplying graphene enhanced plastic products in conjunction with the Company's new Longhope operations.

HARD WEAR AND METALLIC PRODUCTS

The focus on the opportunities afforded by graphene together with the market challenges of Covid-19 have resulted in the decision to exit the non-core aluminium business of Versarien Technologies Limited based in Cheltenham.

The lease comes to an end in September 2021 and a run-off to customers is currently in progress. The company has been re-named Versarien Graphene Limited and will be used as the revenue generating entity for UK graphene sales whilst 2-DTech Limited and Cambridge Graphene Limited will continue as the UK research and development arms of the graphene business.

Total Carbide Limited is a manufacturer of tungsten carbide wear parts and sells to a global customer base covering 40 different industries producing bespoke products for a wide spread of wear applications. These range from all aspects of the oil and gas industry, through measurement tools and cutting knives to difficult, complex breakthrough technology for aerospace and defence applications as well as providing nozzles for space propulsion.

Despite being a challenging year, the company won national and regional awards for its work with apprentices and young people.

CURRENT TRADING AND OUTLOOK

There are indications that trading is beginning to return to pre-pandemic levels in our mature businesses, but the economic environment remains uncertain and the Company remains vigilant around costs. Much more importantly, however, the graphene prospects in both the UK and abroad are extremely exciting with our transitioning from laboratory to real world demonstrators in multiple sectors including defence, automotive, aerospace and construction; in particular, interest in using our graphene in large infrastructure projects and in textiles.

We have been fortunate to extend our team with key hires in South Korea and the UK, including project managers for our key projects as we make this transition into the commercial world. I look forward to providing further updates on customer projects in due course. We now have a strong platform of licensable IP, large global commercial partners, significant support from the UK government, especially around security, and a clear path to revenue from innovative products.

Neill Ricketts
Chief Executive Officer

16 August 2021

Safely progressing GSCALE commercialisation

Our R&D activities expanded rapidly in the year under review following our major GSCALE and DSTL projects, with five new members of staff joining us in Manchester, one in Cambridge, and a new team being built in Korea following the acquisition of the CVD assets. We have subsequently expanded into a second lab at the Graphene Engineering Innovation Centre ("GEIC") in Manchester and have invested in larger scale manufacturing, processing and coating capabilities across the graphene and 2D materials businesses that will significantly help us towards product commercialisation. We have also significantly strengthened our materials portfolio and IP position as a result of acquisitions in Spain and Korea, and we continue to innovate and evaluate patents from global universities. We have also trademarked Graphenewear™ and Cementene™ for both leisure and construction products, reflecting the great strides we are making in these areas.

Our R&D team has shown incredible resilience and flexibility during the pandemic with often restricted lab access, meaning being more organised and efficient, and training new members of staff remotely.

HEALTH AND SAFETY OF GRAPHENE

The issue of safety will be raised time and again, so it is imperative that the relevant human and environmental toxicology testing be performed to assist public awareness, and that we understand the nature of exposure of any nanoparticles when graphene is manufactured and products are used. Ultimately, these tests can only be done as part of the global community of graphene producers.

As a leader in its field, Versarien is at the forefront of graphene and related nanomaterials health and safety. To further our involvement, over the last year I have taken on additional key industry roles, including Chairman of the Graphene REACH registration committee's Technical Working Group and become a member of the Graphene Flagship's ECHA/REACH committee, with dialogue across all the relevant parties with regards to EU and global regulations.

Although graphene's ISO definition is clear, the families of few-layer, multi-layer, nanoplatelet and nanographite materials that are produced on multi-tonnage quantities is vast, the definitions and classification of these materials will almost certainly need to change as we learn more about specific material properties, human and environmental interactions. Accreditations, such as that we hold under the Graphene Council Verified Producer Programme, will become more important as the industry progresses.

Dr Stephen Hodge
Chief Technology Officer

16 August 2021

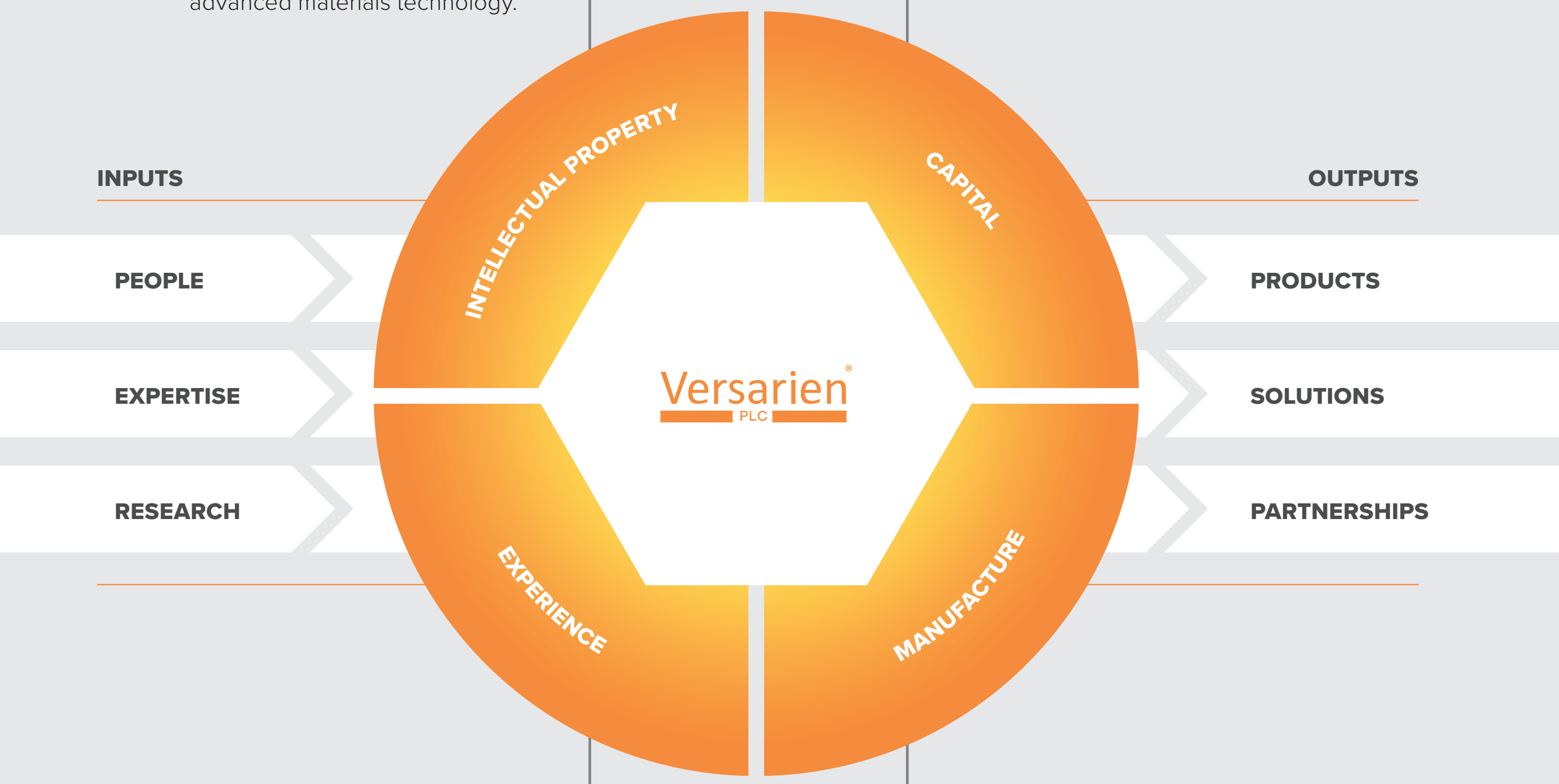
A structure to **deliver**

Versarien plc seeks to capitalise on innovative IP, transforming it into commercially viable products that can tackle the technological challenges faced by modern manufacturers.

HOW WE ADD VALUE

A deal flow establishing new licence arrangements with research institutions or by identifying embryonic companies in early stages of development where intellectual property fits with our definition of advanced materials technology.

Providing working capital facilities either from existing reserves, its public listing or via banking facilities.



Applying the management team's experience to developing and commercialising the advanced materials technology.

Providing the plant and equipment to get into production either via its existing production facilities or by funding new facilities.

We remain both **determined and confident**

Has the Covid-19 pandemic affected the Group's financial performance in 2020/21?

Whilst the mature businesses have experienced lower revenues as a result of the pandemic, I am pleased that we have still been able to remain operational, and continued to develop our graphene applications, whilst still keeping strict control of our costs and using the Government's furlough scheme.

How has Versarien continued its strategy in these challenging times?

Much has happened in the year under review and subsequently, despite the restrictions placed upon us by Covid-19. The GSCALE project (an acronym for Graphene, Seat, Concrete, Arch, Leisure, Elastomer) continues at pace and is at the forefront of our journey to commercialisation.

The acquisition of the Hanwha CVD graphene assets and patents, the setting up of VKL and our partnership/investment from Graphene Lab Limited continue our strategy of establishing a global platform for our technology.

The purchase of the graphene manufacturing assets formerly owned by GrapheneTech SL will give us capacity of up to 100 tonnes of graphene per annum when fully commissioned and developed.

We now have operations in the United Kingdom, Spain and South Korea as well as sales arms in the USA and China. This global footprint will facilitate our commercial development as the global graphene market begins to gain traction.

What is next for Versarien in 2021/22?

Our focus continues to be on monetising our graphene products via our GSCALE projects and globally, via the acquisition of the Hanwha CVD graphene assets and patents, the setting up of VKL and our partnership/investment from Graphene Lab Limited.

We are also very excited to move into our new dedicated 14,000 sq ft facility in Longhope, Gloucestershire, when the lease on our current premises ends in September 2021, which will be commissioned for dedicated graphene development and production.

How will Versarien be at the forefront of the imminent graphene revolution?

Versarien is well placed through the support of the UK Government through the Innovate UK loan of £5 million and the £1.9 million development contract from DSTL as well as separately through the continued support of Lanstead and its partnership/investment from Graphene Lab Limited ("GLL") in South Korea. This funding will allow us to continue our expansion of graphene products both in the UK and globally.

We are also extremely proud to have been involved in a pioneering project for sustainable building; the provision of our graphene into the new graphene enhanced concrete project, reduces carbon footprint, reduces costs and offers increased strength and durability.

A strategy for **future growth**

Monetisation of our technologies remains the focus of the Board's attention, although it will continue its stated strategy of acquiring IP should suitable opportunities arise.

IDENTIFY AND ACQUIRE MAJORITY STAKES IN COMPANIES CAPABLE OF COMMERCIALISING GRAPHENE APPLICATIONS

We are continually looking at potential acquisitions to further expand our global presence and add to our range of 2-D materials.

Our progress in the year

- The acquisition of the Hanwha CVD graphene assets and patents continues our strategy of establishing a global platform for our technology.
- The acquisition of the graphene manufacturing assets previously owned by GrapheneTech SL will materially expand our graphene production capability.

SIGN APPLICATION DEVELOPMENT AGREEMENTS WITH CUSTOMERS

We are continually looking to build new relationships with global companies to incorporate graphene into their applications.

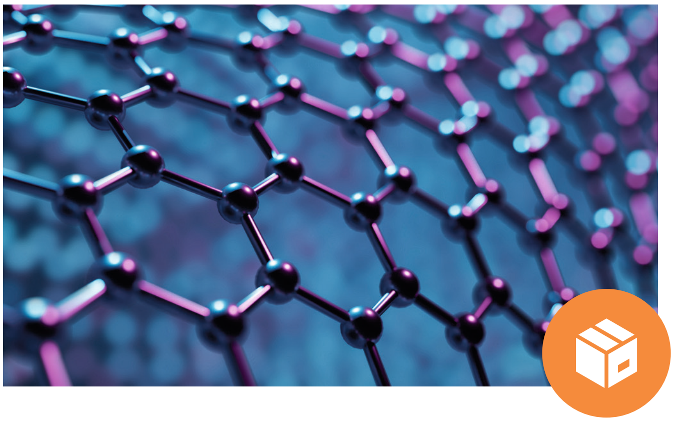
Our progress in the year

- We have made great progress in our GSCALE project work packages during the year, and our next steps are to complete the ongoing tests with our key partners to ensure that we meet our multiple customer specifications.

Key performance indicators

As a Group we concentrate on the following financial metrics:

	2021 £'000	2020 £'000
Group revenue	**6,567**	8,281
Gross margin percentage	**22%**	24%
Adjusted loss before interest, tax, depreciation, amortisation, exceptional costs, share based payment charges and other gains/losses	**(1,761)**	(1,633)
Cash used by Graphene and Plastic Products	**(2,544)**	(2,685)
Cash generated by Hard Wear and Metallic Products	**94**	608
Cash raised/(utilised) by parent (before loans to/from subsidiaries)	**3,152**	(558)
Increase/(decrease) in cash and cash equivalents	**702**	(2,635)



COMMENCE COMMERCIAL SUPPLY OF GRAPHENE ENHANCED PRODUCTS

Monetising our graphene technologies in our portfolio is our focus.

Our progress in the year

- We were extremely proud to have been involved in a pioneering graphene enhanced concrete site-pour. The graphene was added to strengthen concrete being used in the construction of a gym for military veterans in Wiltshire.
- Having undertaken significant testing and met many standards, we have supplied graphene enhanced masks during the pandemic.

IDENTIFY OPPORTUNITIES FOR INTERNATIONAL EXPANSION

With the support from the UK Government we have a great opportunity to be able to seek and progress in markets overseas.

Our progress in the year

- The setting up of VKL and our partnership/investment from Graphene Lab Limited, a South Korean company specialising in CVD graphene, has further established our global presence and now provides operations in South Korea via leased premises.

Keeping our business running during Covid-19

The safety of our employees is paramount and was achieved whilst still making significant progress on our GSCALE project.

KEEPING OUR PEOPLE SAFE

During the Covid-19 pandemic, we have had the health and safety of our employees at the forefront of our minds.

We have ensured that the buildings are cleaned and sanitised, with a constant supply of hand gel. We have made the decision to only allow visitors into our factories after a health and safety assessment.

CONTINUING OPERATIONS

Where possible we have encouraged our employees to work from home and have asked each employee to carry out a health and safety assessment of their working environment.

Where this has not been possible, we have made use of the Government's furlough scheme.

