

12 May 2022

Versarien Plc

("Versarien", the "Company" or the "Group")

Interim Results for the twelve months ended 31 March 2022

Versarien Plc (AIM: VRS), the advanced engineering materials group, is pleased to announce its unaudited interim results for the twelve months ended 31 March 2022. As announced on 24 February 2022, the Company's accounting reference date has changed from 31 March to 30 September.

Financial Highlights

- Group revenues from continuing operations up 34% to £7.63 million (2021: £5.69 million)*
- Graphene revenues up 170% to £1.89 million (2021: £0.70 million)
- Adjusted LBITDA** for continuing operations reduced by 45% to £1.04 million (2021: £1.88 million)
- Reported loss before tax from continuing operations of £5.14 million (2021: £8.08 million)
- Reported loss for the period of £5.20 million (2021: £8.07 million)
- Cash of £3.10 million at 31 March 2022 (31 March 2021: £2.36 million)

*Excludes discontinued revenues of £0.53 million (2021: £0.88 million)

**Adjusted LBITDA (Loss Before Interest, Tax, Depreciation and Amortisation) excludes Exceptional items, Share-based payment charges and Other losses)

Operational/Manufacturing Highlights

- Relocation to new dedicated graphene production facility in Longhope, Gloucestershire to significantly expand capacity
- 10,000 square foot floor slab laid for new Versarien innovation centre using the Company's Cementene™ and Polygrene™ enhanced concrete
- Acquisition of Spanish graphene manufacturing assets transferred to Longhope during the year and in process of commissioning to provide up to an additional 100 tonne powder capacity per annum
- Equipment to scale up graphene ink production capacity by an additional 12,000 litres per annum delivered and commissioned

Partnerships/Commercialisation Highlights

- Commercial agreement signed with Superdry to produce graphene enhanced garments and discussions ongoing with multiple other garment suppliers
- Grant agreement signed and project completed to support the development of Pseudo-Capacitor technology aimed at zero emissions for port-side infrastructure
- Successful on-time delivery of Defence Science and Technology Laboratory ("DSTL") contract within specification
- Royalty agreement signed with Gerdau S.A. for the distribution of graphene masks primarily in Latin America
- Collaboration signed with US-based Flux Footwear LLC, an adaptive footwear company, to supply graphene enhanced elastomers
- Launch of 3D printed concrete "Lunar" lifestyle pods using Cementene™, Versarien's graphene-enhanced cement

Funding Highlights

- £1.93 million strategic investment in Versarien by GrapheneLab Co. Ltd., South Korea, together with royalty and trademark agreements

Post Period Highlights

- Sports brand Umbro has announced it will integrate Versarien’s Graphene-Wear™ technology into its “Elite Pro-Training Kit” range for the spring/summer collection 2023
- GoToGym in South America are launching active-wear incorporating Versarien’s Graphene-Wear™ technology

Neill Ricketts, CEO of Versarien, commented:

“The period has seen the financial benefits of the DSTL contract focussed on understanding the benefits that graphene-loaded materials may bring to defence applications with Group revenues from continuing operations up 34% and reported losses significantly reduced. Alongside the expansion of our production facilities in Longhope we continue to progress the applications in which graphene can be used with a view to launching new graphene enhanced products over the coming months. This is a natural follow on from the successful finalisation of the DSTL contract and the near completion of the GSCALE development projects.

“In parallel, customer testing continues to prove successful and we are seeing increased interest from global companies in signing development agreements that may, in time, lead to significant future revenues whilst at the same time we are looking to expand our global footprint and enter into agreements with the right strategic partners for the business, in part helped by having passed the accreditation of the Graphene Council.”

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Notes to Editors:

The strategy of Versarien Plc (AIM:VRS) is to be a globally recognised graphene company with a wide portfolio of high-quality verified materials allied to the largest relevant IP portfolio supported by its own UK based research and development centre driving recurring revenue growth through its innovative graphene product applications.

For further information please see: <http://www.versarien.com>

Chair's Statement

I am pleased to provide this, my first statement as Non-executive Chair of Versarien, relating to the first twelve months of the extended 18-month accounting period. In the interim report for the first six months we stated that we would be concentrating our graphene activities on the construction and textile sectors, utilising our ability to help improve the environment by using graphene to reduce CO₂ emissions, reduce weight and improve recycling.

