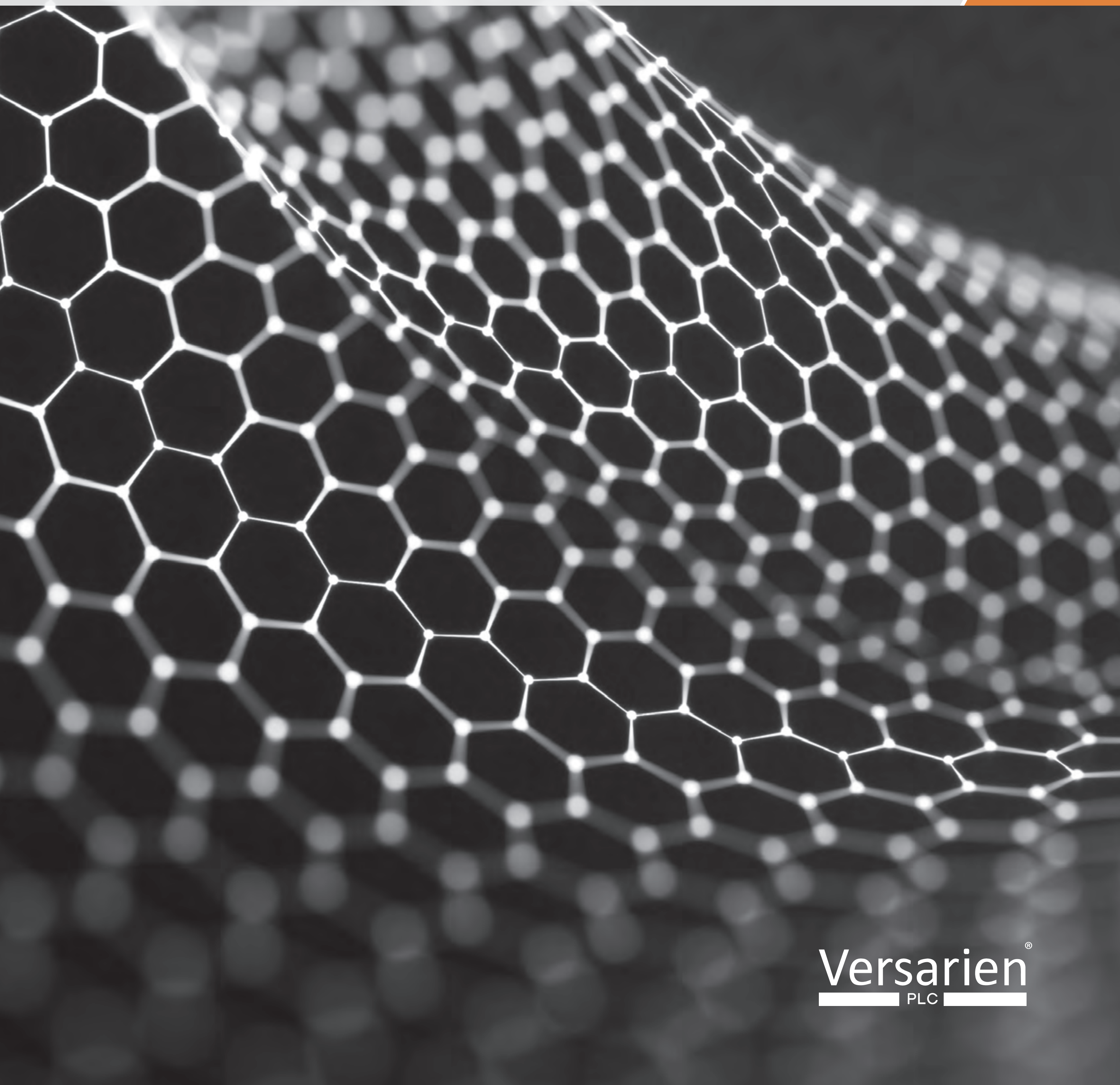
ANNUAL REPORT 2022



Versarien®
PLC

Versarien plc (AIM: VRS) is an IP-led **advanced engineering** materials group that utilises proprietary technology to create innovative engineering solutions.

Versarien holds more than 130 patents covering areas including the manufacture and use of graphene and related materials (GRMs) in diverse applications. We develop and manufacture advanced materials and products globally through a number of subsidiaries and have the widest portfolio of high-quality verified products.

PRINCIPAL UNITED KINGDOM SUBSIDIARIES

Versarien® GRAPHENE

2-DTECH

CAMBRIDGE GRAPHENE

PRINCIPAL GLOBAL SUBSIDIARIES

Gnanomat

Versarien® 버자리언 코리아

Versarien Korea

The Graphene Council administers the Verified Graphene Producer® and the Verified Functionalized Graphene™ programs, the only credentials that include independent 3rd party in-person inspections of graphene production facilities, verification of production methods, volumes and quality control processes.