KEEPING CASH FLOWING

Whilst the Covid-19 pandemic has brought its challenges to the mature businesses, we have been financially supported by the second Lanstead subscription and Sharing Agreement and have been awarded a £5 million Innovate UK loan with 2.26 million received during the year. The Group was also awarded a £1.95 million development agreement by the Defence, Science and Technology Laboratory, a part of the Ministry of Defence, and also been awarded an EU Grant of £303,000 (€357,000) to Gnanomat for scale-up and development of electrode materials.

SUPPORTING EMPLOYEES

We ensure that our employees can communicate any issues or concerns they may have via our clear lines of management in place. We also undertake employee satisfaction surveys which highlight any areas that may need to be addressed.

Despite the challenges presented by the pandemic cash resources increased by £0.7 million

The challenges of the pandemic resulted in revenue reduction of £1.7 million to £6.6 million, but only slightly increased losses of £0.2 million to £1.8 million at the Adjusted LBITDA level (losses before interest, tax, depreciation and amortisation excluding exceptional items, share based payments charges, and other gains/losses). However, with the support of the UK Government and Lanstead, the Group was able to continue its progress towards commercialisation of its graphene products and expand its product portfolio in South Korea whilst at the same time increasing its cash resources by £0.7 million.

The Adjusted LBITDA is calculated as follows:

	2021 £'000	2020 £'000
Loss from operations	**(7,908)**	(4,548)
Amortisation	**152**	73
Depreciation and impairment	**1,081**	1,065
Share based payment charge	**1,193**	1,157
Exceptionals	**441**	1,607
Other losses/ (gains)	**3,280**	(987)
Adjusted LBITDA	**(1,761)**	(1,633)

Exceptional costs were £0.4 million (2020: £1.6 million) which arose mainly through cost associated with expansion into Asia, and the purchase of the Hanwha assets. The loss before tax for the year was £8.1 million (2020: £4.7 million), after share based payment charges of £1.2 million (2020: £1.2 million) and a £3.3 million charge arising from the reduction in the IFRS 13 valuation of the Lanstead Sharing Agreements (2020: £1.0 million gain).

Cash outflow from operating activities was £0.7 million (2020: £1.5 million), interest payments were £0.2 million (2020: £0.2 million), investment in development costs and equipment was £1.7 million (2020: £0.6 million) and principal lease payments were £1.0 million (2020: £0.8 million) giving total cash outflows of £3.6 million (2020: £3.1 million). These activities were financed by net funds received from the Lanstead sharing agreements/share issue of £2.3 million (2020: £(0.1) million), funds received under the CBILS of £0.2 million (2020: £nil) and funds received under the Innovate UK loan of £2.3 million (2020: £nil), totalling £4.8 million (2020: £(0.1) million). The surplus of £1.2 million (2020: deficit £3.2 million) resulted in reduced drawings on the invoice finance facilities of £0.5 million (2020: £0.6 million increased drawings) thus increasing cash at the year-end by £0.7 million (2020: £2.6 million decrease).

As previously announced, Lanstead has subscribed for a total of 23.75 million Ordinary Shares, through two subscriptions, at an issue price of 40 pence per Ordinary Share and benchmark price of 53.33 pence per Ordinary Share and the Company entered into related sharing agreements to receive the proceeds on a pro-rata monthly basis. Further details of the Lanstead subscription in the period and the related sharing agreements are set out in the Company's announcement of 22 December 2020.

In accordance with IFRS 13, the Sharing Agreements have been valued as at 31 March 2021 using the Monte Carlo (or multiple probability simulation) pricing model which has resulted in a valuation of £4,728,000 (31 March 2020: £6,987,000). Consequently, and in accordance with IFRS 13, a loss of £3,280,000 (2020: £987,000 gain) has been accounted for as other gains/losses in the Group Statement of Comprehensive Income.

The financial results by segment are disclosed in note 3 of this Annual Report with Graphene and Plastic Products returning sales of £3.7 million (2020: £3.9 million) and reduced losses of £1.7 million (2020: £3.3 million) after capitalising an additional £1.3 million of development costs in the year as a result of the GSCALE focus, including commercialisation progress which now meets IFRS criteria. Graphene sales in the year, including revenues associated with the DSTL project, were £0.7 million (2020: £0.1 million).

Hard Wear and Metallic Products returned much reduced sales of £2.9 million (2020: £4.3 million) but maintained its losses at a similar level to the prior year of £0.3 million (2020: £0.3 million) as it managed its cost base and utilised the furlough scheme through the pandemic.

Group net assets at 31 March 2021 were £16.5 million (2020: £15.7 million) and at the year end the Group had cash of £2.4 million (31 March 2020: £1.7 million), with £0.6 million (31 March 2020: £1.2 million) drawn under the invoice finance facilities. As at the year end the Company had £0.7 million of headroom in its invoice finance facilities (2020: £0.3 million). Together with the Lanstead sharing agreements and the Innovate UK loan, the Directors consider this sufficient liquidity for our current activities over the coming twelve months having made certain assumptions, further details of which are described below.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons:

- the Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities;
- as at 31 March 2021, the Group had cash balances totalling £2.4 million with £0.7 million of headroom on its invoice discounting facilities;
- the Group was awarded a £5 million loan by Innovate UK to fund certain of its activities;
- the Group receives monthly settlements from its sharing agreements with Lanstead, the quantum of which is dependent upon share price; and
- post year end, the Group received a strategic investment of £1.93 million from Graphene Lab, through a subscription for 4,280,000 new Ordinary Shares at an issue price of 45 pence per Ordinary Share.

The Directors have prepared detailed projections of expected future cash flows for a period of twelve months from the date of issue of this Annual Report. These show that the Group is expected to have sufficient cash available to meet its obligations as they fall due for the foreseeable future being at least twelve months.

The continuing effects of the Covid-19 pandemic remain uncertain so consequently there remains a risk that trading performance could be below expectations. The projections also contain certain assumptions with regards to the share price and the funds that will flow under the sharing agreements with Lanstead and there is also a risk that the share price could be below expectations. Material adverse occurrences could therefore lead to a requirement to take mitigating action.

Such actions could include raising more cash via an equity placing (there is a track record of successful placings) or, in the absence of a funding round, cost reduction in the Group. The Directors' have prepared sensitised projections for these scenarios which indicate that sufficient cash reserves would exist for the foreseeable future(at least twelve months) without any additional fundraising.

Other factors that have been considered in the Directors' assessment of going concern include:

- the expectation that the placing authority for up to 15% of the existing share capital without pre-emption rights will be renewed at the Annual General Meeting;
- the continuation and adequacy of bank facilities;
- that there are a number of mitigating actions the Group could implement, such as reducing the funds spent on development of its technologies and overheads to concentrate on GSCALE opportunities;
- the commencement of the Innovate loan repayment which commences in May 2024; and
- the purchase post year end of assets through the Innovate UK loan.

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (at least twelve months). For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Chris Leigh
Chief Financial Officer

16 August 2021

Managing risks **effectively**

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation.

	Risk	Mitigation	Change
1	**TECHNOLOGICAL RISKS** Versarien plc operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function(s) in the market or render the patents and licences on which it relies redundant. The Group's existing products may become obsolete or may be superseded by new technologies or changes in customer or end-user requirements.	Versarien plc continually monitors the market in which it operates and has the resources to invest in new technology as appropriate.	No change
2	**COMPETITION RISKS** New competitive products, designs or solutions may enter the market with different benefits or using different technologies, making them equally or more attractive than the Group's current range of products. Competitors may also be able to devote greater resources to the promotion and sale of their products, designs or solutions than the Group, which would give them a competitive advantage.	The Group continues to provide resources with the aim of improving each generation of products it develops. If the Group is unable to compete successfully with existing or new competitors, it may have to reduce prices on products, which would lead to reduced margins.	No change
3	**INTELLECTUAL PROPERTY PROTECTION RISKS** Failure to protect the Group's IP may result in another party copying or otherwise obtaining and using its proprietary content and technology without authorisation. There may not be adequate protection for IP in every country in which the enlarged Group's products are or will be made available and policing unauthorised use of proprietary information is difficult and expensive.	The Group monitors products brought to market as far as reasonably possible and will take cost-effective legal action to protect its intellectual property.	No change
4	**DEVELOPMENT RISK** The rate at which the development of the Group's technology is adopted by potential customers is dependent upon the rate at which those customers wish to progress.	The Group mitigates this risk as far as possible by ensuring that it responds rapidly to technical changes that may be required.	No change

KEY:

Decrease — No change — Increase

	Risk	Mitigation	Change
5	**ATTRACTION AND RETENTION OF KEY EMPLOYEES RISKS** The Group depends upon the continued service and performance of the Executive Officers and key employees and, whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Executive Officers or other key employees could damage the Group's business. Equally, the ability to attract new employees and senior employees with the appropriate expertise and skills cannot be guaranteed.	Risk is mitigated by providing share options to key employees, together with significant opportunities for career advancement.	—
6	**FUTURE FUNDING RISKS** It is possible that the Group will need to raise extra capital in the future to develop fully the Group's business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or to the Group's shareholders.	Risk is mitigated by maintaining relationships with more than one bank and by dialogue with its shareholders and prospective shareholders.	—
7	**GENERAL ECONOMIC CONDITIONS RISKS** Market conditions, particularly those affecting technology companies, may affect the ultimate value of the Group's share price regardless of operating performance. Market perception of technology companies may change, which could impact on the value of investors' holdings and impact on the ability of the Group to raise further funds by an issue of further shares. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Group's cost of raising and maintaining debt financing.	Risk is mitigated by seeking to expand the products and technologies for sale within the Group and by seeking to sell the Group's products to wider geographical areas both directly and through distribution.	—
8	**COMMODITY PRICES RISKS** A significant amount of Versarien's purchases are metallurgical powders. Consequently, exposure to movements in underlying commodity prices affects margins.	Where possible we purchase from more than one source and manage our stock levels accordingly.	—
9	**BREXIT** Versarien has relationships with the EU and the impact from Brexit could negatively affect trade regulations, people, contracts, IP and European Grants.	The Company is monitoring events to determine what actions are necessary regarding its relationship with customers and the supply chain. Having Spanish operations, and the setting up of Versarien Europe SL which is a wholly owned subsidiary of Versarien PLC, ensures that any issues with our supply chain due to Brexit can be mitigated.	—
10	**COVID-19** The continued effects of Covid-19 may have a significant and prolonged impact on global economic conditions, and adversely impact our businesses.	Whilst the Covid-19 pandemic brought risks and challenges, having a diverse product base enabled the Group to continue trading, and even expand its portfolio of graphene products. We continued to use the furlough scheme where appropriate, and benefited from a CBILS loan of £0.2 million.	—

Section 172 statement

Section 172(1)(a) to (f) of the Companies Act 2006 requires Directors to act, in good faith, in a way that will promote the success of the Company for the benefit of its members as a whole, as well as having regard to the specific matters below, some of which are also described on pages 24 to 26 of the best practice governance report.

A. THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

Versarien plc's continued strategy is to seek to capitalise on innovative IP, transforming it into commercially viable products that can tackle the technological challenges faced by modern manufacturers. The day-to-day management of our subsidiary businesses is undertaken by the senior teams within the businesses. Decisions are taken by the Board with this in mind, and fulfil their duties in part through a governance framework.

B. THE INTERESTS OF THE COMPANY'S EMPLOYEES

Our directly employed workforce is highly trained and experienced in the individual markets in which it operates. The Group is committed to the development of its workforce and direct engagement supports the responsive nature of the work we undertake. The Board believes that its employees are key stakeholders within the Group and as such welcomes any feedback, particularly through the formal process of employee engagement surveys and through feedback via the head of each business unit.

C. THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

Operating with fairness and integrity we work with our supply chain to develop a working relationship which benefits all parties. The Board recognises that the success of the Company is reliant upon all stakeholders in its business. Group companies are ISO 9002 accredited which involves processes to monitor and record feedback from suppliers and customers.

D. THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND ENVIRONMENT

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), the release of news via LSE channels and podcasts. Consequently, all members become privy to any price sensitive information at the same time and are treated equally in all respects.

E. THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Board aims to lead by example and do what is in the best interests of the Company, its stakeholders and shareholders. The Executive Directors strive to act in a manner which is professional and ethical and have published ethical policies for all employees to observe and comply with.

F. THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), release of news via LSE channels and by podcasts. Consequently, all members become privy to any price sensitive information at the same time and are treated equally in all respects. The appointment of a non-executive chairman has now resulted in their being two executive directors and three non-executive directors and has strengthened our corporate governance.

EQUAL OPPORTUNITIES

We offer equal opportunities regardless of gender, gender identity or reassignment, disability, religion or sexual orientation.

Neill Ricketts
Chief Executive Officer

16 August 2021

COMPLIANCE APPROACH

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code.

BOARD EFFECTIVENESS

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board.

The Chief Executive Officer leads the development of business strategies within the Group's operations.

The Audit Committee meets twice a year to consider the scope of the annual audit and the interim financial statements and to assess the effectiveness of the Group's system of internal controls. It reviews the results of the external audit, its cost effectiveness and the objectives of the auditors. Given the size of the Group, the Audit Committee considers an internal audit function is not currently justified. The Audit Committee is chaired by Susan Bowen.

The Non-executive Directors are the members of the Remuneration Committee. It meets to determine Company policy on senior Executive remuneration, to make detailed recommendations to the Board regarding the remuneration packages of the Executive Directors and to consider awards under the Group's option schemes.

The Chief Executive Officer is consulted on remuneration packages and policy but does not attend discussions regarding his own package.

The remuneration and terms and conditions of the appointment of Non-executive Directors are determined by the Board. The Remuneration Committee is chaired by Iain Gray CBE.

The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board.

The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable but not absolute assurance with regard to the safeguarding of the Group's assets against misstatement.

The key elements of the system of internal control are:

- clear definition of delegated authorities;
- preparation of annual budgets for Board approval;
- close involvement of senior management in the day-to-day business of the Group; and
- regular reporting of business performance to the Board and the review of results against budget.

CHANGES TO THE BOARD

The Board comprises Neill Ricketts, Christopher Leigh, Iain Gray CBE, Susan Bowen, James Stewart CBE, appointed on 19 June 2020 and Stephen Hodge, appointed on 7 January 2021. The Board considers that there is an appropriate balance between the Executives and Non-executives and that no individual or small group will dominate the Board's decision making. The Board's members have a wide range of expertise and experience and it is felt that concerns may be addressed to the Non-executive Directors. The Board has delegated certain authorities to Committees, each with formal terms of reference. The whole Board acts as a Nomination Committee.

