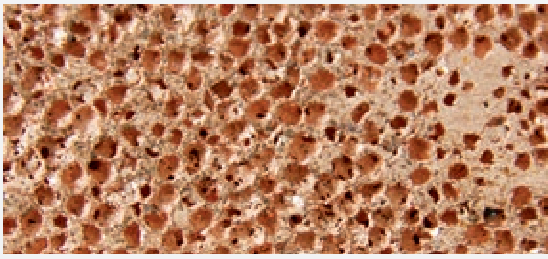
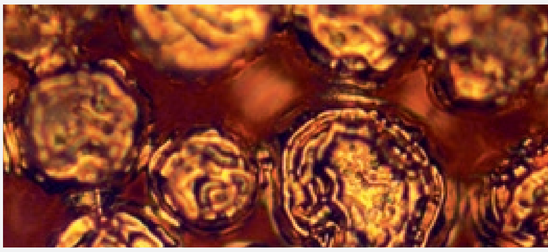
Versarien™

Versatile materials.

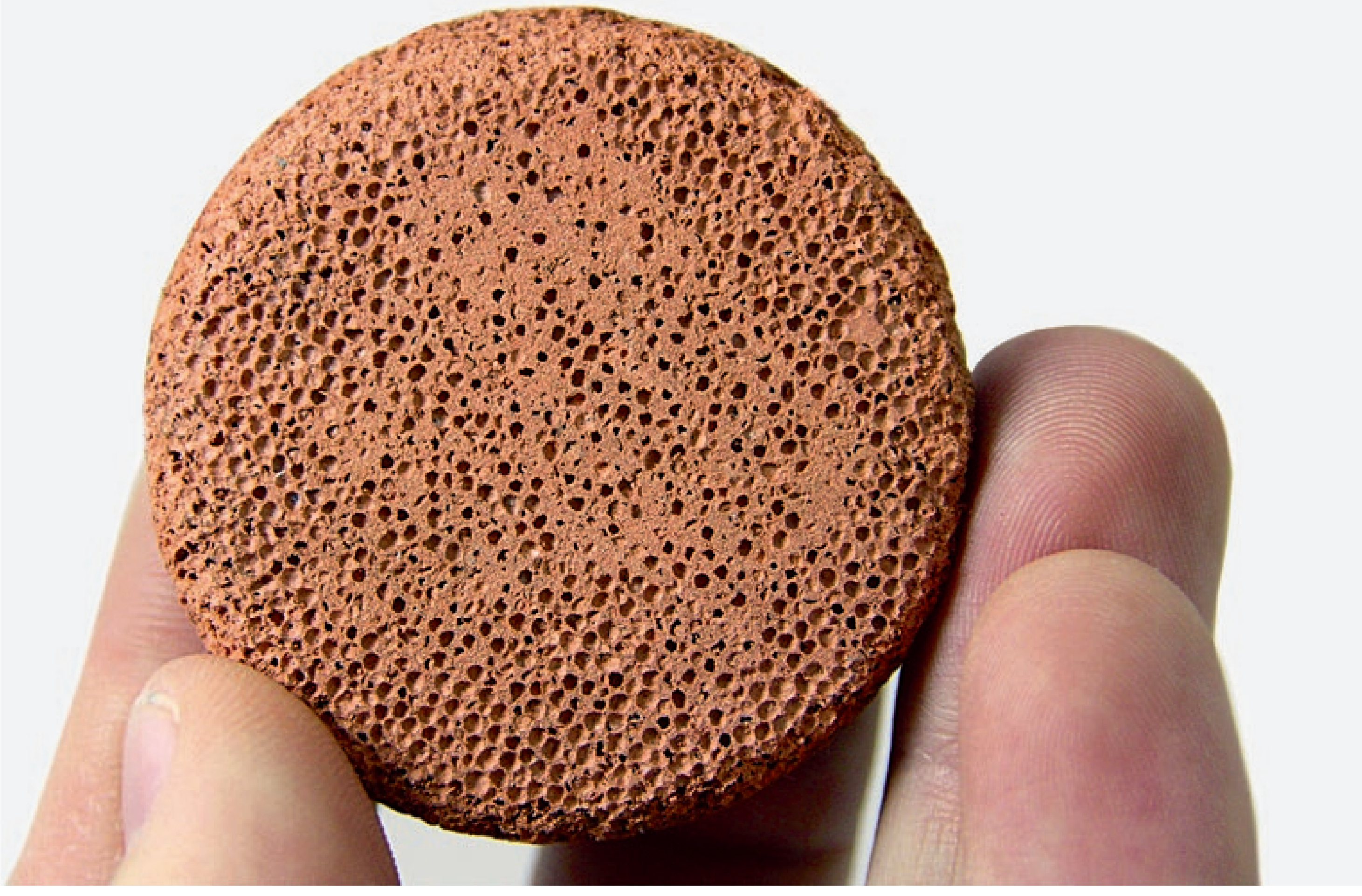




Non-statutory financial statements
of Versarien Technologies Limited
(previously Versarien Limited)
for the year ended 31 March 2013