We continue to expand our production capability at Longhope, Gloucestershire, and develop our international footprint and product portfolio with the objective of being a global player in the graphene market. At the same time monetisation of the technology remains a priority and the progress made since my appointment a few months ago is pleasing to see.

We are engaging with a number of international textile brands to launch garments in the coming seasons and have launched our Graphene-Wear™ website to showcase what can be achieved.

Cementene™, our graphene admixture, has been used in a number of concrete pours, providing validation for the technology. The next stage will be to obtain the necessary accreditations to allow full-scale commercialisation, a process which is underway.

Whilst we focus on our objective of monetisation it is also vital that we maintain a pipeline of development opportunities that will provide future revenues. Global packaging companies are now showing increased interest in how graphene can aid sustainability and development agreements are in place. Participating in the UK's Digital Roads for the Future programme also affords greater opportunities in UK infrastructure projects.

In concluding, whilst we are pleased with the progress made we cannot ignore the fact that the pandemic and recent macro-economic events have provided a challenging environment, especially as we have a global footprint to our operations. Whilst these factors have delayed certain near-term projects, it has not affected our objectives and we remain acutely aware of our shareholder's expectations.

I would like to thank all our staff for their continued endeavours and very much look forward to reporting further progress.

Diane Savory OBE
Non-executive Chair

Chief Executive Officer's Review

I am pleased to report on the progress that the Group has made, particularly in pursuit of solutions to the environmental challenges we all face. Reducing CO₂ emissions, light-weighting, electrification and recycling are all matters where Versarien's advanced material technology can play a significant role.

The DSTL contract has been successfully delivered and we are having ongoing dialogue with the UK defence sector. The development work under the GSCALE project is nearing completion, and under the terms of the Innovate UK loan the next two years will be focussed on commercialising the developed technology. Monetisation of this and Versarien's portfolio of other opportunities remains the focus both in the UK and globally. The highlights of our recent progress are set out below.

Construction:

The global construction industry is one of the biggest contributors to CO₂ production, accounting for c.39% of energy and process-related carbon dioxide emissions with concrete alone contributing c.8% of the world's CO₂ emissions. A small amount of graphene added to concrete can offer a way of significantly reducing CO₂ emissions, as well as increasing the strength and durability of the concrete, whilst reducing costs through less labour and steel. With the UK and EU objectives of drastically reducing carbon emissions by 2030 and for Europe to be a carbon neutral continent by 2050, the development of Cementene™ and Polygrene™ products provides a valuable societal and economic benefit.

The global ready-mix concrete market is forecast to reach US\$1,375bn by 2028 and it is estimated that the global market for graphene included in cement could be approximately £900 million per annum by 2030. Obtaining a significant share of that market is a primary focus for us. At our facilities at Longhope we conducted a 10,000 square foot pouring of our graphene-enhanced concrete for the Company's new innovation centre. The graphene-enhanced polypropylene fibres eliminated the need for steel rebar, thereby reducing costs and CO₂ emissions.

We have also demonstrated the efficiency of using 3D printed graphene enhanced cement with the production of the Lunar Pod, a 3D printed graphene enhanced concrete dwelling which has uses from garden offices to humanitarian shelters. The Lunar Pod was designed to showcase our technology and since its launch has proved to be a valuable marketing tool.

Having demonstrated the technical viability of our graphene enhanced cement, the next stage is to gain the required accreditations under BS EN 8500. Further internal testing is underway to meet BS EN 934-2.

Textiles/footwear and leisure-wear:

Further to previous announcements regarding the collaboration with a prominent global sports and fashion wear manufacturer, the customer, Umbro, has confirmed, post period end, that they will launch a range of graphene-enhanced garments as part of their Elite Pro-Training Kit range which will be available for sale in the spring/summer collection in 2023. The garments will be available in several countries around the world and will feature the Versarien Graphene-Wear™ technology and trademark.

Following a period of collaboration, our strategic partner in South America, GoToGym (a venture capital backed business), is launching a new range of active wear garments featuring Versarien's Graphene-Wear™ technology and trademark. GoToGym is working with retail partners in North and South America with the garments to be manufactured in Brazil.