The Verified Graphene Producer® and Verified Functionalized Graphene™ programs also include independent expert testing of graphene materials by internationally recognised and qualified labs, such as the National Physical Laboratory (NPL) in the UK, according to the Graphene Classification Framework.

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

Versarien was the first company in the world to pass the rigorous Verified Graphene Producer® program in 2019, and has been re-certified in 2022.

WANT TO KNOW MORE? GET IN TOUCH TODAY

Visit our website at: **www.versarien.com**

Email us at: **info@versarien.com**

Write to us at: **Units 1A-D**
Longhope Business Park
Monmouth Road
Longhope
Gloucestershire
GL17 0QZ
United Kingdom

Call us on: **+44 (0) 1594 887204**

OUR PERIOD IN BRIEF

CONTINUING OPERATIONS KEY FINANCIAL HIGHLIGHTS

(The current and comparative figures are for an 18-month and 12-month period respectively)

Group revenues (continuing operations)*

£11.1m

(2021: £5.7m)

Graphene revenues

£2.1m

(2021: £0.7m)

Adjusted LBITDA**

£2.4m

(2021: £1.9m)

Reported loss before tax**

£8.3m

(2021: £8.1m)

Reported loss for the period

£8.4m

(2021: £8.1m)

Cash

£1.4m

(2021: £2.4m)

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

** Non GAAP measure described in full in the report on page 17

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 period 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
- Non-core aluminium business discontinued to concentrate on graphene production

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ANNUAL GENERAL MEETING

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

PARTNERSHIPS/COMMERCIALISATION HIGHLIGHTS

- Umbro to integrate Graphene-Wear™ into its Elite-Pro-Training Kit range for 2023 Spring/ Summer collection
- GoToGym in South America are launching active-wear incorporating Versarien's Graphene-Wear™ technology
- BiaBrazil to integrate Graphene-Wear™ into its sports and active wear ranges
- Commercial agreement signed with Superdry to produce graphene enhanced garments and discussions ongoing with multiple other garment suppliers
- Global construction companies beginning to trial Cementene™ in house
- 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
- Collaboration signed with US-based Flux Footwear LLC, an adaptive footwear company, to supply graphene enhanced elastomers
- 10 new product demonstrators launched in the period

FUNDING HIGHLIGHTS

- £1.93 million strategic investment in Versarien by GrapheneLab Co. Ltd., South Korea, together with royalty and trademark agreements
- £1.85 million gross raised via equity placing post period end

OUR GRAPHENE PRODUCT PORTFOLIO

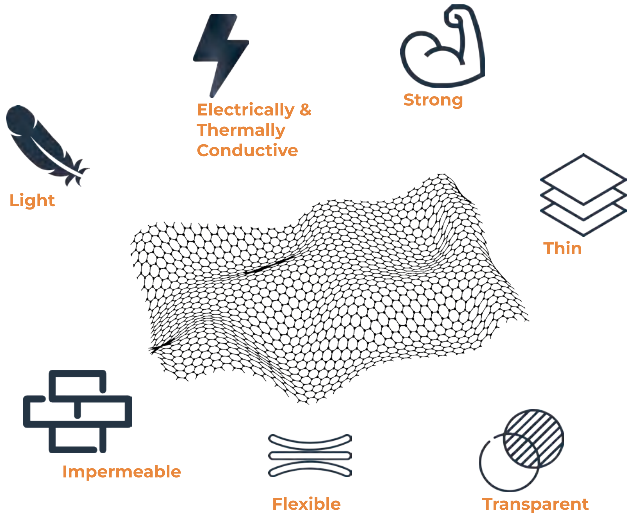
GRAPHENE & GRAPHENE OXIDES

Nanene-001 is a high quality few-layer graphene (FLG) powder, independently tested and passing the Graphene Council's Verified Graphene Producer® program. The high graphene purity and low defect ratio establish **Nanene**™ as an outstanding commercially available product that enables true leverage of graphene's unique properties. Versarien's production processes leave graphene flakes relatively pristine and undamaged.

Nanene-002 is a graphene nanoplatelet (GNP) powder with large lateral dimensions and is suitable for a wide range of applications showing significant improvements in tensile strength, Young's modulus, uniform elongation and elongation at break in polymer composite applications.