Versarien plc is bringing advanced materials to the market that are capable of making a game-changing impact across a broad spectrum of industries.

UK-based, the Company today boasts a rapidly growing workforce and has secured contracts with several blue chip customers.



Versarien to date

Recognition to date

Versarien is already gaining recognition in political spheres as well as in industry. It has been acknowledged by the British government as one of the emerging UK-based, technology-led enterprises with business potential on a global scale.

The Company has already won several prestigious awards including:

→ 2013 Racecar Engineering Magazine – Most Innovative Product Award

→ 2012 UKTI Start Up Games Overall Winners – The Olympics for Business

→ 2012 MWP Advanced Manufacturing – Best Research and Development

→ 2012 HP Smart Business Awards – Manufacturing Innovation Award

→ Gloucestershire Business Awards – Business Innovation

→ 2011 Conservative Party Start Up Hub Winners

→ 2012 Engineer Technology and Innovation Awards – Finalist

Our history

The original research project that has led to the emergence of the VersarienCu product was conducted at the University of Liverpool's Department of Engineering, funded by a £700,000 grant from the Technology Strategy Board. Versarien has exclusive rights to market the technology around the world.

→ Versarien Technologies was formed in **December 2010** with the express purpose of commercialising the LCS process, developed initially by Dr. Yuyuan Zhao of the University of Liverpool over the preceding four years.

→ In **February 2011,** C-Tech awarded a letter of intent to Versarien Technologies for global manufacturing rights to the process for porous copper production.

→ Versarien plc was incorporated on **25 February 2013** to act as the holding company for the Group.

→ On **21 March 2013** Versarien plc acquired the entire issued share capital of Versarien Technologies.

→ On **12 June 2013** Versarien plc floated on AIM and at the same time purchased Total Carbide Limited to provide its manufacturing base.

In this report

KEEP UP TO DATE ON OUR INVESTOR WEBSITE:

WWW.VERSARIEN.COM/INVESTORS

Versarien at a glance

Our business model

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

1 DEVELOP INNOVATIVE IP

2 TRANSFORM INTO COMMERCIALLY VIABLE PRODUCTS

3 SUPPLY TO MULTI-NATIONAL COMPANIES

Our opportunities

A GROWING GLOBAL MARKET

The global market for thermal management technology is set to grow from $8 billion in 2011 to $11 billion by the year 2016, at a compound annual growth rate of 6.4%, according to industry analysts BCC Research.

+

HIGHER HEAT DENSITIES OF ELECTRONIC DESIGNS

In all areas of electronic system design, the task of removing heat from around the central processing unit is becoming an ever greater challenge. Processor devices are being packed with larger and larger numbers of transistors, while being expected to take up less and less board space.

Potential applications include aerospace, defence, automotive, data communications, renewable energy, power distribution, transportation and motorsport.

The Versarien team at our manufacturing site in Cinderford Glos, UK

Our technology

VersarienCu

VersarienCu is a revolutionary heat transfer material for cooling systems. Its unique structural form permits thermal transfer levels that surpass anything that was previously possible.

What is VersarienCu?

VersarienCu is a groundbreaking, micro-porous metallic material which is set to radically change the field of thermal management. It proves to be up to ten times more effective at transferring heat energy than conventional micro-channel heat sinks of equivalent size.

A heat transfer coefficient of approximately 150–200 kW/m2K can be delivered.

What does it offer?