Following delays caused by the Covid pandemic in Sri Lanka, we are working with our partner MAS Holdings on a number of projects, which involve the commercial team, MAS Active, and the development team at Twinery, Innovations by MAS. The projects are a result of further development work carried out at The Royal College of Arts (Textile Division) which was able to further develop the printed graphene ink technology in both ink designs and different fabric compositions.

We are pushing forward with applying our Graphene-Wear™ ink technology to Superdry's core fabrics that will be used to create garments for a 2023 launch. Print trials are underway with their supply chain partners and once completed, it will scale up into production. We will be looking to establish a trademark licence royalty agreement for the products sold which we expect to be a framework for future projects with the company.

We are working closely with a niche fabric and garment manufacturer with capabilities here in the UK and the Middle East. We will be applying our Graphene-Wear™ ink technology to a range of their fabrics for them to manufacture sportswear garments. They will be selling these garments to their UK customers and also into the Middle East where the company has established teamwear and retail supply channels.

We have developed several Graphene-Wear™ rubber compounds with our customers, one of which has been used to create the outsole component of the Flux AdaptMid athletic shoe. Flux has completed the prototyping stage and the shoes are ready for mass production. Versarien is offering the first 500 pairs off the production line in the autumn-winter 2022 season for the UK market (available for pre-order now). Flux will be placing the shoe on sale in the USA market immediately following this. We will be receiving a trademark licence royalty on each pair sold.

We have supplied an initial 20kg of our Graphene-Wear™ rubber compound to a major UK apparel manufacturer for them to mould into prototype outsoles and outsole inserts, that they will be testing for performance parameters.

We have launched our Graphene-Wear™ website <https://graphene-wear.com> to showcase the technologies that we offer. Alongside this, the Company's recently published white paper shows the scientific validation behind our technology and offers data points for our customers to view and assess.

We have been working with Inspects Group to develop graphene enhanced eyewear products that improve frame strength and durability with initial technical tests proving successful. Rollout is anticipated in 2023 and further information will be announced in due course.

The graphene market for the textiles and footwear sector is estimated to be approximately £400 million per annum by 2030 and consequently this sector remains a high priority for Versarien.

Automotive

There are significant weight, structural and cost-saving benefits to using graphene-enhanced carbon fibre reinforced polymers (CFRP) in the automotive sector particularly with regard to vehicle weight reduction which improves range for electric vehicles and fuel consumption for internal combustion engines.

As stated in the first interim report for the period, the Lotus Evija bonnet was successfully developed as part of the Technology Developer Accelerator Programme and further development will continue as the parties look at optimisation of the process for use in any body panel. This, together with the results of the DSTL project are enabling further light-weighting development, including a new bio-based resin with a reduced carbon footprint.

Graphene also has the potential to enhance the performance of tyres. It can reduce the rolling resistance that, in turn, increases the fuel efficiency of the vehicle or, in the case of an EV, offer increased range.

We are now coming to the end of the initial lab scale tests for Enso Tyres, with the next step to repeat the most promising lab scale tests with a second independent test house to ensure we have robust test data to base any future prototype tyres upon.

The graphene market in the automotive sector is forecast to be £300 million per annum by 2030, so continues to be a focus for Versarien.

Aerospace

Graphene applications in the aerospace industry remain in the early stages of research with light-weighting, fire retardancy, ice protection systems, lightning strike protection and electrification among the applications currently being explored.

We are at month 24 of 42 in the SpearHead 10 GICE project led by Airbus, with a return to face-to-face meetings following Covid restrictions. Versarien has been developing graphene heater mats to be integrated into several aircraft demonstrators and has had the technology validated to Technology Readiness Level 3 ("TRL") (Airbus internal TRL scale 1-6). These heater mats are due to be integrated into the various aero foil structures and have been through preliminary icing wind tunnel testing prior to a comprehensive icing wind tunnel campaign later this year.

Within the Graphene Flagship, Versarien is also working with SpearHead 11 project SafeGraph, with the graphene heater mats a case study for understanding the Lifecycle Analysis (LCA) and exposure to nanomaterials during the various stages - e.g. graphene production, heater mat manufacture and integration, during operation and at end-of-life.