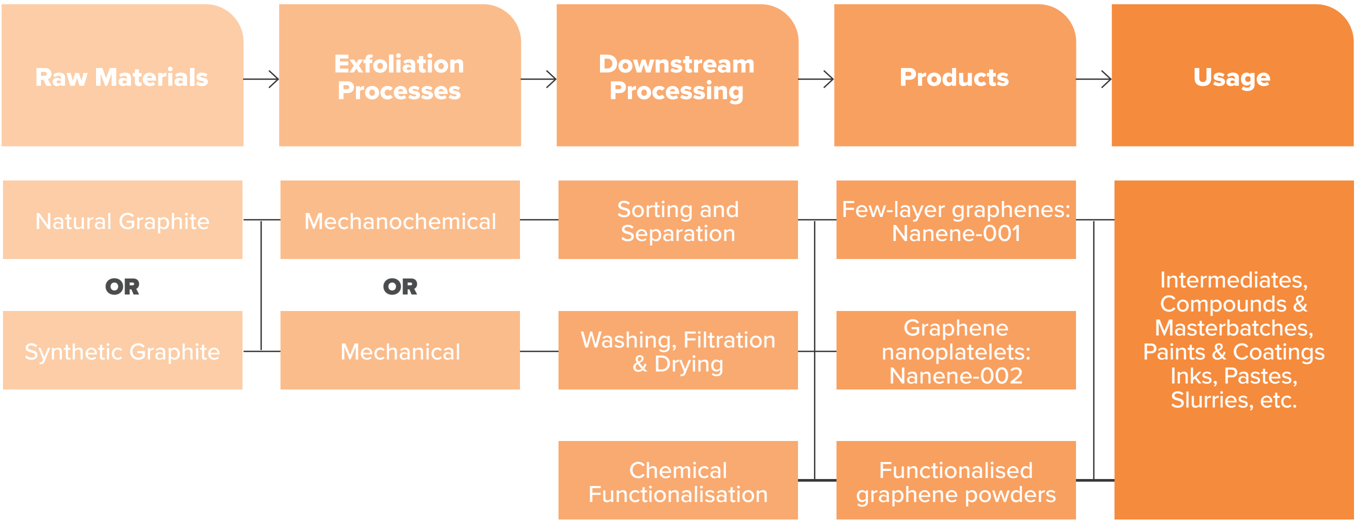
Potential **Nanene**™ applications include electrodes in lithium-ion batteries and fuel cells, solar PV cells, electrically conductive inks, thermally conductive films and coatings, thermal interface materials, lightweight composites, concrete, metal-matrix composites, corrosion protection and barrier coatings.

In addition to our high quality, low defect graphene powders, we also supply graphene oxides **GO-001** and **GO-002** (in development) with different flake sizes (small and large, respectively). With a higher level of oxygen content ratio, these products are suitable for different applications where high aspect ratio and processability are key.



The impressive array of graphene properties

Thermal Stability	Thermal Conductivity	Electrical Conductivity	Light Absorbtion	Gas Permeability	Chemical Stability	Mechanical Strength
Stable to decomposition at high temperatures	The perfect conductor **>5,000 W/(m·k)**	The **fastest & most efficient** conductor	Absorbs all light frequencies **2.3% per layer**	**Impermeable** to gases. Prevents oxygen ingress	**Inert material,** so increases chemical resistance	Tensile strength **130GPa** Young's Modulus **> 1TPa**



Process flow for the manufacture and uses of Versarien's graphene powder materials (Nanene™)

GRM INKS & DISPERSIONS

Graphinks™ are graphene and related material (GRM) inks and dispersions that bring multi-functionality (high electrical and thermal conductivity, fire retardation, UV protection, etc.), produced via a high pressure homogenisation process that offers high yield and uniform size distribution. We have 'standard' **Graphinks™** for different deposition methods from inkjet to screen printing and developmental formulations (DF) with different nanomaterials and solvent combinations.

GRAPHINKS FORMULATION & PRINTING GUIDANCE

Graphink-101 was developed using a Drop-on-Demand (DoD) Dimatix Materials Printer, DMP-2800 (FUJIFILM Dimatix Inc., USA) using Dimatix Materials Cartridges. Jetting profiles and cleaning procedure files can be sent electronically following purchase of the ink. This does not guarantee successful printing and will require optimisation at the customer's end.