→ Up to ten times more effective cooling than a micro-channel heat sink of a similar size

→ A smaller cooling footprint – create more compact and streamlined products

→ Improved green credentials

→ An extremely cost-effective manufacturing process

→ A usable heat supply to other on-site processes

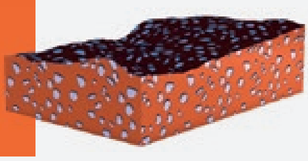
→ Groundbreaking levels of heat transfer between device and cooling fluid

Behind the technology: physics mimics nature

The basic principle on which the construction process is founded is the mixing of metal particles with soluble non-metal (salt) particles. The manufacturing process employed by Versarien consists of:

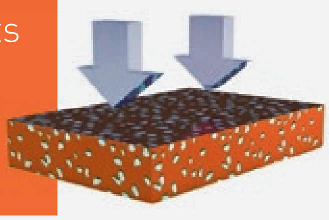
1 Powder mixing

Metallic and non-metallic mixed together



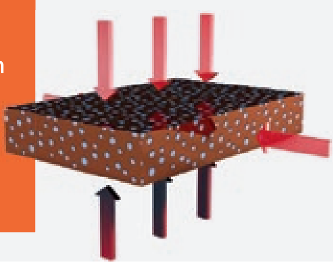
2 Transform into commercially viable products

Mixture is compacted



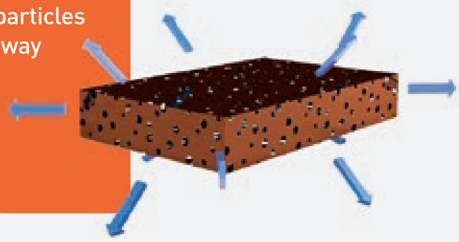
3 Heat treatment

Mixture exposed to 1000°C within a vacuum



4 Decomposition

Non-metallic particles decomposed away



Chairman's statement

Ian Balchin, Non-executive Chairman, Versarien plc

Following the successful flotation of Versarien plc (Versarien) on12 June 2013 I am pleased to provide, this, our first report to shareholders. It is, however, quite an unusual report as it is neither an Interim Report nor an Annual Report on the Group's affairs, but a report on just Versarien Technologies Limited (VTL).

The most recent financial information published by Versarien related to VTL, was contained in its recent admission document for the purposes of the AIM listing and was for the six months to 30 September 2012. Consequently, we are publishing non-statutory financial statements, in accordance with International Financial Reporting Standards (IRFSs), for VTL for the year ended 31 March 2013.

Versarien was incorporated on 25 February 2013 and its first set of Group accounts will be for the six months ending 30 September 2013 and its first Annual Report for the year ending 31 March 2014.

Shareholders should note that these accounts refer to only one of the Group's operating subsidiaries for a period prior to the acquisition of Total Carbide Limited, the successful raising of £3 million of new capital and the admission of Versarien to trading on AIM. Therefore, they do not give an indication of the current financial position or trading of Versarien plc.

The integration of Total Carbide is proceeding in line with management expectations and we are encouraged by how the sales pipeline of the Group is developing. We look forward to updating investors on the progress made by the Group when we publish our Interim Accounts on 3 December 2013.

Ian Balchin
Non-executive Chairman
Versarien plc

Versarien plc board of directors

Ian Balchin
Non-executive Chairman
Mr Balchin has extensive experience in technology-based businesses across several sectors. Ian is currently chief strategy officer and deputy chairman of AIM-quoted AFC Energy plc and a non-executive director of Waste2Tricity Limited. Ian has a degree in Chemistry with Economics from the University of Sussex.

Will Battrick
Chief Technical Officer
Mr Battrick is an Engineering Materials Technologist with a 1st class Masters degree and significant experience in the UK Advanced Manufacturing sector, including former management buy-in Crompton Technology Group (acquired by UTC Aerospace Systems) and The National Physical Laboratory.

Jeremy Veasey
Non-executive Director
Mr Veasey has over 40 years' experience in all aspects of stockbroking, including corporate work. He retired from Seymour Pierce Ellis in 2010 after 12 years with the firm, prior to which he was a senior director of NatWest and a member of the management board of the stockbroker Fielding Newson Smith & Co.

Neill Ricketts
Chief Executive Officer
Mr Ricketts is a graduate engineer with more than 20 years' senior level experience in manufacturing and engineering companies, including several directorships of AIM-quoted companies. Neill has successfully led several successful turnarounds and was a board level director at Elektron Technology plc.

Christopher Leigh
Chief Financial Officer and Company Secretary
Chris is a chartered accountant with many years' experience in the manufacturing and engineering sector, having worked as Group Finance Director of Elektron Technology plc for 18 years carrying out projects in the UK and abroad.

Report of the directors

for the year ended 31 March 2013

The Directors have prepared these non-statutory financial statements for 31 March 2013 prepared under International Financial Reporting Standards (IFRSs) for the purpose of making financial information available to the market following the flotation of its parent company, which has not yet completed a statutory reporting period. These financial statements have been prepared from the Company's audited statutory financial statements which are prepared under UK Generally Accepted Accounting Principles (GAAP).