Steve Hodge, the Company's CTO, also maintains an active role as part of the Graphene Flagship's ECHA-REACH working group.

The graphene aerospace market is estimated to be approximately £70 million per annum by 2030 so continues to be a focus for the Company.

DSTL Contract

The Company contracted with the UK's Defence Science and Technology Laboratory (DSTL) in 2020 to undertake a package of work to better understand the benefits that graphene-loaded materials may bring to defence applications. This project completed successfully on schedule by 31 March 2022 with the delivery of demonstrators in two areas of application with some final reports to be delivered post-period end. The manufacture of the demonstrators has been proven to be a realistic practical undertaking utilising the materials developed on the project.

One of the project work streams involved military bridging, where a quarter scale bridge designed by Versarien was modelled using finite element analysis (FEA) and manufactured from graphene-enhanced carbon fibre polymer composite with minimal metallic elements. The bridge underwent rigorous mechanical testing to validate FEA models and will be housed at our Longhope facility.

Exploitation plans have been developed and there is now ongoing discussion with DSTL and industry OEMs to explore and capture exploitation opportunities in the short, medium and long terms. The project was a first for the Company and while it has delivered on its technical requirements, the fruitful and constructive relationship that has now been developed with DSTL has put the Company on a firm footing for future engagements with the UK defence sector.

United States of America

We continue to make good progress in the US market, adding new customers, signing new NDAs, entering into new projects, and selling samples. Our long-term relationships are moving towards monetisation with Rust-Oleum, (a coatings company), having now completed long term corrosion testing. We have performed companion electrical corrosion testing in our UK labs, and the results are good. The material is expected to be used in “professional grade” corrosion inhibiting primer as soon as Versarien Graphene Inc. attains the appropriate certification.

We have received our first order for sample material from NASA where our graphene will be investigated for space-craft coating applications. We are also working with a major fabric and yarn manufacturer to include Versarien’s graphene in ballistic protection, stab resistant, flame retardant and abrasion resistant garments as well as a high-end bicycle chain lubrication manufacturer where Versarien’s graphene materials have performed exceptionally well in preliminary tests.

Interest is being shown by various US universities in understanding more about Cementene™ with a view to including us in their customer led concrete projects where significant US Government funding for infrastructure is in place.

South Korea

Good progress has been made at Versarien Korea Limited (“VKL”) where strong partnerships have been forged with academic and industrial partners. The core focus has been on chemical vapour deposition (“CVD”) growth optimisation with a portfolio of CVD graphene products on different substrates to be launched pending independent testing through the Graphene Flagship’s characterisation services. VKL is also looking at opportunities to sell Versarien Graphene Limited’s Cementene™ and Graphene-Wear™ products in Korea.

South America

Graphene enhanced masks for COVID protection continue to be of interest to the Brazilian market where the licence agreement with Gerdau providing a royalty. Gerdau is currently going through the process of getting the masks cleared by the Brazilian Health Authorities after their initial order of 270,000 units.

Mature Businesses

Trading conditions for the mature businesses have improved over the last 12 months, but nonetheless remain challenging. Revenues were up 15% to £5.74 million (2021: £4.98 million), broadly the same in each half, but pressure on margins has resulted in a small loss for the 12 months.

Current trading and outlook

Trading in the current period has started satisfactorily with order books at the mature businesses showing signs of improvement. Our primary focus remains on the opportunities we see in the construction and textile/leisure sectors where the potential graphene markets are significant and within which we are moving towards commercial product sales at the fastest rate. I look forward to reporting further progress in due course.

Neill Ricketts

Chief Executive Officer

Chief Technology Officer's Review

The Innovate UK GSCALE programme has been running for over 18 months with the £5 million loan supporting Versarien in advancing its graphene manufacturing capabilities, progressing research and development of new graphene enhanced materials, with the primary focus on commercial exploitation. This work is now largely complete and now the focus will be on monetising the technology.