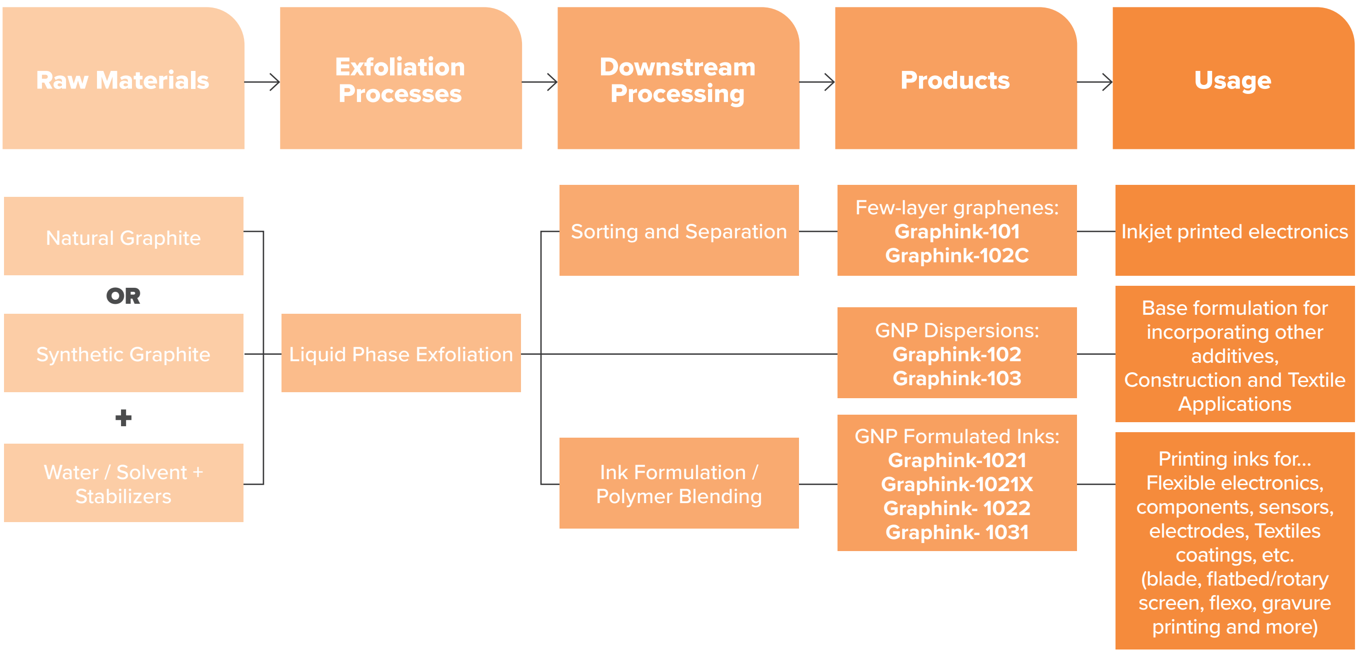
Graphink-102 and **Graphink-103** are water-based graphene dispersions with no binders or rheology modifiers added. They provide you the freedom to formulate a water-based graphene ink suitable for application with their binder or additives of choice. In order to increase their viscosities for different printing methods we developed **Graphink-1021** and **Graphink-1022** containing sodium carboxymethylcellulose as a rheology modifier and binder. The rheological behaviour of these inks is thixotropic, which means they are highly viscous when in storage. The viscosity will drop significantly as shear is applied during printing processes and the viscosity will rebuild after printing which is important to maintain high-resolution printing patterns. These inks can be printed on paper, glass, plastics and textile substrates. Good coatings can provide sheet resistances of <5 Ω/ (@25 µm print thickness). Because these inks are water soluble, we have developed a cross-linked version that can be used in aqueous environments - **Graphink-1021X**, for example, in biosensor electrode applications.

Graphink-1021 and **Graphink-1022** were developed using a flatbed screen printing machine using screens with a waterproofed and hardened polyester mesh with mesh size ranging from 15 to 120.

Depending on the printing technique and the machine, the viscosity of the inks may need to be reduced using deionised water only.

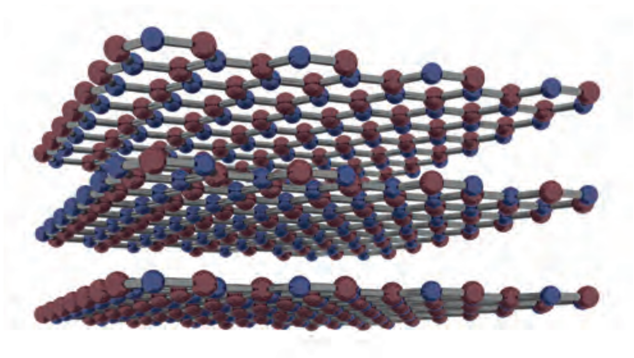
Other printing/coating techniques include but are not limited to:

- Doctor blade / Meyer bar coating
- Spray coating
- Slot die coating
- Dip coating
- Curtain coating
- Flexographic Printing
- Gravure Printing



Process flow for the manufacture and uses of Versarien's graphene-based inks and dispersions (Graphinks™)

HEXAGONAL BORON NITRIDE



Hexotene™ is our family of high quality hexagonal boron nitride (hBN) nanosheet powders. We offer two grades: **Hexotene-001** and **Hexotene-002**, derived from different bulk hBN raw materials, with other functionalised forms in development.

hBN consists of covalently bonded, alternating boron and nitrogen atoms within a hexagonal honeycomb arrangement, similar to the structure of graphene. However, it holds some uniquely different characteristics: hBN is white in colour and a wide electronic bandgap of ~6 eV has been observed for hBN which gives rise to highly insulating electrical properties. This makes **Hexotene™** particularly useful for products where electrical conductivity is not desired, but many other features such as thermal conductivity and mechanical strength can be harnessed. The ability to allow for incorporation of other colours into consumer products, for example, is also a key advantage over graphene.