Principal activity

The principal activity of the Company in the year under review was that of engineering versatile materials.

Results

The loss for the year is £414,667 (2012: loss of £69,069).

Directors

The Directors shown below have held office during the whole of the period from 1 April 2012 to the date of this report.

N Ricketts	
W Battrick	
C Leigh	appointed 3 July 2013
J Murray-Smith	resigned 6 June 2013
S Humphries	appointed 23 January 2013 and resigned 3 July 2013

Directors' responsibilities statement

The Directors are responsible for preparing the non-statutory financial statements and have elected to prepare the non-statutory financial statements in accordance with IFRSs as adopted by the European Union in order to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the Annual Reports may differ from legislation in other jurisdictions.

Directors' statement as to the disclosure of information to auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

On behalf of the Board:

Christopher Leigh
Company Secretary
20 September 2013

Independent auditor's report

to the Directors of Versarien Technologies Limited (previously Versarien Limited)

We have audited the non-statutory financial statements of Versarien Technologies Limited (previously Versarien Limited) for the year ended 31 March 2013 which comprise the Income Statement and Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's Directors, as a body, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant account estimates made by the Directors; and the overall presentation of financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements of inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the non-statutory financial statements:

- → give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its loss for the year then ended;
- → have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- → have been prepared in accordance with the requirements of the Companies Act 2006 that would apply were these the Company's statutory financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Directors present IFRS financial information in respect of Versarien Technologies Limited. As a result, the financial statements may not be suitable for another purpose.

Other matters

Versarien Technologies Limited has prepared a separate set of financial statements for the year ended 31 March 2013 in accordance with the United Kingdom generally accepted accounting practice on which we issued a separate auditor's report to the shareholders of Versarien Technologies Limited dated 20 September 2013.

Comparative information in these non-statutory financial statements is derived from the financial statements for the previous accounting period, which have not been audited.

BDO LLP
Chartered Accountants
London
United Kingdom
20 September 2013

Income statement and statement of comprehensive income

for the year ended 31 March 2013

	Notes	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Continuing operations			
Revenue	3	—	—
Cost of sales		—	—
Gross profit		—	—
Other operating income	4	73,767	—
Administrative expenses		(478,057)	(64,031)
Operating loss		(404,290)	(64,031)
Finance costs	6	(10,377)	(5,065)
Loss before income tax	7	(414,667)	(69,096)
Income tax	8	—	—
Loss and total comprehensive income for the year		(414,667)	(69,096)
Loss per share expressed in pounds per share:			
Basic and diluted	9	(37.03)	(17.82)

Statement of financial position

31 March 2013

	Notes	31.3.13 £	Unaudited 31.3.12 £
Assets			
Non-current assets			
Intangible assets	10	133,304	104,500
Property, plant and equipment	11	68,815	73,775
		202,119	178,275
Current assets			
Inventories	12	2,500	—
Trade and other receivables	13	109,980	40,007
Cash and cash equivalents	14	32,472	24,713
		144,952	64,720
Total assets		347,071	242,995
Equity			
Shareholders' equity			
Called up share capital	15	13,218	10,600
Share premium		568,532	74,400
Accumulated losses		(483,763)	(69,096)
Total equity		97,987	15,904
Liabilities			
Non-current liabilities			
Trade and other payables	16	133,382	96,565
Current liabilities			
Trade and other payables	16	115,702	130,526
Total liabilities		249,084	227,091
Total equity and liabilities		347,071	242,995

The financial statements were approved and authorised for issue by the Board of Directors on 20 September 2013 and were signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Statement of changes in equity

for the year ended 31 March 2013

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Changes in equity				
Issue of share capital	10,600	—	74,400	85,000
Loss and total comprehensive income	—	(69,096)	—	(69,096)
Balance at 31 March 2012	10,600	(69,096)	74,400	15,904
Changes in equity				
Issue of share capital	2,618	—	494,132	496,750
Loss and total comprehensive income	—	(414,667)	—	(414,667)
Balance at 31 March 2013	**13,218**	**(483,763)**	**568,532**	**97,987**