James Stewart CBE
Non-executive Chairman

16 August 2021

Experience and drive

Our leadership team is accomplished and experienced to lead the development of business strategies within the Group's operations.

NEILL RICKETTS

Chief Executive Officer

Neill is a graduate engineer with over 20 years of senior level experience in manufacturing and engineering companies. He has demonstrated success in introducing and commercialising new technology, including new materials and coatings for diverse sectors from aerospace to Formula One, including significant work in the oil and gas sector.

Neill sits on the advisory board of the United States National Graphene Association (NGA).

CHRISTOPHER LEIGH

Chief Financial Officer

Christopher is a chartered accountant with a significant track record in the manufacturing and engineering sector. His expertise covers corporate finance, mergers and acquisitions, post-acquisition integration, organisational restructuring and change management. He has previously held board-level positions in a variety of companies.

DR STEPHEN HODGE

Chief Technical Officer

Stephen was Head of Research at Versarien, a role he held since July 2018. Prior to this, he was employed as a Principal Engineer at Cambridge Graphene Limited, a subsidiary of Versarien. He has also held post-doctoral research associate positions at the University of Cambridge and at Imperial College London, where he also completed a PhD in Nanomaterial Chemistry.

Stephen is a member of the International Advisory Board for the Graphene NOWNANO CDT at the University of Manchester and was formerly a Teaching Fellow in the EPSRC Centre for Doctoral Training (CDT) programme in Graphene Technology at The University of Cambridge. Stephen also holds the role of Chairman of the Technical Working Group within the Graphene REACH registration consortium.

JAMES STEWART CBE

Non-executive Chairman

James is currently managing partner of Menlo Partners LLP, an investment and advisory company with a particular focus on technology companies operating in the UK and Asia. Prior to founding Menlo in 2013, he spent 25 years in the private equity sector, latterly as a partner at ECI Partners LLP (ECI), one of the UK's longest established private equity fund managers, where he was involved in a wide range of investments. James joined ECI in 1996 having formerly spent time at Arthur Andersen & Co. (Management Consultancy Division) and N M Rothschild & Co. Limited and as an investment director at Rothschild Ventures Limited.

SUSAN BOWEN

Non-executive Director

Susan is an experienced business leader with over 20 years of operational experience in the technology sector. She is currently president and CEO of Cogeco Peer 1, a Canadian headquartered company providing managed IT services, where she is responsible for providing leadership and direction for the company globally, with a strong focus on helping customers scale their business. She is also a non-executive director of JISC, a membership organisation providing digital solutions for UK education and research and a member of the techUK membership, finance and performance board. Prior to joining Cogeco Peer 1 in 2016, she spent 17 years at Hewlett Packard, latterly as chief of staff UK and Ireland and formerly as director of strategy in the UK and Ireland.

IAIN GRAY CBE

Non-executive Director

Iain has spent his executive career at the highest levels within the aerospace sector, initially with British Aerospace before becoming managing director of Airbus UK. After 27 years in the sector, Iain was, in 2007, appointed chief executive of Innovate UK (formerly the Technology Strategy Board) and was responsible for its successful development into an independent organisation looking to drive growth from commercial investment in new areas of technical innovation. He is a professor and director of aerospace at Cranfield University. He is a fellow and vice president of the Royal Academy of Engineering, fellow of the Royal Aeronautical Society and fellow of the Royal Society of Edinburgh and the Royal Academy of Engineers. He is a non-executive director in a number of companies and charitable organisations.

Best practice governance

We follow the QCA Code of Corporate Governance in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised governance code.

As Non-executive Chairman of Versarien plc I am pleased to report that the Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. This report sets out our current compliance and explains the reasons for any Code departures.

PRINCIPLE 1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

Versarien plc seeks to capitalise on innovative IP, transforming it into commercially viable products that can tackle the technological challenges faced by modern manufacturers. Its main technology products are graphene powders, graphene inks and other 2-D materials.

We do this through:

- a deal flow either by establishing new licence arrangements with research institutions or by identifying embryonic companies in early stages of development whose intellectual property fits with our definition of advanced materials technology;
- providing working capital facilities either from existing reserves or our public listing or via banking facilities;
- applying the management team's experience to developing and commercialising the advanced materials technology; and
- providing the plant and equipment to get into production either via our existing production facilities or by funding new facilities.

We continue to identify and acquire majority stakes in companies capable of commercialising graphene applications. We are continually looking at potential acquisitions to further expand our global presence and add to our range of 2-D materials.

We continue to sign application development agreements with customers and to build new relationships with global companies to incorporate graphene into their applications.

PRINCIPLE 2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Company is committed to open communication with its shareholders to ensure that its strategy, business model and performance are clearly understood.

We do this via podcasts, ad hoc investor meetings and by reporting news via LSE channels.

The AGM and online investor meetings are the main forum for dialogue between retail shareholders and the Board.

ATTENDANCE AT MEETINGS DURING THE PERIOD

	Board	Audit Committee	Remuneration Committee
Neill Ricketts	15/15	2/2	0/2
Christopher Leigh	15/15	2/2	0/2
Iain Gray	14/15	2/2	2/2
Susan Bowen	15/15	2/2	2/2
James Stewart (appointed on 19 June 2020)	13/15	2/2	2/2
Stephen Hodge (appointed on 7 January 2021)	3/15	0/2	0/2

The Notice of Meeting is sent to shareholders at least 21 days before the meeting. For each AGM resolution, the proxy results are announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website/released via the Regulatory News Service.

The Directors seek to build relationships with institutional shareholders. Meetings with them are attended by the CEO and CFO. The normal practice is for the Chief Executive Officer and Chief Financial Officer to make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

The Board as a whole is kept informed of the views and concerns of major shareholders by the CEO.

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

Apart from our shareholders, our suppliers, customers and employees are considered to be our most important stakeholder groups. Group companies are ISO 9002 accredited which involves processes to monitor and record feedback from suppliers and customers. The Company has put in place Employee Engagement Surveys.

The Group has in place an ethical policy which is applied at each Group company.

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

The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable but not absolute assurance with regard to the safeguarding of the Group's assets against misstatement.

The key elements of the system of internal control are:

- clear definition of delegated authorities;
- preparation of annual budgets for Board approval;
- close involvement of senior management in the day-to-day business of the Group; and
- regular reporting of business performance to the Board and the review of results against budget.

All material contracts are required to be reviewed and signed by an Executive Director of the Company and reviewed by our legal advisers as appropriate.

Each individual company within the Versarien Group maintains its own risk register as part of its ISO 9001 certification to address key risks that may have an immediate impact.

Our ethical policy deals with compliance with laws and regulations, fair dealing and business intelligence, improper payments, business entertaining and duty to report violations.

PRINCIPLE 5: MAINTAINING THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The Board comprises the Non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer/Company Secretary, the Chief Technology Officer and two Non-executive Directors. The Board considers that the Non-executive Directors bring an independent judgement to bear.

The Board believes there is a suitable balance between independence on the one hand and knowledge of the Company on the other. The Board continues its practice of ensuring matters reserved for the Board are fully discussed and debated.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Group holds regular Board meetings and each Director is asked to disclose any conflicts of interest.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience and time to perform its duties. Board members are able to attend such courses or training, as they feel appropriate, to keep up to date. Directors receive regular and timely information on the Group's operational and financial performance with information being circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary.

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

A formal process for independent review of Directors' performance is in place and is used to evaluate performance.

PRINCIPLE 8: PROMOTE A CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Board aims to lead by example and do what is in the best interests of the Company, its stakeholders and shareholders. The Executive Directors strive to act in a manner which is professional and ethical and has published its ethical policies for all employees to observe and comply with.

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

Board programme

The Board meets regularly during the year in accordance with its scheduled meeting calendar.

The Board sets direction for the Company through a formal schedule of matters reserved for its decision and annually sets a schedule of dates for Board meetings.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed prior to meetings taking place.

Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors.

Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

Roles of the Board, Non-executive Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether capex or opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure.

It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets.

The Non-executive Chairman, together with the Non-executive Directors, are responsible for ensuring the maintenance of good corporate governance and challenging and discussing the strategic direction of the Company.

The Chief Executive Officer is responsible for the strategic direction of the Company and delivering against that strategy.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

Executive Team

The Executive Team consists of Neill Ricketts, Christopher Leigh and Stephen Hodge with input from the divisional managers. It is responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change with the Board as a whole being the final arbiter.

Board Committees

The Board is supported by the Audit and Remuneration Committees. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties. Board nominations are dealt with by the Board as a whole.

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

The Company communicates with shareholders through the financial statements, full-year and half-year announcements, the Annual General Meeting (AGM), the release of news via LSE channels, podcasts and one-to-one meetings with large existing or potential new shareholders.

AUDIT COMMITTEE REPORT

MEMBERSHIP

The Board has established an Audit Committee with the appropriate Terms of Reference, which is comprised of Susan Bowen (Chair), Iain Gray and James Stewart. The Committee reports to the Board in respect of its responsibilities.

RESPONSIBILITIES

The Committee meet to discuss its ongoing responsibilities, including such matters as the existing risk management and internal control systems in place, its financial reporting obligations and external audit findings.

An outline of the key responsibilities undertaken by the Committee in the year are set out below:

- consider the appointment of the external auditors;
- discuss with the external auditors the nature and scope of the audit;
- review the half-year and annual financial statements;
- discuss matters arising from the external auditors' report to the Committee; and
- review the Company's statement on internal control.

INTERNAL CONTROLS

The Committee continues to monitor and review the Company's financial reporting and internal control procedures. It has been concluded that a separate internal audit function is not justified at this time because of the size and scope of the Company's business activities. However, as the Company grows the need for this function will be regularly assessed.

EXTERNAL AUDIT

The Board understands the importance of engaging with the external auditors and in order to support this relationship the external auditors are invited to attend at least one meeting of the Audit Committee each year. The Committee maintains the responsibility of making recommendations to the Board in respect of the appointment, re-appointment and removal of the external auditors. In the re-appointment of the auditors the Committee carefully considers their performance in discharging the audit, the terms of engagement and their independence.

Susan Bowen
Chair of the Audit Committee

16 August 2021

REMUNERATION COMMITTEE REPORT

MEMBERSHIP

The Board has established a Remuneration Committee with the appropriate Terms of Reference, which is comprised of Iain Gray (Chair), Susan Bowen and James Stewart. The Committee reports to the Board in respect of its responsibilities.

RESPONSIBILITIES

The Committee meets to:

- determine the remuneration and rewards for Executive Directors;
- maintain surveillance over all executive benefits including pensions;
- analyse information from external surveys; and
- ensure that remuneration policies for senior personnel facilitate employment and motivation.

Iain Gray
Chair of the Remuneration Committee

16 August 2021

DIRECTORS' REMUNERATION

The Remuneration Committee comprises the Non-executive Chairman, James Stewart, and the two Non-executive Directors, Iain Gray CBE, who chairs the Committee, and Susan Bowen. The Remuneration Committee decides the remuneration policy that applies to Executive Directors.

SALARIES AND BENEFITS

The Remuneration Committee reviews the scale and structure of the Executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements.

The Remuneration Committee awarded discretionary bonuses of £125,000 each to Neill Ricketts and Christopher Leigh for concluding the significant funding and acquisition transactions in the year.

CONTRACTS OF SERVICE

The Executive Directors, Neill Ricketts, Christopher Leigh and Stephen Hodge, each have a service agreement containing one year's notice. The Non-executive Directors, Iain Gray CBE, Susan Bowen and James Stewart CBE, have a service agreement with a three-month notice period.

DIRECTORS' INTERESTS – INTERESTS IN SHARE OPTIONS (AUDITED)

Details of options held by Directors who were in office at 31 March 2021 are set out below.

Details of the Company's option schemes are set out in note 22 to the financial statements.

The market price of the Company's shares at 31 March 2021 was 37.00 pence. The range of market prices during the year was 26.50 pence to 72.30 pence.

DIRECTORS' INTERESTS – INTERESTS IN SHARES (AUDITED)

Directors in office at 31 March 2021 had interests in the Ordinary shares of 1 pence each in the Company as displayed in the table below.

	2021 Number	2020 Number
Neill Ricketts	**13,600,000**	15,250,000
Christopher Leigh	**315,000**	315,000

Iain Gray
Non-executive Director

16 August 2021

DIRECTORS' REMUNERATION (AUDITED)

	Salary		Benefits and bonuses		Total	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Executive						
Neill Ricketts	**198**	190	**129**	26	**327**	216
Christopher Leigh	**175**	158	**139**	15	**314**	173
Stephen Hodge (appointed 7 January 2021)	**24**	—	**—**	—	**24**	—
	397	348	**268**	41	**665**	389
Non-executive						
Iain Gray CBE	**30**	30	**—**	—	**30**	30
Susan Bowen	**30**	23	**—**	—	**30**	23
James Stewart	**31**	—	**—**	—	**31**	—
	91	53	**—**	—	**91**	53

DIRECTORS' INTERESTS IN SHARE OPTIONS (AUDITED)

Director	Date of grant	Number	Exercise price	Expiry date
Neill Ricketts	2 October 2014	742,790	29.00p	2 October 2024
	2 October 2017	2,626,614	15.00p	2 October 2027
	30 August 2018	2,669,616	152.00p	30 August 2028
Christopher Leigh	2 October 2014	1,050,761	29.00p	2 October 2024
	2 October 2017	2,626,614	15.00p	2 October 2027
	30 August 2018	2,669,616	152.00p	30 August 2028
Stephen Hodge	26 April 2017	75,000	21.25p	26 April 2027
	7 December 2018	453,720	117.00p	7 December 2028

Included within the share based payment charge of £1,193,000 in the Group Statement of Changes in Equity (2020: £1,157,000) is £485,000 (2020: £485,000) in respect of Neill Ricketts, £485,000 (2020: £485,000) in respect of Christopher Leigh and £10,000 (2020: £nil) in respect of Stephen Hodge.

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and the Independent Auditors' Report, for the year ended 31 March 2021.

RESULTS AND DIVIDENDS

The Group incurred a loss after tax for the year of £8.1 million (2020: loss of £4.7 million). The Directors do not recommend the payment of a dividend (2020: £nil). The Directors are confident of the future prospects of the Group.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Strategic Report on pages 1 to 20.