Thermal Stability
Stable to decomposition at high temperatures

Thermal Conductivity
Typically **1700-2000 W/(m·k)**

Electrical Conductivity
Wide bandgap **(~6eV)** Dielectric/ Electrical Insulator

Light Absorbtion
Absorbs very high energy **UV light**

Chemical Stability
Resistant to many chemicals & solvents

Mechanical Strength
Although soft h-BN's Young's Modulus ≈ **1TPa**

Raw Materials → **Exfoliation Processes** → **Downstream Processing** → **Products** → **Usage**

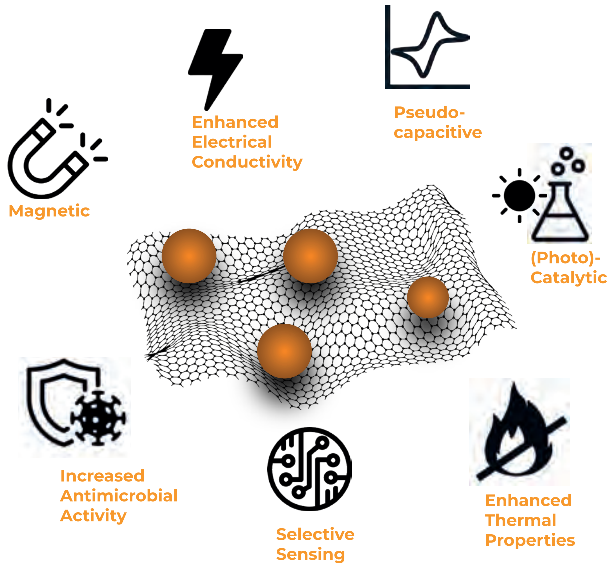
Synthetic hBN — Mechanochemical — Washing, Filtration & Drying — hBN nanosheets : **Hexotene-001** **Hexotene-002** — Intermediates, Compounds & Masterbatches, Paints & Coatings Inks, Pastes, Slurries,etc.

Process flow for the manufacture and uses of Versarien's hBN powder materials (Hexotene™)

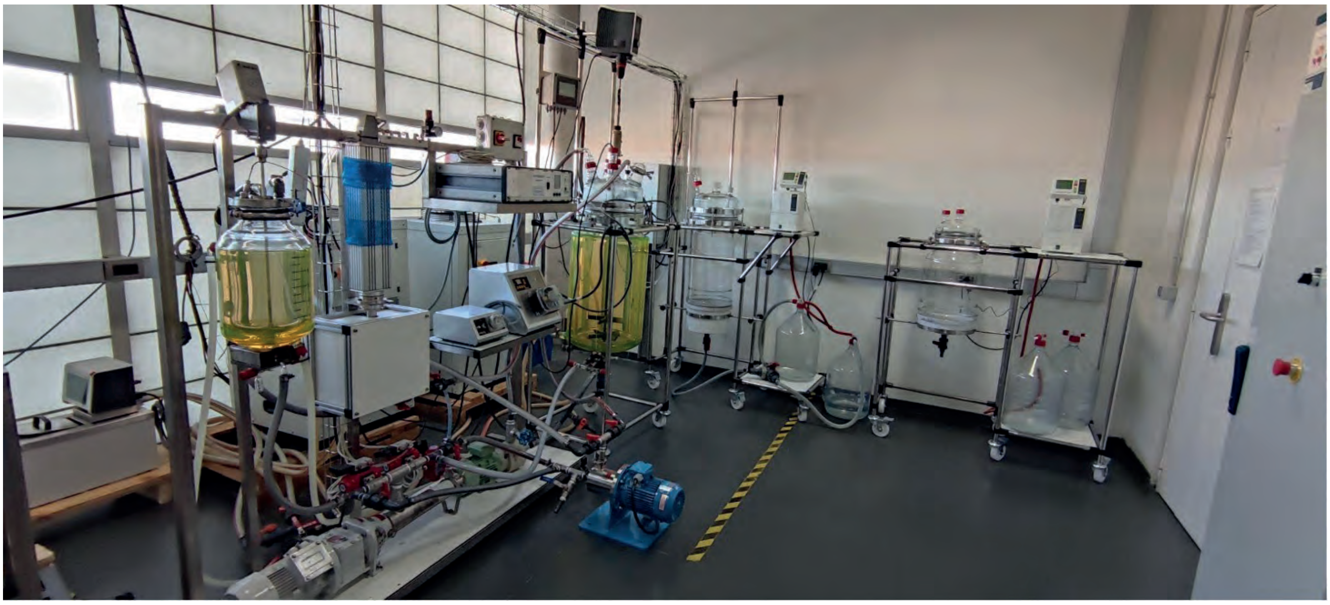
HYBRID NANOMATERIALS

Versarien subsidiary Gnanomat S.L. (Madrid, Spain), develops novel hybrid nanomaterials combining graphene with metal (oxide) nanoparticles. Graphene-supported metal (oxide) nanoparticles form a very large family of materials whereby graphene provides a high surface area substrate that makes metal (oxide) nanoparticles accessible to the environment, allowing them to better perform their functions. Graphene adds electrical conductivity to oxides, which are usually poor conductors; electron injection from graphene into oxides increases the concentration of holes in graphene and may increase the conductivity of the entire hybrid material. Synergistic benefits are observed in a number of applications such as battery and supercapacitor electrodes, as well as in electrocatalysis.