Statement of cash flows

for the year ended 31 March 2013

	Note	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Cash flows from operating activities			
Cash generated from operations	1	(373,908)	140,153
Interest paid		(10,377)	(5,065)
Net cash from operating activities		(384,285)	135,088
Cash flows from investing activities			
Purchase of intangible fixed assets		(51,604)	(114,000)
Purchase of tangible fixed assets		(14,075)	(73,775)
Sale of tangible fixed assets		9,000	—
Net cash from investing activities		(56,679)	(187,775)
Cash flows from financing activities			
Amount introduced by Directors		16,973	—
Amount withdrawn by Directors		—	(7,600)
Amount advanced to parent company		(65,000)	—
Share issue		2,618	10,600
Share premium		494,132	74,400
Net cash from financing activities		448,723	77,400
Increase in cash and cash equivalents		7,759	24,713
Cash and cash equivalents at beginning of year		24,713	—
Cash and cash equivalents at end of year		32,472	24,713

Notes to the statement of cash flows

for the year ended 31 March 2013

1. Reconciliation of loss before income tax to cash generated from operations

	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Loss before income tax	(414,667)	(69,096)
Depreciation and amortisation	32,835	9,500
Finance costs	10,377	5,065
Increase in inventories	(2,500)	—
Increase in trade and other receivables	(4,973)	(32,407)
Increase in trade and other payables	5,020	227,091
Cash generated from operations	(373,908)	140,153

Notes to the financial statements

for the year ended 31 March 2013

1. Standards and interpretations issued but not yet applied

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Company in these financial statements. Application of the these standards and interpretations is not expected to have a material effect on the financial statements in the future.

2. Accounting policies

Basis of preparation

The financial information in this statement does not constitute full statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The financial information has been prepared from the Company's 31 March 2013 UK GAAP statutory financial statements on which the auditor expressed an unqualified opinion (2012: unaudited) and did not include a statement under Section 498(2) and Section 498(3) of the Companies Act 2006. A copy of the 2013 statutory accounts is in the process of being filed with the Registrar of Companies.

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable if the Company was presenting statutory accounts in accordance with IFRSs. The financial statements have been prepared under the historical cost convention.

The Company is in its development stage and relies on its parent company for financial support. On the basis of this support the Directors consider it appropriate to prepare the accounts on a going concern basis. The validity of this assumption depends on the parent company continuing its support in the forthcoming financial year. The parent company, Versarien plc, has agreed to support the Company for at least 12 months from the date the financial statements are signed.

If the Company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long-term liabilities and current assets and liabilities.

Property, plant and equipment

In accordance with IAS 16, Property, Plant and Equipment expenditure costs will be recognised as a capital item in the Statement of Financial Position when it is considered the item will help generate a future economic benefit to the Company.

The capitalisation of such items will be based on the cost to purchase and bring the item into a working condition. The proposed depreciation rate for the relevant capital classifications are as follows:

- Plant and machinery – Straight line over 20 years
- Leasehold property improvements – Straight line over two years

Financial instruments

Financial assets and financial liabilities are recognised once the Company becomes party to contractual provisions of the instruments.

Financial assets and liabilities are initially measured at their fair value. Costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added or deducted to the fair value of the financial asset or liability, unless it is recognised as a financial asset or financial liability recognised at fair value through the profit or loss. Such transaction costs are recognised immediately in the profit or loss.

2. Accounting policies – continued

Financial instruments held at amortised cost

Trade receivables and other receivables

Trade and other receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

Cash and cash equivalents

Cash equivalents comprise highly liquid assets that are readily convertible into known amounts of cash. In the period of review, this consisted of bank accounts and petty cash.

Trade payables and other payables

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Non-current payables

Non-current payables are valued at the present value of future payments to CTech for the licence and have been discounted at an estimated interest rate of 10%. Management feels this is an appropriate rate to use and would apply to a similar sized loan from a bank or financial institution.

Equity instruments

Equity instruments issued by the Company are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments. In the period of review ordinary share issues purchased at a premium introduced cash to the Company as set out in the share capital note.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Inventories

Inventory is valued at the lower of cost and net realisable value.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Statement of Financial Position date.

Deferred tax is recognised as temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for deductible temporary differences to the extent taxable profits will be available to utilise the asset.

The carrying amounts of all deferred tax balances are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise the asset.

Deferred tax assets and liabilities are recognised at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on the tax rates and laws that have been enacted at the point of the reporting period.

2. Accounting policies – continued

Research and development

In accordance with IAS 38, it is the Company's policy to recognise an intangible asset for development of its product once the development criteria has been met. Otherwise all costs in the research phase will be recognised in the Income Statement for the period in which it is 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 Company intends to complete the intangible asset and use or sell it;

→ the Company 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 of VersarienCu commences.