RESEARCH AND DEVELOPMENT

Investing in research and development programmes delivers product innovation and manufacturing improvements within Versarien plc. Expenditure on research and development in the year amounted to £2.2 million (2020: £1.3 million), of which £1.6 million has been capitalised (2020: £0.3 million) as the Group focuses on commercialisation of its product portfolio.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on pages 22 and 23. The Directors' Remuneration Report on page 28 gives details of salaries, benefits and interests in shares and share options.

DIRECTORS' INDEMNITIES

The Company has granted indemnities to each of its Directors in respect of losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association. Such qualifying third party indemnity provision has been in force throughout the year and remains in force at the date of approving the Directors' Report. In addition, Directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance.

EMPLOYEES

The Group keeps its staff informed of matters affecting them through a series of informal meetings at which employees are encouraged to ask questions on any aspects of the business and at which they are updated on financial and economic factors that may affect Company performance.

RISK FACTORS

Information on the Group's principal risks and how they are mitigated is given in the Strategic Report.

TREASURY ACTIVITIES AND FINANCIAL INSTRUMENTS

It is the Group's policy not to speculate in derivative financial instruments. The Company is not exposed to significant foreign exchange risks. Further details on financial risk factors are included in note 1.

POLITICAL DONATIONS

No political contributions were made during the year (2020: £nil).

GOING CONCERN

The Directors have prepared and reviewed forecasts and projections for a period of not less than twelve months from the approval of the Annual Report. These are based upon assumptions, in particular with regard to the key risks and uncertainties, together with the level of borrowings and other facilities made available to the Group. The Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group's financial statements. Further details are provided in the Chief Financial Officer's Review on pages 16 and 17.

SIGNIFICANT SHAREHOLDINGS

In addition to the Directors' holdings disclosed in the Directors' Remuneration Report on page 28, holders of more than 3% of the issued 194,149,790 Ordinary shares of the Company at 30 June 2021 are listed below.

	Ordinary shares	% held
Hargreaves Lansdown	39,868,577	20.53
Interactive Investor Services Limited	26,418,556	13.61
Lanstead Capital Investors LP	20,402,030	10.51
Halifax Share Dealing	12,876,898	6.63
Hanwha Aersopace Company Limited	10,442,730	5.38
AJ Bell Securities	8,931,732	4.60
Barclays Stockbrokers Limited	6,481,677	3.34

INDEPENDENT AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as independent auditors will be proposed at the Annual General Meeting.

By order of the Board

Christopher Leigh
Company Secretary

16 August 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

By order of the Board

Christopher Leigh
Company Secretary

16 August 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Versarien plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's and company's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Group and Company statement of financial positions as at 31 March 2021; Group statement of comprehensive income, Group and Company statements of changes in equity, Statement of Group and Company cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

Context

We have performed a full scope audit of the consolidated financial statements.

Overview

Audit scope

- Our audit of the five significant components; Versarien plc, Total Carbide Limited, Versarien Technologies Limited, 2-DTech Limited and AAC Cyroma Limited, as well as other specified balances addresses 85% of the Group loss before tax and 100% of the Group revenue.

Key audit matters

- Valuation of the Lanstead funding (group and parent).
- Goodwill impairment assessment (group).
- Intangible assets (development expenditure) impairment assessment (group).
- Recoverability of parent company investments in subsidiaries (parent).
- Impact of Covid-19 on the financial statements (group and parent).

Materiality

- Overall group materiality: £400,000 (2020: £235,000) based on 5% of loss before tax.
- Overall company materiality: £300,000 (2020: £94,900) based on 5% of loss before tax.
- Performance materiality: £300,000 (group) and £225,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OUR AUDIT APPROACH CONTINUED

Key audit matters continued

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Lanstead funding (group and parent) We have continued to focus on this area because there is judgement in selecting the assumptions used to value the financial asset. The combined assumptions resulted in a decrease in fair value of £3,280,000 (2020: increase of £987,000) to give a receivable balance as at 31 March 2021 of £4,728,000 (31 March 2020: £6,987,000).	We obtained the new Lanstead fundraising agreement and evaluated the key terms, including the number of shares issued. We also confirmed the group's accounting methodology is consistent with prior year. We obtained management's fair value model as it 31 March 2021, challenged assumptions and engaged our valuation experts to reperform the Monte Carlo simulation. As a result of the work performed we agree with the fair value of the financial asset as at 31 March 2021.
Goodwill impairment assessment (group) At 31 March 2021, the Consolidated Statement of Financial Position includes £3,555,000 of goodwill (2020: £3,555,000). In accordance with the requirements of IFRS, management has performed impairment reviews in relation to the goodwill held in the group's cash generating units (CGUs). The value of the goodwill is supported by multiple-year profitability projections based on the budget for 2022 or estimated fair values less costs to sell by comparing valuations of comparable companies. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rate employed.	We obtained the group's cash flow forecasts supporting its assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including: › verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board; › evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing subsidiary specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the subsidiary's performance; › comparing the projected growth rates used to historical information; › evaluating the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts; › we performed a range of sensitivity analyses to assess the impact of reasonably possible changes in key assumptions to those used by management; and › we considered the market capitalisation of the group and other comparable companies given the early stage nature of the group's graphene businesses. Based on this work, we concur with management's assertion that no impairment charge is required in respect of goodwill.
Intangible assets (development expenditure) impairment assessment (group) We focussed on this area because of the magnitude of capitalised development expenditure within the Consolidated Statement of Financial Position as at 31 March 2021 of £2,453,000 (2020: £901,000) and the risk that amounts may not be recoverable if adequate future sales are not generated.	We tested a sample of capitalised development costs against the criteria set out in IAS38 'Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits and gain necessary regulatory approvals. We updated our understanding of the purpose and status of the projects in order to gain comfort over the future economic benefit of the projects and reviewed collaboration agreements in place related to each project. Where applicable, we also obtained the grant income documentation that directly relates to these projects. We assessed individually each of the major projects for indicators of impairment, such as ongoing progress of commercialisation. As a result of our work we concurred that no impairment was required.

OUR AUDIT APPROACH CONTINUED

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of parent company investments in subsidiaries (parent) At 31 March 2021, the company's Statement of Financial Position included £7,034,000 of investments (2020: £7,034,000). Management has performed an analysis comparing the carrying amount of the investments with the expected value of the business. As a result the value of the investments are supported with no impairment noted (2020: £859,000). The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rate employed.	We obtained the relevant subsidiary's cash flow forecasts supporting management's assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including: › verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board; › evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing subsidiary specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the subsidiary's performance; › comparing the projected growth rates used to historical information; › evaluating the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts; › we performed a range of sensitivity analyses to assess the impact of reasonably possible changes in key assumptions to those used by management; and › we considered the market capitalisation of the group and other comparable companies given the early stage nature of the group's graphene businesses. Based on this work, we concur with the assessment performed. We consider the carrying value of the investment balance to be materially correct.
Impact of Covid-19 on the financial statements (group and parent) In March 2020 the global pandemic from the outbreak of Covid-19 became significant and widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. Covid-19 has continued for the duration of the current financial year and has had a significant impact on Versarien both operationally and further in relation to revenues and consequential impact on funding and cash flow management. It has impacted the results of the Group and company for the 2021 financial year and 2022 to date and throughout the forecast period with the severity of the impact forecast to continue to reduce over time. Disclosure of the impact of Covid-19 and ongoing risk to the Group and management's conclusions on going concern and viability have been included within the relevant sections of the Annual Report.	We critically assessed management's assessment of the impact of Covid-19. We considered: › the continuing development of the outbreak across the world and in the UK; and › how the financial statements and business operations of the company might be impacted by ongoing disruption. In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from Covid-19. Our procedures in respect of going concern included making enquiries of management to understand the continuing and impact of Covid-19 on the company's financial performance, business operations and financial position. Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements, and concur with management's assessment of the impact of Covid-19 on the going concern assessment. We also assessed the adequacy of disclosures related to Covid-19 included in the financial statements and assessed these to be appropriate.

OUR AUDIT APPROACH CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Versarien group is made up of a number of operations located throughout the United Kingdom and a number of other smaller operations located in Spain, South Korea, Beijing and the United States. The significant operations of the group continue to be those based in the United Kingdom with those overseas being insignificant components.

The significant operations and focus of the group is the development and commercialisation of graphene technology. However, significant revenue generating activities include the manufacture and sale of tungsten carbide hard metal products, the sale and manufacture of vacuum formed and injection moulded plastics and the sale of aluminium products.

We have assessed the significant components of the group to consist of Versarien plc, Total Carbide Ltd, Versarien Technologies Limited, 2-DTech Limited and AAC Cyroma Limited. Whilst these are the significant components of the group, the scope of our audit work has included specified balances within Cambridge Graphene Limited and the Spanish operation which contribute a significant proportion of the overall group balances. The audit of each of these entities has been completed by the same team and there has been no requirement to engage with component auditors.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£400,000 (2020: £235,000).	£300,000 (2020: £94,900).
How we determined it	5% of loss before tax.	5% of loss before tax.
Rationale for benchmark applied	Loss before tax is considered a key focus for management and the directors of the group.	The entity does not generate any external revenue and therefore, loss before tax is considered to be an appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £11,000 and £90,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £300,000 for the group financial statements and £225,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £20,000 (group audit) (2020: £12,000) and £15,000 (company audit) (2020: £5,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- tested the mathematical accuracy and considered the reasonableness of the assumptions made and the available headroom throughout the twelve-month period from the date of approval of the financial statements;
- critically assessed the Directors' going concern assessment, including the reasonableness of assumptions applied and downside stress case sensitivities applied using our underlying knowledge of the business;
- considered the key sensitivities applied in the cash flow model pertaining to revenue and cost base giving regard to current trading since April 2021, the continued use of the finance facilities, the Innovate UK loan, continued funding from the Lanstead agreement using differing scenarios of share price and management of the Group's and Company's cost base;

CONCLUSIONS RELATING TO GOING CONCERN CONTINUED

- reviewing the underlying base year back to supporting documentation (i.e. comparison with costs in current year); and
- assessed the completeness and accuracy of the matters covered in the going concern disclosure with reference to the Directors' going concern assessment and whether significant judgements have been appropriately disclosed.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Statement of directors' responsibilities, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Statement of directors' responsibilities for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Statement of directors' responsibilities.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT CONTINUED

Auditors' responsibilities for the audit of the financial statements continued

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and related international tax law and AIM Rules for Companies, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions to overstate revenues and minimise losses in order to maintain or increase value to shareholders. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- reviewing Board minutes and reports that set out the company's compliance matters;
- identifying and testing journal entries, in particular those having unusual account combinations; and
- obtaining third party confirmations of banking arrangements held by significant components of the Group.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Bristol

16 August 2021

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Continuing operations			
Revenue	3	**6,567**	8,281
Cost of sales		**(5,112)**	(6,334)
Gross profit		**1,455**	1,947
Other operating income	4	**107**	5
Other (losses)/gains		**(3,280)**	987
Operating expenses (including exceptional items)	5	**(6,190)**	(7,487)
Loss from operations before exceptional items		**(7,467)**	(2,941)
Exceptional items	6	**(441)**	(1,607)
Loss from operations		**(7,908)**	(4,548)
Finance costs	7	**(165)**	(160)
Finance income	7	**5**	5
Loss before income tax		**(8,068)**	(4,703)
Income tax	9	**—**	49
Loss for the year		**(8,068)**	(4,654)
Loss attributable to:			
– Owners of the parent company		**(7,779)**	(4,148)
– Non-controlling interest		**(289)**	(506)
		(8,068)	(4,654)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	**(4.45)p**	(2.69)p

There is no other comprehensive income for the year.

The other (losses)/gains in the year relate to the fair value assessment of the Lanstead sharing agreements at the balance sheet date.

The accompanying notes are part of the financial statements.

GROUP STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	11	**9,706**	4,720
Property, plant and equipment	12	**4,119**	4,316
Deferred taxation	9	**25**	25
Trade and other receivables	13	**772**	4,295
		14,622	13,356
Current assets			
Inventory	15	**1,814**	2,252
Trade and other receivables	16	**6,449**	4,974
Cash and cash equivalents		**2,359**	1,657
		10,622	8,883
Total assets		**25,244**	22,239
Equity			
Called up share capital	21	**1,899**	1,697
Share premium account	21	**33,003**	25,497
Merger reserve		**1,256**	1,256
Share-based payment reserve		**3,249**	2,056
Accumulated losses		**(21,625)**	(13,846)
Equity attributable to owners of the parent company		**17,782**	16,660
Non-controlling interest		**(1,288)**	(999)
Total equity		**16,494**	15,661
Liabilities			
Non-current liabilities			
Trade and other payables	19	**1,222**	1,192
Deferred tax liabilities		**67**	67
Innovate Loan	20	**2,260**	—
Long-term borrowings	20	**356**	516
		3,905	1,775
Current liabilities			
Trade and other payables	17	**3,748**	3.218
Provisions	18	**119**	97
Invoice discounting advances	20	**631**	1,156
Current portion of long-term borrowings	20	**347**	332
		4,845	4,803
Total liabilities		**8,750**	6,578
Total equity and liabilities		**25,244**	22,239

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 38 to 67 were approved by the Board of Directors on 16 August 2021 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investment in subsidiaries	14	**7,034**	7,034
Intangible assets	11	**3,550**	73
Property, plant and equipment	12	**845**	97
Trade and other receivables	13	**772**	4,295
		12,201	11,499
Current assets			
Trade and other receivables	16	**12,301**	8,629
Cash and cash equivalents		**1,745**	929
		14,046	9,558
Total assets		**26,247**	21,057
Equity			
Called up share capital	21	**1,899**	1,697
Share premium account	21	**33,003**	25,497
Merger relief reserve		**1,203**	1,203
Other reserve		**(431)**	(431)
Share-based payment reserve		**3,249**	2,056
Accumulated losses		**(16,485)**	(10,480)
Total equity		**22,438**	19,542
Liabilities			
Non-current liabilities			
Long-term borrowings	20	**62**	74
Innovate Loan	20	**2,260**	—
		2,322	74
Current liabilities			
Trade and other payables	17	**1,357**	1,333
Provisions	18	**119**	97
Current portion of long-term borrowings	20	**11**	11
Total liabilities		**3,809**	1,515
Total equity and liabilities		**26,247**	21,057

The accompanying notes are an integral part of these financial statements. The Company has elected to take the exemption under Section 408 of the Companies Act to not present the Company Income Statement. The loss of the Company for the year was £6,005,000 (2020: £1,898,000).