We have joined the Digital Roads of the Future (DRF) Partnership which has two funding streams in place. The first being Digital Roads, an £8.6 million project sponsored by the Engineering and Physical Sciences Research Council, Costain, National Highways, the University of Cambridge; and the second being Future Roads, a £5.8 million project sponsored by 2020 Marie Skłodowska-Curie Actions COFUND (a European funding initiative), Costain and National Highways. Being a partner in this programme offers Versarien the ability to become an active player in a £14.5 million programme over five years, developing direct links to National Highways (formerly Highways England), developing stronger links with a major international Tier 1 construction company, Costain, gaining funded support for graphene material and technology development, and delivering UK wide projects with graphene materials and technologies on the road network.

We have excellent relationships with both the University of Cambridge and Costain and by using our graphene admixture for cementitious materials, Cementene™, we can offer significant advantages to new concrete material structures including approximate 20% cost savings on ground bearing slab, reduction of CO₂ emissions of up to 50%, use up to 30% less material (reduction in thickness), removal/ significant reduction in steel rebar requirements, no visible or microscopic cracking and highly workable concrete.

We are in phase 2 of a development programme for graphene-based packaging applications for a European based multi-national food products company. Similar interest is being shown by the leading global packaging and paper producer in Brazil with a development contract also now in place. The objective is to improve sustainability as well as cost effective performance.

In Spain, Gnanomat continues to upgrade its pilot plant and manufacturing capabilities as part of the INNPRESSME project. It has also signed a research contract with a global petrochemical company to evaluate the use of metal oxide/activated carbon black nanocomposites, inter alia, in active anode materials of lithium ion batteries. It is making advances in its biocide materials whilst developing prototypes for energy storage and developing new ink formulations in conjunction with Cambridge Graphene. Gnanomat materials have been utilised in the SUPPORTIVE project by 2-DTech and two supercapacitor products have been developed with associated datasheets. We are engaging with UK cell manufacturers to take forward optimised devices.

Dr Stephen Hodge
Chief Technology Officer

Chief Financial Officer's review

As stated in previous reports, the aluminium business based at Cheltenham has now ceased and consequently these results are split between continuing and discontinued operations and the segmental analysis between the technology and mature businesses. Details of the discontinued operations are given in note 2 and include some additional minor revenues and costs in the run-off period since the last interim report.

The revenue from the continuing businesses increased by 34% to £7.63 million up from £5.69 million. Revenue from graphene, including that recognised under the DSTL contract, was up 170% to £1.89 million from £0.70 million in the comparative period of which DSTL accounted for £1.47 million (2021: £ 0.25 million).

The loss from continuing operations was £4.74 million (2021: £7.93 million). This was after charging £1.15 million in respect of the valuation of the Lanstead Sharing Agreements (2021: £3.28 million).

The adjusted LBITDA for continuing operations was £1.04million compared to £1.88 million, an improvement of 45%, calculated as follows:

	12 months ended 31 March 2022			12 months ended 31 March 2021		
	£'000 Continuing operations	£'000 Discontinued operations	£'000 TOTAL	£'000 Continuing operations	£'000 Discontinued operations	£'000 TOTAL
(Loss)/profit from operations	(4,738)	(130)	(4,868)	(7,930)	22	(7,908)
Depreciation and Amortisation	1,396	41	1,437	1,135	98	1,233
Share based payments	1,156	-	1,156	1,193	-	1,193
Exceptional items	-	64	64	441	-	441
Other losses	1,148	-	1,148	3,280	-	3,280
Adjusted LBITDA	(1,038)	(25)	(1,063)	(1,881)	120	(1,761)

The reported loss before tax for continuing operations was £5.14 million (2021: £8.08 million). Group net assets at 31 March 2022 were £14.4 million (31 March 2021: £16.5 million) with cash at the period end of £3.1 million (31 March 2021: £2.4 million).

Net cash used in operating activities was £2.15 million (2021: £0.89 million) with trade and other payables reducing by £1.2 million as the HMRC Covid payment plans unwound and trade creditor payment terms returned to normal. Investment in development costs and equipment was £3.57 million (2021: £1.68 million) and net principal lease payments were £0.63 million (2021: £0.99 million) giving total cash outflows of £6.35 million (2021: £3.56 million).