The current methods for production of graphene-based hybrid materials require multi reactor chemical transformations, making their industrial production challenging and expensive. Gnanomat has patented an environmentally friendly, safer (no need for hazardous or toxic chemical reagents or solvents) and straightforward method for the production of hybrid materials in a one-pot synthesis procedure, which lends itself to low cost industrial production. Thanks to the unique features of our technology, it has the potential to become the gold-standard method for industrial production of hybrid nanomaterials, offering a solution to overcome the critical barriers in actually exploiting the benefits of these materials in energy storage devices and beyond.



Dual/multi-functional properties and applications that can be realised following surface functionalisation of graphene with metal (oxide) nanoparticles



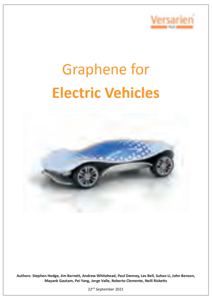
CVD MATERIALS

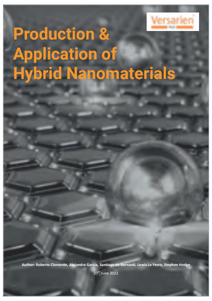
Chemical vapour deposition (**CVD**) is the process to manufacture truly single-layer graphene (SLG). Versarien subsidiary Versarien Korea Ltd. (South Korea), manufactures SLG using a rapid thermal CVD process (RT-CVD) in a clean room environment. Graphene synthesis and lamination, transfer and stacking are performed in Class 1000 (ISO 6) laboratories, whilst wet chemical etching and all graphene characterisation takes place in Class 10000 (ISO 7) laboratories. Our standard products include SLG on copper foil (**CVD-101**) up to 200 x 200mm in size, SLG transferred on to SiO_2/Si wafers (**CVD-201**), or SLG transferred on to PET substrates (**CVD-301**). We also offer services to produce multiple stacked layers of graphene and transfer graphene on to other substrates of the customer's choice.

Potential applications of **CVD** graphene include sensors, membranes, transparent conductive electrodes, resistive heaters and use in high-frequency electronic, (opto)electronic and semi-conductor applications.

WHITE PAPERS

To access the white papers below, please visit **www.versarien.com/media-centre**





ACADEMIC PARTNERS

GRANT FUNDING ORGANISATIONS

MEMBERSHIPS

ACCREDITATIONS AND COMPLIANCE

CHAIR'S STATEMENT

Diane Savory OBE
Non-executive Chair

Following my first statement as Non-executive Chair of Versarien, relating to the first twelve months of the extended 18-month accounting period I am pleased to provide an update for the full period.

In doing so I wish to reassure shareholders that we are doing all we can to progress the Company, but traction in the graphene market place has proved challenging for all participants, so it is worth reminding ourselves of what has been achieved and why we are pursuing a graphene strategy.

- We are a pioneer in the supply of graphene in the UK.
- We have secured IP with over 130 patents and trademarks.
- We have completed 16 InnovateUK projects
- We received the largest ever UK Innovate loan of £5m to scale up (GSCALE).
- We are the first company to be certified and then re-certified by the Graphene Council as a "Verified Graphene Producer".
- We have embedded connections with University of Manchester and University of Cambridge.
- We are EU REACH registered with our CTO leading the Technical Working Group.
- We are a member of the EC's €1bn Graphene Flagship project.

The global graphene market is estimated to be worth US$7.55 billion by 2028 with a CAGR of 37.3%. Of this potential market our focus is on construction where the market is estimated to be £900 million per annum and leisure/footwear where it is estimated to be £360 million per annum. Longer term we are still involved in the automotive sector where the market is expected to reach £340 million and aerospace £70 million per annum.

We continue to focus our efforts on construction and textiles which we believe are at the highest technology readiness level and therefore closest to commercial revenues.

Our production capability at Longhope, Gloucestershire, has increased in readiness for commercial traction but challenging macro-economic conditions have delayed the traction we were anticipating. Nonetheless it is highly encouraging to see our Cementene™ product being tested by major global construction companies

Cementene™, which is our graphene admixture for the construction industry, has been used in a number of concrete pours, providing validation for the technology and we are pursuing the necessary accreditations to allow full-scale commercialisation.