The financial statements on pages 38 to 67 were approved by the Board of Directors on 16 August 2021 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Non-controlling interest £'000	Total equity £'000
At 1 April 2019	1,536	19,776	1,256	899	(9,698)	(493)	13,276
Issue of shares	161	5,721	—	—	—	—	5,882
Loss for the year	—	—	—	—	(4,148)	(506)	(4,654)
Share-based payments (note 22)	—	—	—	1,157	—	—	1,157
At 31 March 2020	1,697	25,497	1,256	2,056	(13,846)	(999)	15,661
Issue of shares	202	7,506	—	—	—	—	7,708
Loss for the year	—	—	—	—	(7,779)	(289)	(8,068)
Share-based payments (note 22)	—	—	—	1,193	—	—	1,193
At 31 March 2021	**1,899**	**33,003**	**1,256**	**3,249**	**(21,625)**	**(1,288)**	**16,494**

Included within the merger reserve is £53,000 in respect of the merger with Versarien Technologies Limited, £964,000 in respect of the acquisition of Total Carbide Limited and £239,000 in respect of the acquisition of AAC Cyroma Limited.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Other reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2019	1,536	19,776	1,203	(431)	899	(8,582)	14,401
Loss for the year and total comprehensive expense	—	—	—	—	—	(1,898)	(1,898)
Issue of shares (note 21)	161	5,721	—	—	—	—	5,882
Share-based payments (note 22)	—	—	—	—	1,157	—	1,157
At 31 March 2020	1,697	25,497	1,203	(431)	2,056	(10,480)	19,542
Loss for the year and total comprehensive expense	—	—	—	—	—	(6,005)	(6,005)
Issue of shares (note 21)	202	7,506	—	—	—	—	7,708
Share-based payments (note 22)	—	—	—	—	1,193	—	1,193
At 31 March 2021	**1,899**	**33,003**	**1,203**	**(431)**	**3,249**	**(16,485)**	**22,438**

Other reserve represents the difference between the nominal value of shares on the acquisition of Versarien Technologies Limited and the carrying amount of Versarien plc's share of the net assets of Versarien Technologies Limited at that date.

STATEMENT OF GROUP AND COMPANY CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash flows from operating activities					
Cash used in operations	25	**(734)**	(1,487)	**(1,348)**	(390)
Interest paid		**(160)**	(155)	**(44)**	1
Net cash used in operating activities		**(894)**	(1,642)	**(1,392)**	(389)
Cash flows from investing activities					
Loans to subsidiaries		**—**	—	**(2,338)**	(1,744)
Purchase of intangible assets		**(1,638)**	(351)	**(48)**	(35)
Purchase of property, plant and equipment		**(42)**	(286)	**—**	—
Net cash used in investing activities		**(1,680)**	(637)	**(2,386)**	(1,779)
Cash flows from financing activities					
Share issue (net of funds deferred per sharing agreement)*		**—**	123	**—**	123
Share issue costs		**(134)**	(241)	**(134)**	(241)
Funds received from Innovate UK		**2,260**	—	**2,260**	—
Funds received from sharing agreements		**2,479**	—	**2,479**	—
Net funds received from CBILS		**186**	—	**—**	—
Principal payment of leases under IFRS 16		**(990)**	(791)	**(11)**	(11)
Invoice discounting loan (repayments)/proceeds		**(525)**	553	**—**	—
Net cash generated from/(used in) financing activities		**3,276**	(356)	**4,594**	(129)
Increase/(decrease) in cash and cash equivalents		**702**	(2,635)	**816**	(2,297)
Cash and cash equivalents at beginning of year		**1,657**	4,292	**929**	3,226
Cash and cash equivalents at end of year		**2,359**	1,657	**1,745**	929

* As disclosed further in note 13, in December 2020 8,750,000 shares were issued for cash raising gross proceeds of £3.5 million which were pledged via a sharing agreement entitling the Company to receive back those proceeds over a period of 18 months adjusted for the benchmark share price.

The accompanying notes are an integral part of these financial statements.

GENERAL INFORMATION

Versarien plc is a public limited company by shares and is incorporated and domiciled in the United Kingdom. The Company is registered in England and the address of its registered office is 2 Chosen View Road, Cheltenham, Gloucestershire GL51 9LT. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 20.

These financial statements are presented in Sterling, the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest thousand (£'000) except where otherwise stated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

BASIS OF ACCOUNTING

The consolidated financial statements consolidate the results of the Company and its subsidiaries (together referred to as the "Group"). The Group and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in Section 474(1) of that Act, as it applied immediately before Implementation Period ('IP') completion day (end of transition period), including where the Group also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise stated.

Both the Group and Company financial statements are prepared in Pounds Sterling, rounded to the nearest thousand, unless otherwise indicated.

The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 1.

Going concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

- The Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities.
- As at 31 March 2021, the Group had cash balances totalling £2.4 million with £0.7 million of headroom on its invoice discounting facilities.
- The Group was awarded a £5 million loan by Innovate UK to fund certain of its activities.
- The Group receives monthly settlements from its sharing agreements with Lanstead, the quantum of which is dependent upon share price; and
- Post year end, the Group received a strategic investment of £1.93 million from Graphene Lab, through a subscription for 4,280,000 new Ordinary Shares at an issue price of 45 pence per Ordinary Share.

The Directors have prepared detailed projections of expected future cash flows for a period of twelve months from the date of issue of this Annual Report. These show that the Group is expected to have sufficient cash available to meet its obligations as they fall due for the foreseeable future (at least twelve months).

The continuing effects of the Covid-19 pandemic remain uncertain so consequently there remains a risk that trading performance could be below expectations. The projections also contain certain assumptions with regards to the share price and the funds that will flow under the sharing agreements with Lanstead and there is also a risk that the share price could be below expectations. Material adverse occurrences could therefore lead to a requirement to take mitigating action.

Such actions could include raising more cash via an equity placing (there is a track record of successful placings) or, in the absence of a funding round, cost reduction in the Group. The Directors have prepared sensitised projections for these scenarios which indicate that sufficient cash reserves would exist for the foreseeable future (at least twelve months) without any additional fundraising.

Other factors that have been taken into account in the Directors' assessment of going concern include:

- the expectation that the placing authority for up to 15% of the existing share capital without pre-emption rights will be renewed at the Annual General Meeting;
- the continuation and adequacy of bank facilities;

BASIS OF ACCOUNTING CONTINUED

Going concern continued

- that there are a number of mitigating actions the Group could implement, such as reducing the funds spent on development of its technologies and overheads to concentrate on GSCALE opportunities;
- the commencement of the Innovate loan repayment which commences in May 2024; and
- the purchase post year end of assets through the Innovate UK loan.

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (at least twelve months). For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

The financial statements have been prepared on the historical cost basis, except where IFRSs require an alternative treatment. The principal variations from historical cost relate to financial instruments (IFRS 9 and IFRS 13).

New standards, amendments and interpretations

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of Versarien plc and its subsidiary undertakings. The Company acquired the entire share capital of Versarien Technologies Limited in a share-for-share exchange on 21 March 2013. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRSs covering such transactions. IFRSs contain specific guidance to be followed where a transaction falls outside the scope of IFRSs. This guidance is included in paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This requires, inter alia, that, where IFRSs do not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United Kingdom Financial Accounting Standards Board (ASB) had issued an accounting standard covering business combinations (FRS 6) that is similar in a number of respects to IFRS 3. FRS 6 (and US GAAP) does include guidance for accounting for Group reconstructions of this nature. Having considered the requirements of IAS 8 and the related UK and US guidance, the transaction by which the Company acquired the entire share capital of Versarien Technologies Limited was accounted for on a merger or pooling of interest basis as if both entities had always been combined. The combination was accounted for using book values, with no fair value adjustments made nor goodwill created. All other subsidiary undertakings are consolidated using acquisition accounting from the date of acquisition.

Goodwill arising on the acquisition of subsidiaries represents the fair value of the consideration less the fair value of the identifiable assets and liabilities acquired and is recognised as an intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

SEGMENTAL REPORTING

The Directors regard the Group's reportable segments of the business to be the manufacture of thermal aluminium, other aluminium and tungsten carbide hard wear products ("Hard Wear and Metallic Products"), the development and manufacture of graphene and plastics ("Graphene and Plastic Products") and holding company activities ("Central Activities"). The business has no significant geographical aspect. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on the basis of estimated time spent by central staff on subsidiary affairs. This segmentation is consistent with internal reports to the chief operating decision maker for use in assessing business performance and allocating Group resources. The chief operating decision maker is the Chief Executive Officer of the Group and the activity of each segment is explained in the Strategic Report. The non-core aluminium operations of Versarien Technologies Limited are being wound down and consequently in future reporting periods the segmental analysis will be split between technology businesses and mature businesses.

BORROWINGS

Borrowings, including invoice discounting facilities, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Group Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognised as interest expense.

INTANGIBLE ASSETS

Goodwill

Goodwill arising on consolidation represents the excess of the consideration payable over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually. For the purposes of assessing impairment, assets are grouped into cash-generating units (CGUs) being the lowest levels for which there are separately identifiable cash flows. Any impairment is recognised immediately in the Group Statement of Comprehensive Income and is not subsequently reversed. When the Group disposes of an interest in a subsidiary, the value of goodwill is reduced by the proportion that relates to the interest being disposed of.

Acquired intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The intangible assets acquired and referred to in note 11 represent the estimated present value of the acquired company's customer relationships in respect of the acquisition of the share capital of Total Carbide Limited, the acquisition of the business of Custom Systems Limited, the acquisition of AAC Cyroma Limited and the acquisition of intellectual property from Hanwha Aerospace Company Limited. Amortisation of intangible assets is charged on a straight line basis between five to twelve and half years and is reviewed annually for impairment.

RESEARCH AND DEVELOPMENT

In accordance with IAS 38, it is the Group's policy to recognise an intangible asset for development of its product once the criteria have been met. Otherwise all costs in the research phase will be recognised in the Group Statement of Comprehensive Income for the period in which they are incurred. Costs that are directly attributable to the development phase of a product are recognised as intangible assets, provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Capitalised development costs are written off over a period of four years from the point at which commercial production commences.

LICENCE ACCOUNTING

In line with IAS 38 it is the Company's policy to recognise an acquired licence when:

(a) a financial instrument is deemed separable from the entity and can be sold, transferred, licensed, rented or exchanged;

(b) a financial instrument arises from a contractual or other legal right;

(c) future economic benefits are expected from the financial instrument; and

(d) the cost of the asset can be measured reliably.

Management believes the commitment to purchase the licence to sell graphene inks meets the criteria above.

Amortisation is applied to an intangible asset where management believes the useful life of the asset is finite; in accordance with IAS 38, the useful life shall not exceed the period of contractual or other legal rights. As such, management believes the appropriate amortisation rate for the licence of metal foam and graphene ink technologies is as follows:

- Licence – straight line over five years

The amortisation charge for the year is included in administration expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any provision for impairment.

DEPRECIATION

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life. The rates of depreciation are as follows:

- Leasehold improvements – over the term of the lease
- Plant and equipment – 2 to 15 years
- Right of use asset – over the term of the lease

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL'), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

Financial assets

Financial assets are classified into 'financial assets at FVTPL' and 'financial assets at amortised cost'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Financial assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument's 'lifetime ECL'. For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available: significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'liabilities at amortised cost'. Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

FINANCIAL INSTRUMENTS CONTINUED

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest. Financial liabilities at amortised cost, including borrowings, trade and other payables, excluding deferred income and lease liabilities (after the adoption of IFRS 16 on 1 April 2019), and are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition. Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis. In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognised immediately in the income statement at the date of the modification of a financial liability.

INVENTORIES

Inventory is valued at the lower of cost and net realisable value. Cost comprises all direct expenditure and production overheads based on a normal level of activity. Provision is made for obsolete, slow-moving and defective inventory. Cost is calculated on a first-in, first-out basis and net realisable value represents the estimated sales value less costs to completion.

TRADE AND OTHER RECEIVABLES

Trade and other receivables include assets held under amortised cost and financial assets held at fair value through profit and loss (FVTPL). Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instruments for all trade and other receivables.

CASH

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits.

TRADE PAYABLES

Trade payables are not interest bearing and are stated at their amortised cost.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Group Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to the Group Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest.

Employer's National Insurance in the United Kingdom and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the fair value of the Company's shares at the balance sheet date and pro-rated over the vesting period of the options.

Fair value is measured using either the Black-Scholes or Monte Carlo pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

REVENUE RECOGNITION

The revenue recognised in any reporting period is based on the contracted delivery of performance obligations and an assessment of when control is transferred to the customer. To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

The Group's customer arrangements take a variety of forms, with typical contractual frameworks comprising master terms and purchase orders.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities and is shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised when the performance obligation in the contract has been performed and control has been passed (so 'point in time' recognition). The customer gains the right of control at the time the product has been delivered.

GRANT INCOME RECOGNITION

Grant income is recognised in the Group Statement of Comprehensive Income on a receivable basis. A grant, contribution or donated asset may be received subject to a condition that it be returned to the transferor if a specified future event does or does not occur. A return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant, contribution or donated asset being recognised as income in the Statement of Comprehensive Income. Capital grants are recognised over the useful life of the funded asset.

Grant income is deferred until revenue is generated as a direct result of the research and development costs that have been capitalised. The deferred grant income is subsequently recognised as income in the Statement of Comprehensive Income over five years.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

LEASES

As a lessee, the Group assesses if a contract is or contains a lease at the inception of the contract. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Lease liabilities are classified as part of borrowings. The associated right-of-use asset is capitalised equal to the lease liability and disclosed together with property, plant and equipment.

The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. Right of-use assets are also subject to testing for impairment if there is an indicator for impairment.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. See note 12 for the impairment in the year relating to PPE.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment losses relating to goodwill are not reversed.

EXCEPTIONAL ITEMS

Exceptional items are defined as items of income and expenditure which, in the opinion of the Directors, are unusual in nature or of such significance that, in order to give a full understanding of the Group's underlying financial performance, they require separate disclosure on the face of the Group Statement of Comprehensive Income in accordance with IAS 1 "Presentation of Financial Statements".

1. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's business activities are set out on page 3 within the Strategic Report. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them.

(a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may issue new shares.

The Group monitors capital on the basis of its net cash position. Net cash is calculated as cash and cash equivalents less total borrowings.