These activities were financed by net funds received from the Lanstead sharing agreements of £3.17 million (2021: £2.34 million), net loans received of £2.10 million (2021: £2.45 million) and net funds received from the share issue to GrapheneLab Co Ltd. of £1.90 million (2021: £Nil) totalling £7.17 million (2021: £4.79 million).

The surplus of £0.82 million (2021: £1.23 million) resulted in reduced drawings on the invoice finance facilities of £0.08 million (2021: £0.53 million) thus increasing cash at the period-end by £0.74 million (2021: £0.70 million). As we progress our GSCALE project we continue to draw on the £5 million Innovate UK loan facility, repayment of which is due to commence in 2024.

The mature business segment, whilst seeing increased revenues, has incurred a loss of £0.1 million; however the current order books are showing encouraging signs of improvement.

Chris Leigh
Chief Financial Officer

Consolidated Interim Financial Statements

Group statement of comprehensive income

For the 12 months ended 31 March 2022

		31 March 2022 Unaudited £'000	31 March 2021 Audited Restated*** £'000
	Notes		
Continuing operations			
Revenue	3	7,633	5,685
Cost of sales		(5,179)	(4,498)
Gross profit		2,454	1,187
Other operating income		195	103
Other losses*		(1,148)	(3,280)
Operating expenses (including exceptional items)		(6,239)	(5,940)
Loss from operations before exceptional items		(4,738)	(7,489)
Exceptional items	4	-	(441)
Loss from operations		(4,738)	(7,930)
Finance charge		(398)	(148)
Loss before income tax		(5,136)	(8,078)
Income Tax	5	81	-
Loss from continuing operations		(5,055)	(8,078)
(Loss)/profit from discontinued operations**	2	(141)	10
Loss for the period		(5,196)	(8,068)
Loss attributable to:			
– Owners of the parent company		(5,083)	(7,779)
– Non-controlling interest		(113)	(289)
		(5,196)	(8,068)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	6	(2.62)p	(4.45)p

There is no other comprehensive income for the year.

* The other losses in the period relates to the fair value assessment of the Lanstead sharing agreements at the balance sheet date.

** Details of the components of the discontinued operations are given in note 2.

*** The audited results have been restated in accordance with the required disclosure of discontinued operations.

Group statement of financial position

As at 31 March 2022

		31 March 2022 Unaudited £'000	31 March 2021 Audited £'000
	Note		
Assets			
Non-current assets			
Intangible Assets	7	11,555	9,706
Property, plant and equipment		4,673	4,119
Deferred taxation		25	25
Trade and other receivables		38	772
		16,291	14,622
Current assets			
Inventory		1,901	1,814
Trade and other receivables		2,558	6,449
Cash and cash equivalents		3,095	2,359
		7,554	10,622
Total assets		23,845	25,244
Equity			
Called up share capital		1,941	1,899
Share premium		34,948	33,003
Merger reserve		1,256	1,256

Share-based payment reserve	4,405	3,249
Accumulated losses	(26,708)	(21,625)
Equity attributable to owners of the parent company	15,842	17,782
Non-controlling interest	(1,401)	(1,288)
Total equity	14,441	16,494

Liabilities

Non-current liabilities

Trade and other payables	1,187	1,222
Deferred taxation	67	67
Innovate Loan	4,371	2,260
Long-term borrowings	396	356
	6,021	3,905

Current liabilities

Trade and other payables	2,532	3,748
Provisions	53	119
Invoice discounting advances	549	631
Current portion of long-term borrowings	249	347
	3,383	4,845

Total liabilities

	9,404	8,750
Total equity and liabilities	23,845	25,244

Group statement of changes in equity

For 12 months ended 31 March 2022

	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 2020 (audited)	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	-	-	-	1,193	-	-	1,193
At 31 March 2021 (audited)	1,899	33,003	1,256	3,249	(21,625)	(1,288)	16,494
Issue of shares	42	1,945	-	-	-	-	1,987
Loss for the period	-	-	-	-	(5,083)	(113)	(5,196)
Share-based payments	-	-	-	1,156	-	-	1,156
At 31 March 2022 (unaudited)	1,941	34,948	1,256	4,405	(26,708)	(1,401)	14,441