Intangible assets – Licence

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

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

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

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 technology licence from CTech Innovations 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 to metal foam technology is as follows:

→ Licence – Straight line over five years.

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

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.

Employee benefit costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the Income Statement in the period to which they relate.

2. Accounting policies – continued

Grant income recognition

Grant income is recognised in the Income Statement 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 profit or loss and other comprehensive income.

Capital grants are recognised over the useful life of the funded asset.

Key sources of estimation and uncertainty

Below are key assumptions concerning the future and sources of uncertainty in estimation which may cause material adjustments to the carrying value of assets and liabilities in the next financial year as at the reporting period end.

Useful life of Property, Plant, Equipment and Leasehold Improvements

As described in the depreciation accounting policy, the Company considers the useful life of each asset capitalised. During the year the Directors determined that plant and equipment had an economic useful life of 20 years and all leasehold improvements had an economic useful life of two years.

The Directors are confident they have chosen an appropriate rate to recognise the depreciation of all assets.

Recognition of a licence liability and discount rate

During the financial year the Company committed to the purchase of the rights to the design and production of a metal foam patent from CTech Innovations Limited. This is now known as VersarienCu. The commitment requires five increasing instalments, with the final instalment being £55,000 on 31 October 2016. As such, in line with IAS 39, management decided to recognise this liability at its present value using a discount rate of 10%. This is based on management's estimation of the open market interest rate they would be likely to be granted if they had applied for a similar loan from a bank.

Research and development

Management believes that the criteria set out in the accounting policy for research and development were met during the financial period in creating VersarienCu. As a result these costs were capitalised as an intangible asset. The useful life of the asset is estimated at five years. This estimation will affect the forthcoming and subsequent financial periods where the actual useful life is likely to be determined by the success and demand for VersarienCu.

3. Segmental reporting

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Given Versarien is still in its research and development stage for its only product, management considers there to be only one segment of operations and as such only one reportable segment. The results of this segment are as set out in the Income Statement and Statement of Comprehensive Income.

4. Other operating income

	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Grant income	70,595	—
Other income	3,172	—
	73,767	—

5. Employees and Directors

	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Technical wages	26,542	—
Sales wages	76,908	—
Factory wages	34,827	—
Administration wages	88,316	—
Social security costs	28,994	—
Directors' remuneration (paid as consultants)	—	38,034
	255,587	38,034

The average monthly number of employees during the year was as follows:

	Year ended 31.3.13	Unaudited Period 21.12.10 to 31.3.12
Directors	3	3
Sales	1	—
Technical	2	—
Factory	2	—
	8	3

5. Employees and Directors – continued

	Year ended 31.3.13 £	Unaudited Period 21.12.10 31.3.12 £
Directors' remuneration	208,114	—
Directors' remuneration (paid as consultants)	—	38,034

Mr Humphries was appointed a Director on 23 January 2013 and resigned on 3 July 2013. During his appointment, a total of £2,400 was invoiced to the Company for acting as a Finance Director. Mr Humphries is a partner of Griffiths Marshall who also invoiced £17,194 to the Company for providing accountancy services. (See note 19).

6. Finance costs

	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Finance costs:		
Interest on licence – using effective rate method	10,377	5,065

7. Loss before income tax

The loss before income tax is stated after charging:

	Year ended 31.3.13 £	Unaudited Period 21.12.10 to 31.3.12 £
Depreciation	10,035	—
Licence costs amortisation	22,800	9,500
Auditor's remuneration	9,000	930
Research and development	31,770	39,669

8. Income tax

In the financial period under review, the Company incurred a trading loss. The trading loss to be carried forward against future trading profits for corporation tax purposes was £509,565 (2012: £182,540).These losses will reduce the tax charge of future years until they are utilised. No deferred tax asset in respect of these losses, which would amount to approximately £101,913 (2012: £36,508), has been recognised as there is currently insufficient certainty as to the precise timing of when the asset will be reversed.