The Group's net cash at the balance sheet date was:

	2021 £'000	2020 £'000
Total borrowings	**(3,594)**	(2,004)
Cash and cash equivalents	**2,359**	1,657
Group net debt	**(1,235)**	(347)

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

(b) Foreign currency risk

Foreign currency risk arises where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies. The Group is exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the Euro.

The Group's policy is not to hedge its exposure using financial instruments, but to mitigate exposure by natural hedges as far as possible. If the currencies to which the Group is exposed had strengthened by 10%, the reported loss after taxation would not have been materially different to that reported.

(c) Interest rate risk

The Group currently uses invoice discounting advances to fund working capital requirements and hire purchase to fund plant and machinery additions and holds surplus funds on deposit. Interest rate risks are not hedged. If the interest rates to which the Group is exposed had increased by 1%, the reported loss after taxation would not have been materially different to that reported.

(d) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and other current assets. The amounts recognised in the balance sheet are net of provision for doubtful debts. Trade receivables are subject to credit limits. Credit risk associated with cash balances is managed by transacting with financial institutions of high quality.

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount.

(e) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure there are sufficient resources for working capital requirements and to meet the Group's financial commitments.

At 31 March 2021 and 31 March 2020, all amounts shown in the Group Statement of Financial Position under current assets and current liabilities mature for payment within one year.

(f) Market risk

Market risk arises from the Group's use of financial instruments through an asset held at FVTPL with the risk being associated with fluctuating share prices.

As at 31 March 2021 the Group is only exposed to its own share price changes which could affect future cash receipts on the Lanstead agreements.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Sources of estimation uncertainty

The preparation of the financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually made and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The Directors believe the following to be the key areas of estimation:

(i) Goodwill impairment

The recoverable amount of goodwill is determined based on value-in-use calculations of the cash-generating units to which it relates. Further detail on key assumptions, including growth rates, discount rates and the time period of these value-in-use calculations, is given in note 11.

(ii) Useful economic lives of intangible and tangible assets

In relation to the Group's finite life, intangible assets and property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets.

(iii) Investment in subsidiaries

The recoverable amount of investment in subsidiaries is determined based on value-in-use calculations of the cash-generating units to which it relates. Further detail on key assumptions, including growth rates, discount rates and the time period of these value-in-use calculations, is given in note 14.

(iv) Asset held at FVTPL

The Group and the Company has placed shares with Lanstead and at the same time entered into a Sharing Agreement. The amount receivable under the Sharing Agreement each month, over a 24-month period, will be dependent on the Company's share price performance. The nature of the Sharing Agreement with Lanstead requires the calculation of the fair value as at the end of the accounting period and it is based on the estimation of the Company's share price and discount rate.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted).
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair Value Measurement, the Company's share price has been assessed under the fair value hierarchy as a Level 2 input. At each period end the amount receivable is restated to fair value. Any change in the fair value of the financial asset is reflected in the Statement of Comprehensive Income. The financial asset was initially recognised at the date the Sharing Agreement was entered into and was subsequently re-measured to its fair value at the reporting date. The resulting gain or loss was recognised in other gains within the Statement of Comprehensive Income. As at 31 March 2021, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance loss of £3,280,000 (2020: gain of £987,000). At the reporting date, the agreement had a positive fair value and therefore is recognised as a financial asset. The financial asset is presented as both a current asset and non-current asset.

The Directors believe the following to be the key areas of judgement:

(V) Development costs

Development costs are capitalised on the balance sheet following an assessment of the criteria in IAS 38. They are assessed on an ongoing basis to determine whether circumstances may change and could lead to potential impairment of the carrying value of these assets.

3. SEGMENTAL INFORMATION – BUSINESS AND GEOGRAPHICAL SEGMENTS

At 31 March 2021, the Group is organised into two business segments. Central costs are reported separately.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focussed on the two principal business segments of Graphene and Plastic Products and Hard Wear and Metallic Products, and, accordingly, the Group's reportable segments under IFRS 8 are based on these activities.

Segment profit/(loss) represents the profit/(loss) earned by each segment, including a share of central administration costs, which are allocated on the basis of time spent by central staff on subsidiary affairs. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

The non-core aluminium operations of Versarien Technologies Limited are being wound down and consequently in future reporting periods the segmental analysis will be split between technology businesses and mature businesses.

The segment analysis for the year ended 31 March 2021 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Hard Wear and Metallic Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	**—**	**3,697**	**2,870**	**—**	**6,567**
Gross profit	**—**	**877**	**578**	**—**	**1,455**
Other operating income	**—**	**103**	**4**	**—**	**107**
Other income and gains	**(3,280)**	**—**	**—**	**—**	**(3,280)**
Operating expenses	**(2,686)**	**(2,646)**	**(826)**	**(32)**	**(6,190)**
Loss from operations	**(5,966)**	**(1,666)**	**(244)**	**(32)**	**(7,908)**
Finance charge	**(44)**	**(73)**	**(43)**	**—**	**(160)**
Loss before tax	**(6,010)**	**(1,739)**	**(287)**	**(32)**	**(8,068)**
Total assets	**26,254**	**7,498**	**4,882**	**(13,390)**	**25,244**
Total liabilities	**(4,074)**	**(13,171)**	**(4,413)**	**12,908**	**(8,750)**
Net assets/(liabilities)	**22,180**	**(5,673)**	**469**	**(482)**	**16,494**
Capital expenditure	**4,388**	**1,634**	**—**	**—**	**6,022**
Depreciation/amortisation and impairment	**169**	**599**	**438**	**27**	**1,233**

The segment analysis for the year ended 31 March 2020 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Hard Wear and Metallic Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	—	3,942	4,342	(3)	8,281
Gross profit	—	727	1,220	—	1,947
Other operating income	—	—	5	—	5
Other income and gains	987	—	—	—	987
Operating expenses	(2,032)	(3,449)	(1,126)	(4)	(6,611)
Impairment of goodwill	—	(522)	(354)	—	(876)
Loss from operations	(1,045)	(3,244)	(255)	(4)	(4,548)
Finance charge	(1)	(97)	(57)	—	(155)
Loss before tax	(1,046)	(3,341)	(312)	(4)	(4,703)
Total assets	21,917	6,906	5,509	(12,093)	22,239
Total liabilities	(1,523)	(11,090)	(4,753)	10,788	(6,578)
Net assets/(liabilities)	20,394	(4,184)	756	(1,305)	15,661
Capital expenditure	34	324	279	—	637
Depreciation/amortisation	23	628	458	29	1,138

3. SEGMENTAL INFORMATION – BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Geographical information

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
United Kingdom	**5,705**	6,920	**8,296**	11,040
Rest of Europe	**495**	831	**2,300**	2,316
North America	**5**	273	**—**	—
Other	**362**	257	**4,026**	—
	6,567	8,281	**14,622**	13,356

4. OTHER OPERATING INCOME

	2021 £'000	2020 £'000
Grant income	**103**	—
Other income	**4**	5
	107	5

5. EXPENSES BY NATURE

Expenses included in operating expenses are analysed below:

	2021 £'000	2020 £'000
Operating expenses		
Employee costs (salaries, National Insurance and pension)	**3,751**	3,609
Share-based payments	**1,193**	1,157
Research and development	**631**	1,024
Depreciation	**1,008**	1,065
(Loss)/profit on foreign currency translation	**(16)**	28
Amortisation	**152**	73
Audit services:		
– Fees payable to the Company auditors for the audit of the parent company and consolidated financial statements	**47**	33
– The audit of the Company's subsidiaries pursuant to legislation	**93**	69

6. EXCEPTIONAL ITEMS

	2021 £'000	2020 £'000
Relocation and restructuring costs	**53**	139
Costs relating to expansion in Asia	**137**	531
Acquisition costs	**186**	32
Impairment of goodwill relating to subsidiaries (see note 11)	**—**	876
Other	**65**	29
	441	1,607

The relocation and restructuring costs in 2021 and 2020 relate mainly to restructuring in the Hard Wear Products sector.

The costs relating to expansion in Asia are mainly for related costs incurred to enable the Company to manufacture and sell products in China. The acquisition costs mainly relate to related costs incurred in the acquisition of assets from Hanwha Aerospace (2020: costs relating to expansion in Asia also included professional fees paid to the UK Government or their secondees, and for related costs incurred to enable the Company to manufacture and sell products in China).

7. FINANCE COSTS AND INCOME

Finance costs	2021 £'000	2020 £'000
Lease interest charges	**64**	90
Bank charges	**100**	67
Licence interest charges	**1**	3

Finance income	2021 £'000	2020 £'000
Bank deposit income	**5**	5
Net finance charge	**160**	155

8. DIRECTORS AND EMPLOYEES

The average monthly number of employees, including Executive Directors, employed by the Group during the year was:

	Group 2021 Number	Company 2021 Number	Group 2020 Number	Company 2020 Number
Manufacturing	**38**	**—**	43	—
Sales, technical and administration	**55**	**8**	50	6
	93	**8**	93	6

The aggregate remuneration was as follows:

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Wages and salaries	**3,267**	**896**	3,185	479
Social security costs	**414**	**87**	365	62
Other pension costs	**70**	**5**	59	4
Share-based payment charge – equity settled	**1,193**	**1,193**	1,157	1,157
	4,944	**2,181**	4,766	1,702

Details of Directors' remuneration are included in the Directors' Remuneration Report on page 28. The total remuneration of Directors was £756,000 (2020: £442,000) and the highest paid Director earned £327,000 (2020: £216,000) with pension contributions of £1,000 (2020: £1,000).

9. INCOME TAX

	2021 £'000	2020 £'000
UK corporation tax on loss for the year	**—**	—
Research and development tax credits	**—**	49
Tax on loss on ordinary activities	**—**	49

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £'000	2020 £'000
Loss before tax	**(8,068)**	(4,703)
Loss before tax at the effective rate of corporation tax in the UK of 19% (2020: 19%)	**(1,533)**	(894)
Effects of:		
Expenses not deductible for tax purposes	**266**	227
Capital allowances in excess of depreciation and other timing differences	**103**	(15)
Unrelieved losses arising in the year	**1,164**	682
Research and development tax credits	**—**	49
Tax credit for the year	**—**	49

FINANCIAL STATEMENTS

9. INCOME TAX CONTINUED

In the financial year under review, the Group incurred a trading loss. The trading loss to be carried forward against future trading profits for corporation tax purposes is £19,362,000 (2020: £14,665,000). These losses will reduce the tax charge of future years until they are utilised provided future taxable profits are made. No deferred tax asset has been recognised, as there is currently insufficient certainty as to the precise timing of when the asset would be recovered. The unrecognised asset amounts to £3,236,000 (2020: £2,449,000), being £3,679,000 (2020: £2,786,000) of trading losses net against a capital allowances liability of £443,000 (2020: £337,000), leaving the remaining asset as unrecognised.

Deferred tax

In accordance with IAS 12, a deferred tax asset of £25,000 (2020: £25,000) has been recognised in relation to the fair valuation of net assets acquired on the acquisition of Total Carbide Limited and a deferred tax liability of £67,000 (2020: £67,000) in relation to the fair valuation of net assets acquired on the acquisition of AAC Cyroma Limited, with £5,000 (2020: £5,000) relating to Gnanomat S.L.

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic loss per share for the years ended 31 March 2021 and 31 March 2020 is based on the losses attributable to the shareholders of the Versarien plc Group divided by the weighted average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS 33 "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 31 March 2021, there were 14,677,130 (2020: 14,677,130) potential Ordinary shares, which have been disregarded in the calculation of diluted loss per share as they were considered non-dilutive at that date.

	Loss attributable to owners of parent company £'000	Weighted average number of shares '000	Basic loss per share pence
Year ended 31 March 2021	**(7,779)**	**174,660**	**(4.45)**
Year ended 31 March 2020	(4,148)	153,956	(2.69)

11. INTANGIBLE ASSETS

Group	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 April 2019	4,431	1,976	6,407
Additions	—	351	351
At 31 March 2020	4,431	2,327	6,758
Additions	—	5,138	5,138
At 31 March 2021	**4,431**	**7,465**	**11,896**
Accumulated amortisation and impairment			
At 1 April 2019	—	1,089	1,089
Amortisation charge	—	73	73
Impairment	876	—	876
At 31 March 2020	876	1,162	2,038
Amortisation charge	—	152	152
At 31 March 2021	**876**	**1,314**	**2,190**
Carrying value			
At 31 March 2021	**3,555**	**6,151**	**9,706**
At 31 March 2020	3,555	1,165	4,720

11. INTANGIBLE ASSETS CONTINUED

Company	Other intangibles £'000	Total £'000
Cost		
At 1 April 2019	38	38
Additions	35	351
At 31 March 2020	73	6,758
Additions	3,547	5,138
At 31 March 2021	**3,620**	**11,896**
Accumulated amortisation and impairment		
At 31 March 2020	—	—
Amortisation charge	70	70
Impairment	—	—
At 31 March 2021	**70**	**70**
Carrying value		
At 31 March 2021	**3,550**	**3,550**
At 31 March 2020	73	73

The amortisation charge is included within operating expenses in the Statement of Comprehensive Income (note 5).

The impairment of goodwill in 2020 relates to AAC Cyroma Limited and Total Carbide Limited as per exceptional items, note 6.

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment. Included in the additions in the year is the intellectual property acquired from Hanwha Aerospace Company. Intangibles assets are amortised over their useful economic life, which range from 1 to 12.5 years.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration for an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition and is reviewed annually for impairment. Goodwill acquired in a business combination is allocated, at acquisition, to the "cash-generating units" of the business segments detailed in note 3 "Segmental information" as follows:

	Cost £'000	Impairment £'000	Net book value £'000
Hard Wear and Metallic Products	10	—	10
Graphene and Plastic Products	3,545	—	3,545
	3,555	—	3,555

Impairment

At the year end, the carrying value of goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. For the purposes of this impairment review, goodwill in Hard Wear Products (Total Carbide Limited) had a carrying value of nil, having been fully impaired during the year ended 31 March 2020; goodwill in Graphene and Plastic Products has been tested for impairment on a value-in-use basis (Plastic products – AAC Cyroma Limited) and fair value less costs to sell basis (Graphene products).

For the value-in-use basis the Group prepares cash flow forecasts based on financial projections approved by management covering a five-year period which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long-term growth rates which do not exceed the long-term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from the risk-free rate for government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities.

11. INTANGIBLE ASSETS CONTINUED

Impairment continued

The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, forecast revenue and growth rates. The pre-tax discount rate used to discount forecast cash flow was 11.5% (2020: pre-tax 12.0%–12.5%) with a slow recovery to pre-Covid-19 levels by 2023/24 with up to 1.5% growth rate thereafter to perpetuity.