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

Statement of Group cash flows

For the 12 months ended 31 March 2022

	12 months ended 31 March 2022 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Cash flows from operating activities		
Cash used in operations	(1,911)	(734)
Interest paid	(242)	(160)
Net cash used in operating activities	(2,153)	(894)
Cash flows from investing activities		
Purchase/capitalisation of intangible assets	(2,190)	(1,638)
Purchase of property, plant and equipment	(1,377)	(42)
Net cash used in investing activities	(3,567)	(1,680)
Cash flows from financing activities		
Share issue	1,926	-
Share issue costs	(23)	(134)
Funds received from Innovate UK	2,111	2,260
Funds received from sharing agreements	3,171	2,479
Net funds (paid)/received from CBILS	(13)	186
Principal payment of leases under IFRS 16	(634)	(990)
Net invoice discounting advances	(82)	(525)
Net cash generated from financing activities	6,456	3,276
Increase in cash and cash equivalents	736	702
Cash and cash equivalents at start of period	2,359	1,657
Cash and cash equivalents at end of period	3,095	2,359

Note to the statement of Group cash flows

For the 12 months ended 31 March 2022

	12 months ended 31 March 2022 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Loss before income tax	(5,277)	(8,068)
Adjustments for:		
Share-based payments	1,156	1,193
Depreciation	1,096	1,081
Amortisation	341	152
Disposal of tangible assets	86	-
Finance cost	409	160
R&D Tax credit received	81	-
Loss on FV movement of share agreement	1,148	3,280
Increase/(Decrease) in trade and other receivables and investments	306	(211)
(Increase)/Decrease in inventories	(87)	438
(Decrease)/Increase in trade and other payables	(1,170)	1,241
Cash used in operations	(1,911)	(734)

	12 months ended 31 March 2022 Unaudited £'000	Year ended 31 March 2021 Unaudited £'000
Net cash generated/(used) in operating activities	122	34
Net cash used in investing activities	(3)	-
Net cash generated/(used) from financing activities	(118)	(37)
Increase in cash and cash equivalents from discontinued operations	1	(3)

Notes to the unaudited interim statements

For the 12 months ended 31 March 2022

1. Basis of preparation

Versarien Plc is an AIM quoted company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered office is Units 1A-D, Longhope Business Park, Monmouth Road, Longhope, Gloucestershire, GL17 0QZ.

The interim financial statements were prepared by the Directors and approved for issue on 12 May 2022. These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2021 were approved by the Board of Directors on 16 August 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain statements under sections 498 (2) or (3) of the Companies Act 2006.

As permitted, these interim financial statements have been prepared in accordance with UK AIM Rules and UK-adopted IAS 34, "Interim Financial Reporting". They should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with UK-adopted international accounting standards, consistent with the IFRS framework adopted in UK law. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those annual financial statements. Where new standards or amendments to existing standards have become effective during the year, there has been no material impact on the net assets or results of the Group.

These interim financial statements have been prepared on a going concern basis making the following assumptions:

- The Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities which are expected to continue;
- As at 31 March 2022, the Group had cash balances totalling £3.10 million with £0.44 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, of which £0.6 million remains to be drawn;
- The Group receives monthly settlements from its sharing agreements with Lanstead, the quantum of which is dependent upon share price; but which will cease in July;
- The Group has unused authority to issue 29 million shares without pre-emption rights until the next AGM due by 30 September 2022 and expects the placing authority to be renewed; and
- 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 solely on GSCALE commercial opportunities.

The Directors have prepared detailed projections of expected future cash flows for a period of twelve months from the date of issue of this interim statement. These indicate that the Group will need to raise additional funding in the following financial year. The Board remains confident that the Group will be able to secure the required funding through strategic investment, equity issue or other financial instruments. However, the timing and availability of funding sources is currently outside of the control of the Board and none of this funding is committed at the date of these interim statements. Whilst noting this, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Certain statements within this report are forward looking. The expectations reflected in these statements are considered reasonable. However, no assurance can be given that they are correct. As these statements involve risks and uncertainties the actual results may differ materially from those expressed or implied by these statements. The interim financial statements have not been audited.

2. Discontinued operations

On 5 August, within the preliminary results statement, the Group announced its decision to exit the non-core aluminium business of Versarien Technologies Limited based in Cheltenham. 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. Financial information relating to the discontinued operation is set out below.