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. However, with the prevailing economic climate, we have felt it prudent to cut costs and streamline our operations so that the focus is more UK centric.

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

20 February 2023

Neill Ricketts
Chief Executive Officer

The extended 18-month period has seen both successes and challenges with the first 12-months seeing the financial benefits from the DSTL contract which focussed on understanding the advantages that graphene-loaded materials may bring to defence applications. In the period we also successfully completed the development stage of the GSCALE project despite the macro-economic challenges faced and the Company is now focussing on the most advanced Technology Readiness Level stage projects of construction and textiles, further details of which are below.

TECHNOLOGY BUSINESSES

UK operations

During the period the Company relocated its graphene manufacturing operations to Longhope in Gloucestershire whilst at the same time closing our aluminium operation in Cheltenham, which are shown as discontinued operations. The Company has now commissioned the first of four "Graphene- Tech" reactors acquired which in total could provide up to an additional 100 tonnes of powder capacity for use in multiple sectors including energy storage. The Graphink processing machines also purchased during the period are fully operational and can provide up to 12,000 kg of Cementene™ (Versarien's graphene enhanced concrete admixture) or 120,000 kg of Graphene-Wear™ formulation per annum.

Construction

The global construction industry is one of the biggest contributors to CO2 production, accounting for c39% of energy- and process-related carbon dioxide emissions. Concrete contributes circa 8% of the world's CO2 emissions and graphene has the potential to significantly improve the performance of concrete with regards to its carbon footprint.

Almost 1,000 tonnes of concrete have been poured containing Cementene™ and the Company is in discussions with major UK and European construction companies to assess product viability following the successful completion of testing by a United Kingdom Accredited Service ("UKAS") laboratory. Consequently, Versarien plans to continue investment in Graphink processing equipment to support its focus on the construction sector and the potential environmental benefits that can be obtained.

The Company has also commissioned its 3d concrete printer and successfully completed several projects. Versarien intends to co-fund research fellowships as part of the Digital Roads of the Future project led by National Highways, housed at the University of Cambridge and the Company is a founding member of the Roads Research Alliance.

We are working with Amey, S2, National Highways, Costain, Roadfill, Environment Agency, Heidelberg, SSanyong C&E, Cybe, Tarmac, Sika and Skanska with in-house testing of Cementene™ now commencing in large construction companies.

Textiles and footwear

In partnership with thread and clothing manufacturers, we have conducted a significant amount of research into the textile industry. Graphene's thermal conductivity, as well as its antimicrobial, fire resistance and mechanical strength properties, are highly applicable to the sportswear and protective clothing industries.

It is also a more sustainable solution to the manufacturing process, which could help to reduce the number of hydrocarbons and the amount of water used in textile production, improve the recyclability of products and extend the lifetime of the garments.

Versarien continues to progress its relationships with clothing brands Umbro, BiaBrazil and Go To Gym. Some customer photoshoots have been completed for the Graphene-Wear™ product launches anticipated in Spring/Summer 2023, and designs have been completed for Autumn/Winter 2023 and Spring/Summer 2024. The Company is also in dialogue with other global sportswear brands with the aim to launch a number of new products.

Following the product launch with Flux Footwear LLC, the Company continues to take enquiries from global brands for Graphene-Wear™ rubber compounds and masterbatches.

Whilst these two sectors are our primary focus the opportunities in automotive and aerospace remain and will be further addressed when funding allows.

DSTL development contract

The DSTL contract has been successfully delivered and we are in dialogue with the UK defence sector regarding the supply of certain products that formed part of it.

OVERSEAS OPERATIONS

As a result of traction taking longer than anticipated we have taken the strategic decision to focus our resources on higher technology readiness level applications and markets closer to home.

We will continue to operate from Spain and South Korea but with a reduced cost base. The US sales office is closing with the pipeline of enquiries to be handled from the UK.

United States of America

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.

Spain

Gnanomat has continued to test its products in a wide range of markets, particularly in Energy Storage with supercapacitors (pseudocapacitors), fuel cells and zinc/air batteries as well as allied applications such as sensing and low observability in military applications.

The Company is continuing to work on the INNPRESSME grant project aiming to create an Open Innovation Test Bed in the area of nanotechnology and advanced materials. The funds have been used to optimize the pilot plant and gain access to business opportunities. Gnanomat continues to apply for grants to support its progress to commercial revenues.

In addition, the company has extended its product portfolio of advanced materials with very different technological profiles, such as the superparamagnetic graphene-based materials with multiple potential applications.

Gnanomat continues protecting IP by the extension of rights to territories where larger markets are concentrated in Europe, US, Japan and South Korea.

South Korea

Since acquiring the CVD operations from Hanwha and moving and commissioning them at the new premises, the core focus has been on growth optimisation of a portfolio of CVD graphene products on different substrates working with local partners where appropriate.