Sensitivity analysis demonstrates that a slower recovery of revenue following Covid-19 and 1% growth thereafter to perpetuity does not lead to any indications of impairment.

Other intangible assets

	31 March 2021 £'000	31 March 2020 £'000
Customer relationships/order books	**27**	54
Development costs	**2,453**	901
Licence	**58**	28
Intellectual property	**3,613**	182
Total	**6,151**	1,165

The fair value of customer relationships acquired as part of business combinations is based on the estimated cash flows from major customers over a five-year period and assumes attrition of 20% per annum and a discount factor of 11%. It is amortised on a straight line basis over five years.

Intellectual property arises primarily from the acquisition of patent and income sharing rights relating to graphene production by exfoliation.

12. PROPERTY, PLANT AND EQUIPMENT

Group	ROU asset £'000	Plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 April 2019	—	9,862	518	10,380
Adjustment on transition to IFRS 16	6,377	(4,453)	—	1,924
Additions	160	127	—	287
Disposals	—	(132)	—	(132)
At 31 March 2020	6,537	5,404	518	12,459
Additions	—	884	—	884
At 31 March 2021	**6,537**	**6,288**	**518**	**13,343**
Accumulated depreciation				
At 1 April 2019	—	7,126	84	7,210
Adjustment on transition to IFRS 16	2,567	(2,567)	—	—
Charge for the year	820	218	27	1,065
Disposals	—	(132)	—	(132)
At 31 March 2020	3,387	4,645	111	8,143
Charge for the year	812	172	24	1,008
Impairment	—	73	—	73
At 31 March 2021	**4,199**	**4,890**	**135**	**9,224**
Net book value				
At 31 March 2021	**2,338**	**1,398**	**383**	**4,119**
At 31 March 2020	3,150	759	407	4,316

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

ROU assets

	Group 2021 £'000			Group 2020 £'000		
	Plant and equipment	**Buildings**	**Total**	Plant and equipment	Buildings	Total
Cost	**4,613**	**1,924**	**6,537**	4,613	1,924	6,537
Accumulated depreciation	**(3,001)**	**(1,198)**	**(4,199)**	(2,788)	(599)	(3,387)
Net book value	**1,612**	**726**	**2,338**	1,825	1,325	3,150

Company	Plant and equipment £'000
Cost	
At 1 April 2020	141
Additions	842
At 31 March 2021	**983**
Accumulated depreciation	
At 1 April 2020	44
Impairment	73
Charge for the year	21
At 31 March 2021	**138**
Net book value	
At 31 March 2021	**845**
At 31 March 2020	97

13. TRADE AND OTHER RECEIVABLES – ASSET HELD AT FVTPL

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Value of asset at inception	**6,987**	6,000	**6,987**	6,000
Additional sharing agreement	**3,500**	—	**3,500**	—
Funds received during the year	**(2,479)**	—	**(2,479)**	—
(Losses)/gains recognised through income statement	**(3,280)**	987	**(3,280)**	987
	4,728	6,987	**4,728**	6,987

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Due within one year	**3,956**	2,692	**3,956**	2,692
Due after one year	**772**	4,295	**772**	4,295
At 31 March 2021	**4,728**	6,987	**4,728**	6,987

As part of the placement completed in March 2020, the Company issued 15,000,000 new Ordinary shares to Lanstead Capital Investors LP ("Lanstead") at a price of 40 pence per share for an aggregate subscription price of £6 million before expenses. The subscription proceeds were pledged under a Sharing Agreement under which Lanstead made and will continue to make, subject to the terms and conditions of that Sharing Agreement, monthly settlements to the Company that are subject to adjustment upwards or downwards depending on the Company's share price performance over a period of 24 months. In December 2020, the Company additionally issued 8,750,000 new Ordinary shares to Lanstead at a price of 40 pence per share for an aggregate subscription price of £3.5 million before expenses. The subscription proceeds were pledged under a Sharing Agreement under which Lanstead made and will continue to make, subject to the terms and conditions of that Sharing Agreement, monthly settlements to the Company that are subject to adjustment upwards or downwards depending on the Company's share price performance over a period of 18 months.

13. TRADE AND OTHER RECEIVABLES – ASSET HELD AT FVTPL CONTINUED

At the end of the accounting period the amount receivable is restated to fair value based upon the share price of the Company at that date. Any change in the fair value of the financial asset is reflected in the income statement. As at 31 March 2021, the Company completed a calculation of fair value of the financial asset that resulted in a finance loss of £3,280,000, which was recorded in the income statement. The restatement to fair value will be calculated at the end of each accounting period during the course of the Sharing Agreement and will vary according to the Company's share price performance.

14. INVESTMENT IN SUBSIDIARIES

	Company 2021 £'000	Company 2020 £'000
Net book value		
At the start of the year	**7,034**	7,893
Impairment	**—**	(859)
At the year end	**7,034**	7,034

At the year end, the carrying value of investments in subsidiaries were reviewed for impairment. The basis of this testing was using a value-in-use basis assessed on the discounted future cash flows expected to be generated on a fair value less costs to sell basis.

For the value-in-use basis the Company prepares cash flow forecasts based on financial projections approved by management covering a five-year period which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long-term growth rates which do not exceed the long-term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from the risk-free rate for government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities.

The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, forecast revenue and growth rates. The pre-tax discount rate used to discount forecast cash flows was 11.5% (2020: pre-tax 12.0%–12.5%) with a slow revenue recovery to pre-Covid-19 levels by 2023/24 with up to 1.5% growth rate thereafter to perpetuity.

As a consequence of the above, no impairment in investments was identified.

Sensitivity analysis demonstrates that a slower recovery of revenue following Covid-19 and 1% growth thereafter to perpetuity does not lead to any indications of impairment.

The impairment assessment for investments determined by using the fair value less costs to sell had no impairment noted. The fair value method used Level 2 inputs of the fair value hierarchy, with reference to similar quoted businesses.

The Company has investments in the following principal subsidiary undertakings, which have been included in the consolidation.

	Country of incorporation	Class of capital	%
Versarien Technologies Limited – supply of metallic products	UK	Ordinary	100.0
Total Carbide Limited – manufacture of tungsten carbide parts	UK	Ordinary	100.0
2-DTech Limited – development and supply of graphene powders	UK	Ordinary	85.0
AAC Cyroma Limited – manufacture of moulded products	UK	Ordinary	100.0
Cambridge Graphene Limited – development and supply of graphene inks	UK	Ordinary	85.0
Gnanomat S.L. – development and supply of energy storage devices	Spain	Ordinary	62.0
Versarien Graphene Inc – supply of graphene products	USA	Ordinary	100.0
Versarien Graphene (Hong Kong) Limited – intermediate holding company	HK	Ordinary	100.0
Beijing Versarien Technology Limited – supply of graphene products	China	Ordinary	100.0
Versarien Advanced Composites Limited (dormant and taking audit exemption)	UK	Ordinary	100.0
Versarien Korea Limited – manufacturing facility operating CVD assets	Korea	Ordinary	100.0

The registered address of all UK subsidiaries is 2 Chosen View Road, Cheltenham, Gloucestershire GL51 9LT.

The registered address of Gnanomat S.L. is Parque Cientifico de Madrid, Campus de Cantoblanco, Calle Faraday, 7, 28049 Madrid, Spain.

The registered address of Versarien Graphene Inc is Capitol Services Inc, 1675 South State Street, Suite B, Dover, Kent County, Delaware 1901, USA.

The registered address of Versarien Graphene (Hong King) Limited is 18th Floor, United Centre, 95 Queensway, Hong Kong. The registered address of Beijing Versarien Technology Limited is A201- 9, Block A, No.6, Dongyi Xiang, South Yanshangang Road, Fangshan District, Beijing. The registered address of Versarien Korea Limited is 839-5 Banggyo-dong, Hwasung-si, Gyeonggi-do, Korea.

15. INVENTORY

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Raw materials	**649**	1,227	**—**	—
Work in progress	**651**	477	**—**	—
Finished goods	**514**	548	**—**	—
	1,814	2,252	**—**	—

Stock recognised in cost of sales during the year as an expense was £2,359,000 (2020: £2,812,000).

16. TRADE AND OTHER RECEIVABLES

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade receivables	**1,658**	1,765	**144**	—
Due from Group undertakings (net of provisions)	**—**	—	**8,064**	5,798
NIC receivable on share-based payments	**119**	97	**119**	97
VAT receivable	**81**	157	**—**	—
Other debtors	**187**	18	**—**	15
Financial assets at FVTPL (note 13)	**3,956**	2,692	**3,956**	2,692
Prepayments	**448**	245	**18**	27
	6,449	4,974	**12,301**	8,629

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade receivables not past due	**1,672**	1,778	**144**	—
Trade receivables past due but not impaired	**—**	—	**—**	—
Gross trade receivables at 31 March	**1,672**	1,778	**144**	—
Provision for bad debt at 1 April	**(13)**	(2)	**—**	—
Debt provisions recognised in the year	**(1)**	(11)	**—**	—
Provision for bad debt at 31 March	**(14)**	(13)	**—**	—
Net trade receivables at 31 March	**1,658**	1,765	**144**	—

The Directors consider that the carrying amount of trade receivables approximates to their fair value due to the short-term nature of the current receivables. Debts provided for and written off are determined on an individual basis and included in operating expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented in the foregoing table.

The gross carrying amounts of trade and other receivables are denominated in the following currencies:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Sterling	**6,266**	4,927	**12,301**	8,629
Euro	**182**	46	**—**	—
Other	**1**	1	**—**	—
	6,449	4,974	**12,301**	8,629

17. TRADE AND OTHER PAYABLES

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade payables	**1,324**	1,514	**139**	298
Lease liability	**469**	605	**—**	—
Taxation and social security	**475**	290	**52**	42
Payables to Group undertakings	**—**	—	**617**	689
Accruals and deferred income	**1,480**	809	**549**	304
	3,748	3,218	**1,357**	1,333

The Directors consider that the carrying amount of trade payables approximates to their fair value.

18. CURRENT LIABILITIES – PROVISIONS

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
NIC due on share-based payments	**119**	97	**119**	97

19. NON-CURRENT TRADE AND OTHER PAYABLES

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Deferred grant income	**990**	414	**—**	—
Deferred licence cost	**4**	9	**—**	—
Other	**—**	18	**—**	—
Lease liability	**228**	751	**—**	—
	1,222	1,192	**—**	—

20. BORROWINGS

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Invoice discounting facilities	**631**	1,156	**—**	—
Obligations under hire purchase contracts and similar arrangements	**703**	848	**73**	85
Innovate UK loan	**2,260**	—	**2,260**	—
	3,594	2,004	**2,333**	85

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Short-term borrowings	**631**	1,156	**—**	—
Current portion of long-term borrowings	**347**	332	**11**	11
Long-term borrowings	**2,616**	516	**2,322**	74
	3,594	2,004	**2,333**	85

20. BORROWINGS CONTINUED

Analysis of repayments	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Invoice discounting facilities – within one year	**631**	1,156	**—**	—
Finance leases and hire purchase contracts:				
Within one year	**347**	332	**11**	11
In two to five years	**356**	516	**62**	74
Innovate UK loan in two to five years	**2,260**	—	**2,260**	—
	3,594	2,004	**2,333**	85

Invoice discounting facilities of £631,000 (2020: £1,156,000) are secured by debentures and charges over certain Group assets, and attract interest at 2.75% over currency base rate. Finance leases and hire purchase contracts of £703,000 (2020: £848,000) attract interest at 3.5% above the base rate. The loan repayments of the Innovate UK loan of £2,260,000 will commence 45 months after drawdown and be paid over a subsequent period of 36 months. The loan attracts at an interest rate of 7.4% per annum with half of the interest deferred until the repayment period commences.

Due to the short-term nature of the invoice discounting facilities, the carrying amounts are assumed to be the same as their fair values. The hire purchase agreements are disclosed at fair value. Due to the comparable discount rate used in the measurement of fair value, this is categorised as Level 2 within the fair value hierarchy.

21. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Group and Company

	Number of shares '000	Called up share capital £'000	Share premium £'000	Total £'000
At 1 April 2019	153,624	1,536	19,776	21,312
Issue of shares	16,058	161	5,721	5,882
At 31 March 2020	169,682	1,697	25,497	27,194
Issue of shares	20,188	202	7,506	7,708
At 31 March 2021	**189,870**	**1,899**	**33,003**	**34,902**

The called up share capital in the table above represents the total number of authorised, issued and fully paid Ordinary shares with a nominal value of £0.01 per share.

During the year the Company made the following non-cash issues:

- 8,750,000 Ordinary shares raising £3.5 million (before expenses) in an additional subscription agreement with Lanstead Capital Investors LP at 40 pence per share with 437,500 Ordinary shares issued in connection with entering into the Sharing Agreement; and
- 11,000,000 Ordinary shares as consideration to acquire certain graphene production related assets and intellectual property from South Korea based Hanwha Aerospace Company Limited at 39.475 pence per share.

22. SHARE OPTIONS

The Company has an option scheme for Executive Directors and employees, the Versarien plc Share Option Plan, created on 12 June 2013. All options are granted at the market value of the shares at the date of grant. The share option scheme runs for a period of ten years. Employees are eligible to participate in the scheme at the invitation of the Board. No payment is required from option holders on the grant of an option. Performance conditions or market conditions are attached to 1,794,000 options issued in the year ended 31 March 2015, 5,253,000 options issued in the year ended 31 March 2018 and 6,850,000 options issued in the year ended 31 March 2019.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2021 Weighted average exercise price in pence per share	**Options ’000**	2020 Weighted average exercise price in pence per share	Options ’000
At 1 April 2020	**80.28**	**14,677**	79.23	14,985
Granted	**—**	**—**	—	—
Exercised	**—**	**—**	(29.00)	(308)
At 31 March 2021	**80.28**	**14,677**	80.28	14,677

Of the 14,677,000 outstanding options (2020: 14,677,000), 4,454,000 had vested at 31 March 2021 (2020: 1,604,000).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Year of grant	Exercise period	Exercise price in pence per share	**2021 Number ’000**	2020 Number ’000
2013	2014–2023	12.25	**199**	199
2014	2015–2027	29.00	**2,124**	2,124
2017	2018–2027	39.00	**176**	176
2017	2018–2027	21.25	**75**	75
2017	2020–2027	15.00	**5,253**	5,253
2018	2021–2028	152.00	**5,339**	5,339
2018	2020–2028	119.50	**209**	209
2018	2020–2028	157.50	**319**	319
2018	2020–2028	117.00	**454**	454
2019	2020–2023	126.50	**529**	529
			14,677	14,677

The weighted average fair value of options granted to Executive Directors and employees is determined using the Black-Scholes or Monte Carlo valuation model. The significant inputs into the model were the exercise prices shown above, volatility of 41% to 61% depending upon date of grant, dividend yield of 0%, expected option life of three to five years and annual risk-free interest rate of 1.1% to 1.57%. Future volatility has been estimated based on comparable information rather than historical data.