Notes to the financial statements continued

for the year ended 31 March 2013

9. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	31.3.13		
	Earnings £	Weighted average number of shares	Per-share amount £
Basic and diluted EPS			
Earnings attributable to ordinary shareholders	(414,667)	11,198	(37.03)

	31.3.12 (unaudited)		
	Earnings £	Weighted average number of shares	Per-share amount £
Basic and diluted EPS			
Earnings attributable to ordinary shareholders	(69,096)	3,877	(17.82)

10. Intangible assets

	Development costs £	Licence £	Totals £
Cost			
Additions	—	114,000	114,000
At 31 March 2012 (unaudited)	—	114,000	114,000
Additions	51,604	—	51,604
At 31 March 2013	**51,604**	**114,000**	**165,604**
Amortisation			
Charge for the period	—	9,500	9,500
At 31 March 2012 (unaudited)	—	9,500	9,500
Charge for year	—	22,800	22,800
At 31 March 2013	**—**	**32,300**	**32,300**
Net book value			
At 31 March 2013	**51,604**	**81,700**	**133,304**
At 31 March 2012 (unaudited)	—	104,500	104,500

The Company committed to the purchase of the patent rights, know-how and technical knowledge to enable the licensee to manufacture, use, market, sell, hire, lease, install, maintain, develop or otherwise deal in the equipment and products related to copper metal foam technology.

Management considered this represented an intangible asset to the Company and as such with IAS 38 capitalised the present value of future licence instalments using a discount rate of 10%. Please see the other payable notes for further details.

The initial instalment plan to hold the licence to adapt and produce the metal foam technology spans over five years. As such management felt it would be consistent and fair to amortise the intangible over its useful life being five years. As at the balance sheet date the remaining useful economic life is three years and seven months.

An impairment review of capitalised development costs has been carried out which confirms that no impairment loss has arisen in the year. Due regard has been given to the material level of enquiries for VersarienCu and the net cash flows arising therefrom. A discount rate of 15% has been applied to the anticipated cash flows arising over the five year period of the development expenditure's useful economic life. The discount rate reflects the Board's view of the risks associated with VersarienCu in the early stages of its commercial development.

Notes to the financial statements continued

for the year ended 31 March 2013

11. Property, plant and equipment

	Leasehold improvements £	Plant and machinery £	Totals £
Cost			
Additions	1,975	71,800	73,775
At 31 March 2012 (unaudited)	1,975	71,800	73,775
Additions	10,775	3,300	14,075
Disposal	—	(9,000)	(9,000)
At 31 March 2013	**12,750**	**66,100**	**78,850**
Depreciation			
Charge for the period	—	—	—
At 31 March 2012 (unaudited)	—	—	—
Charge for year	6,378	3,657	10,035
At 31 March 2013	**6,378**	**3,657**	**10,035**
Net book value			
At 31 March 2013	**6,372**	**62,442**	**68,815**
At 31 March 2012 (unaudited)	1,975	71,800	73,775

12. Inventories

	31.3.13 £	Unaudited 31.3.12 £
Raw materials	2,500	—

13. Trade and other receivables

	31.3.13 £	Unaudited 31.3.12 £
Current:		
Trade receivables	191	—
Other receivables	19,252	10,000
Directors' current accounts	—	7,600
Due from parent company	65,000	—
VAT	22,760	19,857
Prepayments	2,777	2,550
	109,980	40,007

All trade and other receivables are held at original invoice amount.

Other receivables consist of a deposit made on the lease and use of the business premises amounting to £2,125 and grant income due of £17,127 which is comprised of a development agreement to provide a series of product samples, £3,000, and the completion of the next phase with the development grant agreement of £14,127.

The Directors have considered the risk that the above balances may not be recoverable and the effect this would hold on the Company's liquidity risk. However they consider all of the above balances receivable in full within one year of the financial period end and are not past due and, as such, consider no provision is required against any amount. With this the Directors feel the Company's exposure to liquidity risk is manageable and holds no material effect on the presentation of the financial statements.

14. Cash and cash equivalents

Cash and Cash Equivalents is represented by the money held within the Company's bank account as at the year end plus £170 in petty cash.

15. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value £	31.3.13 £	Unaudited 31.3.12 £
13,218	Ordinary	1	13,218	10,600

2,618 Ordinary shares of £1 each were allotted and fully paid for in cash at a premium during the year. 1,940 shares were issued at £125 a share and 678 shares were issued at £375, generating incoming resources of £496,750. The Directors consider all share issues took place at market value.

16. Trade and other payables

	31.3.13 £	Unaudited 31.3.12 £
Current:		
Trade payables	**70,118**	102,096
Social security and other taxes	**9,478**	—
Other payables	**7,686**	27,500
Accrued expenses	**19,047**	930
Directors' current accounts	**9,373**	—
	115,702	130,526
Non-current:		
Other payables	**133,382**	96,565
Aggregate amounts	**249,084**	227,091

All current trade and other payables are held at original invoiced cost.