	Notes	12 months ended 31 March 2022 Unaudited £'000	Year ended 31 March 2021 Unaudited £'000
Revenue	3	534	882
Cost of sales		(427)	(614)
Gross profit		107	268
Other operating income		1	4
Operating expenses (including exceptional items)		(238)	(250)
Profit from operations before exceptional items		(66)	22
Exceptional items	4	(64)	-
(Loss)/Profit from operations		(130)	22
Finance charge		(11)	(12)
Profit before income tax		(141)	10
Income Tax	5	-	-
Profit from discontinued operations		(141)	10

3. Segmental information

The segment analysis for the twelve months to 31 March 2022 is as follows:

	Central £'000	Technology Businesses £'000	Mature Businesses £'000	Discontinued Operations £'000	Intra-group Adjustments £'000	TOTAL £'000
Revenue	-	1,891	5,742	534	-	8,167
Gross Margin	-	933	1,521	107	-	2,561
Other gains/(losses)	(1,148)	-	-	-	-	(1,148)
Other operating income	-	191	4	1	-	196
Operating expenses	(2,041)	(2,672)	(1,552)	(238)	26	(6,477)
(Loss)/ profit from operations	(3,189)	(1,548)	(27)	(130)	26	(4,868)
Finance income/(charge)	(283)	(41)	(74)	(11)	-	(409)
(Loss)/profit before tax	(3,472)	(1,589)	(101)	(141)	26	(5,277)

The segment analysis for the twelve months to 31 March 2021 is as follows:

Central £'000	Technology Businesses £'000	Mature Businesses £'000	Discontinued Operations £'000	Intra-group Adjustments £'000	TOTAL £'000
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Revenue	-	703	4,982	882	-	6,567
Gross Margin	-	91	1,096	268	-	1,455
Other gains/(losses)	(3,280)	-	-	-	-	(3,280)
Other operating income	-	103	-	4	-	107
Operating expenses	(2,686)	(1,638)	(1,584)	(250)	(32)	(6,190)
(Loss)/ profit from operations	(5,966)	(1,444)	(488)	22	(32)	(7,908)
Finance income/(charge)	(44)	(33)	(71)	(12)	-	(160)
(Loss)/profit before tax	(6,010)	(1,477)	(559)	10	(32)	(8,068)

4. Exceptional items

	12 months ended 31 March 2021 Unaudited £'000	12 months ended 31 March 2021 Audited £'000
Continuing operations:		
Relocation and restructuring costs	-	53
Costs relating to expansion in Asia	-	137
Acquisition costs	-	186
Other	-	65
	-	441
Discontinued operations:		
Relocation and restructuring costs	64	-
	64	-

5. Taxation

The tax charge on the results for the period has been estimated at £nil (2021: £nil). At the last year end the Group had £19.4 million of trading losses carried forward to set-off against future trading profits. Taxation received in the year relates to R&D tax credit.

6. Loss per share

The loss per share has been calculated by dividing the loss after taxation of £5,083,000 (2021: £7,779,000) by the weighted average number of shares in issue of 193,997,352 (2021: 174,660,000) during the period.

The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS33 "Earnings per Share", potential Ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 31 March 2022 there were 14,677,130 (2021: 14,677,130) potential Ordinary shares that have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at that date.

7. Intangible assets

	31 March 2022 Unaudited £'000	31 March 2021 Audited £'000
Goodwill	3,555	3,555
Customer relationships/order books	-	27
Development costs	4,535	2,453
Licence	48	58
Intellectual property	3,417	3,613
Total	11,555	9,706

8. Dividends

As stated in the 2013 AIM Admission document, the Board's objective is to continue to grow the Group's business and it is expected that any surplus cash resources will, in the short to medium term, be re-invested into the research and development of the Group's products. Consequently, the Directors will not be recommending a dividend for the foreseeable future. However, the Board intends that the Company will recommend or declare dividends at some future date once they consider it commercially prudent for the Company to do so, bearing in mind its financial position and the capital resources required for its development.

9. Interim Report

This interim announcement is available on the Group's website at www.versarien.com