23. OTHER RESERVES

The merger reserve was created on the reconstruction of the Group following the acquisition of Versarien Technologies Limited. The share-based payment reserve was created as a result of the issue of share options. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is credited to the share-based payment reserve. The movement in reserves for the years ended 31 March 2020 and 2021 is set out in the Group Statement of Changes in Equity.

24. LEASING

The Group leases land and buildings on which the factories it operates are located, and assets acquired under hire purchase. Land and buildings lease contracts are typically for standard lease commercial periods.

Leases typically include a monthly payment. The Group has recognised a right-of-use asset and a leasing liability based on these payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third party financing received by the individual as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received. The Group had a range of borrowing rates from 4% to 6%. The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the Income Statement to be materially different.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the lease term on a straight line basis.

The total cash outflow for leases in 2020 was £990,000 (2020: £748,000).

The right-of-use asset recognised includes leases and hire purchase agreements. The leasing liabilities are included as follows in the statement of financial position:

Group	**2021 £'000**
Trade and other payables	
Lease liability – current	**469**
Lease liability – non-current	**228**
Borrowings – obligations under hire purchase contracts	
Current portion of long-term borrowings	**280**
Long-term borrowings	**237**
	1,214

The amounts below represent the minimum future lease payments:

Group	**2021 £'000**	2020 £'000
Net obligations repayable:		
Within one year	**749**	937
Between one and five years	**465**	1,267
	1,214	2,204

FINANCIAL STATEMENTS

25. CASH USED IN OPERATIONS

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loss before tax	**(8,068)**	(4,703)	**(6,005)**	(1,898)
Adjustments for:				
Share-based payments	**1,193**	1,157	**1,193**	1,157
Depreciation and impairment	**1,081**	1,065	**94**	22
Amortisation	**152**	73	**70**	—
Impairment of goodwill	—	876	**—**	—
Impairment of investment in subsidiary	—	—	**—**	859
Finance cost/(income)	**160**	155	**44**	(1)
Loss/(gain) on FV movement of sharing agreement	**3,280**	(987)	**3,280**	(987)
R&D tax credit repayment	—	49	**—**	—
Increase in trade and other receivables and investments	**(211)**	(35)	**(142)**	58
Decrease in inventories	**438**	1	**—**	—
Increase in trade and other payables	**1,241**	862	**118**	400
Cash flows from operating activities	**(734)**	(1,487)	**(1,348)**	(390)

26. RELATED PARTY TRANSACTIONS

	Company	
	2021 £'000	2020 £'000
Net service transactions with subsidiaries	**258**	240
Net loans to subsidiaries	**2,338**	1,174
Year-end balance due from subsidiaries	**7,447**	5,109

27. FINANCIAL INSTRUMENTS

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as "amortised cost". Borrowings and trade and other payables are classified as "other financial liabilities at amortised cost". Both categories are initially measured at fair value and subsequently held at amortised cost.

The categories of financial instruments are as follows:

	Group 2021			Group 2020		
Financial assets	Assets at amortised cost £'000	Assets at FVTPL £'000	Total £'000	Assets at amortised cost £'000	Assets at FVTPL £'000	Total £'000
Cash and cash equivalents	**2,359**	**—**	**2,359**	1,657	—	1,657
Financial assets at FVTPL	**—**	**4,728**	**4,728**	—	6,987	6,987
Trade and other receivables excluding prepayments	**1,964**	**—**	**1,964**	1,880	—	1,880
Total at 31 March 2021	**4,323**	**4,728**	**9,051**	3,537	6,987	10,524

	Group 2021			Group 2020		
Financial liabilities	Liabilities at amortised cost £'000	Liabilities at FVTPL £'000	Total £'000	Liabilities at amortised cost £'000	Liabilities at FVTPL £'000	Total £'000
Trade and other payables excluding deferred income	**2,536**	**—**	**2,536**	2,350	—	2,350
Borrowings	**3,594**	**—**	**3,594**	2,004	—	2,004
Lease liabilities	**697**	**—**	**697**	1,356	—	1,356
Total at 31 March 2021	**6,827**	**—**	**6,827**	5,710	—	5,710

Contracted maturities of financial liabilities

	Group 2021				Group 2020			
Financial liabilities	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Trade and other payables excluding deferred income	**2,532**	**4**	**—**	**2,536**	2,323	27	—	2,350
Borrowings	**978**	**356**	**2,260**	**3,594**	1,488	332	184	2,004
Lease liabilities	**469**	**228**	**—**	**697**	605	521	230	1,356
Total at 31 March 2021	**3,979**	**588**	**2,260**	**6,827**	4,416	880	414	5,710

Notice is hereby given that the Annual General Meeting ("AGM") of Versarien plc (the "Company") will be held at the offices of Gloucester Rugby at Kingsholm Stadium, Kingsholm Road, Kingsholm, Gloucester GL1 3AX on Thursday 23 September 2021 at 11am for the following purposes:

As ordinary business, to consider and, if thought fit, pass resolutions 1 to 4 inclusive, which will be proposed as ordinary resolutions:

ORDINARY BUSINESS

1. To receive the Directors' Report and the audited financial statements for the year ended 31 March 2021 together with the Independent Auditors' Report thereon.
2. To re-appoint PricewaterhouseCoopers LLP as the independent auditor of the Company for the year ending 31 March 2022 to hold office until the end of the next period for appointing the auditor in accordance with the provisions of Part 16 of the Companies Act 2006 and to authorise the Directors to fix the remuneration of the auditor for the year ending 31 March 2022 and for subsequent financial years or unless this authority is either revoked or varied.
3. To re-appoint Neill Ricketts as a Director, retiring by rotation.
4. To re- appoint Stephen Hodge as a Director, retiring in accordance with the Company's Articles of Association.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5. THAT, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and are hereby generally and unconditionally authorised for the purpose of Section 551 of the Companies Act 2006 (the "Act") to exercise all or any of the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal value of £647,165 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the Articles of Association of the Company), provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Company's next Annual General Meeting, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted or Rights to be granted (as the case may be) after the expiry of such period and the Directors of the Company may allot shares or grant Rights (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
6. THAT, subject to and conditional upon the passing of the resolution numbered 5 in the notice convening the meeting at which this resolution was proposed and in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred upon them by resolution 5 as if Section 561 of the Act did not apply to any such allotment, provided that this authority and power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue or similar offer in favour of Ordinary shareholders where the equity securities respectively attributable to the interest of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £291,224,

   PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Company's next Annual General Meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

SPECIAL BUSINESS CONTINUED

7. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693(4) of the Act) on the London Stock Exchange of Ordinary shares of 1 pence each in the capital of the Company PROVIDED THAT:

   (a) the maximum aggregate number of shares hereby authorised to be purchased is 19,414,979 Ordinary shares of 1 pence each (representing 10% of the Company's issued share capital at as at 16 August 2021, the latest practicable date prior to publication of this notice);

   (b) the minimum price which may be paid for such shares is 1 pence per share;

   (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than 105% of the average closing middle market quotation for an Ordinary share as derived from the AIM appendix to the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is purchased;

   (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting; and

   (e) the Company may make a contract or contracts to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Christopher Leigh
Company Secretary

16 August 2021

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notes on this page give an explanation of the proposed resolutions.

Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 6 and 7 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least 75% of the votes cast must be in favour of the resolution.

ORDINARY RESOLUTIONS

Resolution 1 – Receipt of 2021 Annual Report and financial statements

The Directors of the Company must present the Directors' Report, the audited financial statements and the Independent Auditors' Report on those financial statements before shareholders each year at a general meeting. Those to be presented at the AGM are in respect of the period ended 31 March 2021.

Resolution 2 – Re-appointment of auditor

Resolution 2 proposes the re-appointment of PricewaterhouseCoopers LLP as the Company's auditor and authorises the Directors to fix the remuneration of the auditor.

Resolution 3 and 4 – Re-appointment of Directors

The Articles of Association of the Company require the nearest number to one-third of the Board of Directors to retire at each AGM with the longest serving retiring first. Where the longest serving Directors have held office for the same amount of time, the Directors to resign are normally chosen by lot. In addition, any Director appointed to the Board since the last Annual General Meeting has to retire at the next Annual General Meeting and is not counted in determining the number of Directors otherwise due to retire. As there are five eligible Directors (as Stephen Hodge has to retire in any event), one has to retire by rotation and Neill Ricketts offers himself for re-election at the AGM. Stephen Hodge was appointed by the Board during the year and therefore offers himself for re-election at the AGM.

Resolution 5 – Directors' power to allot securities

This resolution seeks shareholder approval to grant the Directors of the Company the authority to allot shares in the Company. The authority will be limited to an aggregate nominal amount of £647,165 (64,716,500 Ordinary shares of the Company), being approximately one-third of the Company's issued share capital as at 16 August 2021, the latest practicable date prior to publication of this notice.

SPECIAL RESOLUTIONS

Resolution 6 – Disapplication of pre-emption rights on equity issues for cash

Section 561 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £291,224 (29,122,400 Ordinary shares of the Company), which is equal to approximately 15% of the nominal value of the issued Ordinary share capital of the Company, subject to resolution 5 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the Company.

Resolution 7 – Authority to make market purchases

A special resolution will be proposed to authorise the Directors to make one or more market purchases for the purposes of Section 701 of the Act. The maximum number of shares which may be acquired pursuant to this authority is 19,414,979, which is equal to approximately 10% of the issued share capital of the Company as at 16 August 2021, the latest practicable date prior to publication of this notice. This authority will expire at the conclusion of the Annual General Meeting in 2022.

The Directors currently have no intention of using their authority to make market purchases. Should this change and the Directors decide to make market purchases, they will only do so if such market purchases are expected to result in an increase in the Company's earnings per share and are in the best interests of the Company's shareholders. The Directors must ensure that any market purchases made are made between a minimum price of 1 pence per Ordinary share and a maximum price equal to 105% of the average of the middle market quotations for the Ordinary shares of the Company derived from the AIM appendix to the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is purchased.

ENTITLEMENT TO ATTEND AND VOTE

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours prior to the date and time of the AGM, or, in the event that the AGM is adjourned, 48 hours prior to the adjourned meeting, shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time.

APPOINTMENT OF PROXIES

2. If you are a member of the Company at the time set out in note 1, above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this Notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the proxy form.

3. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the "Nominated persons" section (note 13).

5. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

   If you wish your proxy to speak on your behalf at the AGM, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

6. To direct your proxy how to vote on the resolutions, mark the appropriate box on your proxy form with an "X". To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

APPOINTMENT OF PROXY USING HARD-COPY PROXY FORM

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To be valid, the proxy form, and any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority), must be duly completed, executed and deposited with the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, or by scan and email to Share Registrars Limited at voting@shareregistrars.uk.com and in each case not less than 48 hours before the time appointed for the AGM (or any adjourned meeting). In the case of a member which is a corporation, the proxy form must be executed under its common seal or signed on its behalf by an officer, attorney or other person duly authorised by the corporation.

APPOINTMENT OF PROXIES THROUGH CREST

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the issuer's agent, Share Registrars Limited (CREST participant ID: 7RA36), by no later than 48 hours before the time appointed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

APPOINTMENT OF PROXY BY JOINT MEMBERS

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

CHANGING PROXY INSTRUCTIONS

10. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited (address in note 7).

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

TERMINATION OF PROXY APPOINTMENTS

11. In order to revoke a proxy instruction, you will need to inform the Company using the following method:

    - by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited (address in note 7). In the case of a member which is a corporation, the revocation notice must be executed under its common seal or signed on its behalf by an officer, attorney or other person authorised to sign the same. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Share Registrars Limited no later than 48 hours before the time appointed for holding the AGM.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

ISSUED SHARES AND TOTAL VOTING RIGHTS.

12. As at close of business on 16 August 2021 (being the latest practicable date prior to the publication of this document), the Company's issued share capital comprised 194,149,790 Ordinary shares of 1 pence each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business on 16 August 2021 is 194,149,790.

NOMINATED PERSONS

13. If you are a person who has been nominated under Section 146 of the Companies Act 2006 to enjoy information rights:

    - you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (the "Relevant Member") to be appointed or to have someone else appointed as a proxy for the AGM;
    - if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
    - your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

COMMUNICATION

14. You may not use any electronic address provided either in:

    - this Notice of Annual General Meeting; or
    - any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

INSPECTION OF DOCUMENTS

15. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the AGM, and at the place of the AGM from 10.30am on the date of the AGM until its conclusion:

    - the constitutional documents of the Company, comprising the Articles of Association;
    - copies of the service contracts of the Executive Directors of the Company; and
    - copies of the letters of appointment of the Non-executive Directors of the Company.

REGISTRARS

Share Registrars Limited

The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

2 Glass Wharf
Temple Quay
Bristol
BS2 0FR

NOMINATED ADVISER AND JOINT BROKER

SP Angel Corporate Finance LLP

Prince Frederick House
35–39 Maddox Street
London
W1S 2PP

JOINT BROKER

Berenberg

60 Threadneedle Street
London
EC2R 8HP

LEGAL ADVISER

BPE Solicitors LLP

St James' House
St James' Square
Cheltenham
GL50 3PR

FINANCIAL PR

IFC Advisory Limited

Birchin Court
20 Birchin Lane
London
EC3V 9DU

Yellow Jersey PR Limited

Top Floor
70–71 Wells Street
London
W1T 3QE

TAX ADVISER

BDO LLP

150 Aldersgate Street
London
EC1A 4AB

SECRETARY AND REGISTERED OFFICE

Christopher Leigh

2 Chosen View Road
Cheltenham
Gloucestershire
GL51 9LT

Company registration number

8418328

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VERSARIEN PLC
2 Chosen View Road
Cheltenham
Gloucestershire
GL51 9LT

www.versarien.com