The average credit period on trade payables is 30 days. No interest is chargeable on the first 30 days of the payable from the date of invoice. The Company has financial risk policies in place to ensure that all payables are paid within the credit period.

Other payables include the Licence loan within one year as described in note 10 and consists of the net instalment due in October 2013 amounting to £5,060 on an estimated basis of 10%, plus the deferred grant receivable within the next 12 months of £1,750.

Non-current payables held as amortised cost
Non-current other payables relates to the present value of repayments due for the licence loan, £106,942.

It also includes the outstanding deferred income relating to the furnace grant amounting to £31,500 to be allocated to the profit or loss accordingly in the subsequent 216 months after the forthcoming 12 months.

17. Ultimate parent company
Versarien plc is the 100% shareholder of Versarien Technologies Limited.

18. Contingent liabilities
As at the signature of the financial statements, there are no known contingent liabilities.

19. Transactions with Directors

The following loans to Directors subsisted during the year ended 31 March 2013 and the period ended 31 March 2012:

	31.3.13 £	Unaudited 31.3.12 £
N Ricketts		
Balance outstanding at start of year	1,600	—
Amounts advanced	—	4,000
Costs incurred on behalf of the Company	(7,465)	(2,400)
Balance outstanding at end of year	(5,865)	1,600
J Murray–Smith		
Balance outstanding at start of year	4,000	—
Amounts advanced	—	4,000
Costs incurred on behalf of the Company	(7,504)	—
Balance outstanding at end of year	(3,504)	4,000
W Battrick		
Balance outstanding at start of year	2,000	—
Amounts advanced	—	2,000
Costs incurred on behalf of the Company	(2,004)	—
Balance outstanding at end of year	(4)	2,000
S Humphries		
Balance outstanding at start of year	960	—
Amounts invoiced as Griffiths Marshall (net)	19,594	960
Amounts repaid to Griffiths Marshall (net)	(8,975)	—
Balance outstanding at end of year (net)	11,579	960

Please also see note 5 in respect of Directors' remuneration.

There are no interest terms on the above balances due to the Directors and all are considered to be repayable on demand.

In addition to the disclosures above, Mr S Humphries was appointed Director on 23 January 2013 to act as Finance Director through Griffiths Marshall whilst the Company applied for admission to AIM. During the financial year Griffiths Marshall raised total net invoices of £19,594 and was owed £13,895 as at 31 March 2013. Within the invoices raised, £2,400 related to amounts invoiced for acting as a Finance Director.

20. Related party disclosures

The Company paid net expenditure of £65,000 on behalf of its parent company Versarien plc of which £65,000 is outstanding from Versarien plc at the year end.

21. Financial instruments and credit risk

The Company's financial assets comprise other receivables, Directors' loans and cash and cash equivalents. All of the Company's financial assets are classified as loans and receivables. The Company's financial liabilities comprise trade and other payables and accruals. All of the Company's liabilities are measured at amortised cost. Further information is provided in note 16.

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash balances (including bank deposits and cash and cash equivalents) and trade and other receivables, the total of which represents the maximum exposure to credit risk. Further information is provided in note 13.

22. Capital management and liquidity risk

Capital comprises of share capital and reserves stated on the balance sheet. The Company's objective when managing capital is to help safeguard the Company's ability to continue as a going concern, so that it can provide returns for the shareholders. The Company is not financed by any long-term bank loans or form of debt, therefore the Company manages capital by monitoring its current and expected liquidity.

The Directors have ultimate responsibility for the management of liquidity risk. Maintaining adequate reserves, banking facilities and cash flow monitoring are used to help ensure forecasts are followed and short-term and long-term liquidity levels are maintained. Further information on going concern is provided in note 2, Basis of preparation.

Management monitors cash flow by preparing regular rolling cash flow forecasts to identify the level of funding required from its parent company.

Maturity of financial liabilities:

	Total	One month	Two to three months	Three months to one year	Over one year
Undiscounted creditors	278,454	44,684	35,351	46,919	151,500
Discounted creditors (included within undiscounted creditors)	249,084	44,537	69,547	15,000	120,000

23. Foreign currency transactions risk

To date no transactions with any entities outside the UK have taken place. The Company has no financial assets or financial liabilities overseas or held in any other currency other than GBP Sterling. As such management feels the Company is not exposed to any foreign exchange risk.

Group information

Directors
I Balchin
Non-executive Chairman

N Ricketts
Chief Executive Officer

W Battrick
Chief Technical Officer

C Leigh
Chief Financial Officer

J Veasey
Non-executive Director

Company Secretary
C Leigh

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