Future strategy is to produce demonstrators for use in sensors, imagers and RF applications including 5G and 6G. These are long term projects which will take some time to bear fruit so we have decided to reduce our small scale operations by two members of staff and rely more on our partnership with Graphene Labs. Versarien Korea Limited is also looking at opportunities to sell Cementene™ and Graphene-Wear™ products in Korea.

MATURE BUSINESSES

The mature businesses have struggled through Covid and are now facing macro-economic challenges including rising energy prices. Whilst they provide some infrastructure support, they are no longer core activities.

Current trading and outlook

We remain confident of the environmental and commercial benefits our graphene technology can bring but the current macro-economic conditions combined with the disruptive nature of our products has delayed the commercialisation we were anticipating. Consequently, we are streamlining the business and focusing on our primary opportunities in construction and textiles.

We will continue to seek grant funding to support our operations but will also need the support of investors either strategic or in capital markets to fund the business until such time as the graphene market gains traction and material commercial revenues flow.

We look forward to updating the market of progress in due course.

Neill Ricketts
Chief Executive Officer

20 February 2023

Dr Stephen Hodge
Chief Technical Officer

Our R&D team have delivered several key projects in the last 18 months namely the G-SCALE and DSTL projects, and I am particularly proud of being able to re-certify our Nanene™ graphene powder through the rigorous Graphene Council Verified Graphene Producer programme.

With six white papers published to date, we have launched our "Nanomaterials Portfolio", a mammoth task ensuring our datasheets are compliant with ISO standards and the Graphene Council's proposed Graphene Classification Framework. This portfolio highlights our large array of raw material options that can enable solutions to a number of market sectors.

Our R&D teams have handed over the majority of the Graphene-Wear™ and Cementene™ developments to Versarien Graphene Ltd.'s Production and Operations teams, and we now move towards obtaining product certifications such as Oekotex Eco-Passport for our Graphene-Wear™ textile coating formulation (complete), and BS-934 Admixture for Cementene™ water-based graphene admixture (in progress). To support further product developments, we are seeking commercial and grant funding to expand Graphene-Wear™ and Cementene™ to global markets and increase the number of products in the respective family product portfolios.

Within the construction sector, we are well positioned in Cambridge to support the Digital Roads of the Future programme and have signed up as a founder member of the Roads Research Alliance along with around 20 other industry partners. The programme is spearheaded by National Highways and Costain; we are striving to recruit and co-fund two Future Roads Fellows but will have access to the research and results of all funded projects as part of the alliance. The Future Roads Fellowships part is a £5.9m programme that offers 27 experienced researcher fellowships linked to the thematic areas - digital twins, data science, smart materials, automation and robotics, and sustainability, all in the context of the roads network. With our Cementene™ developments, and continued progression with 3D concrete printing, Versarien overlap almost all of these themes and we are sure to be a pivotal partner.

Whilst Construction and Textiles are Versarien's major commercial focus, our long-term vision is to further pursue other G-SCALE avenues and CVD graphene applications. One area that has proved hugely complex is rubber processing; to add more depth to our scientific knowledge of graphene and related materials in "Elastomers" projects, we have recruited a PhD student to begin in February at WMG (University of Warwick) with Prof. Tony McNally to utilise new state-of-the-art rubber processing and testing facilities that are now up and running. This follows from the recent recruitment of our first PhD student from Prof. McNally's research group who is now part of our R&D team in Cambridge; he will be in charge of driving forward many more Polygrene™ thermoplastic compounds, masterbatches and associated products.

Regarding CVD activities, new products will be added to our "Nanomaterials Portfolio" in due course, but we are now supplying CVD graphene for testing outside of Korea to UK and US customers. To support application development, we have a microbiology PhD student at University of Plymouth supervised by Dr Tina Joshi, who has been developing key markers that will be incorporated onto our CVD graphenes for biosensing during the next two years.

HEALTH & SAFETY OF GRAPHENE

In my previous annual report statement, I touched upon the importance of the health & safety of graphene as being paramount to allowing graphene and related nanomaterials to become mainstream in our everyday lives.

We continue to lead the way in the UK and Europe in supporting the compliance of graphene for REACH, as chair of the graphene REACH (registration, evaluation, restriction and authorisation of chemical substances) registration consortiums Technical Working Group, I have been able to update the industry and stakeholders at several points in the last year. In particular, I had the opportunity to present to the Graphene Flagship's Standardisation Committee in January, at the Graphene Flagship's Graphene Week conference in Munich in September.

Combined with presenting at the two Graphene Council Commercialisation Conferences in Birmingham, UK and Pittsburgh, USA, we have had important audience members from UK's Health & Safety Executive (HSE), the European Chemicals Agency (ECHA) and the US the US Environmental Protection Agency. Most recently, I presented regulatory updates and challenges at an ISO/TC-229 meeting hosted at the UK's National Physical Laboratory (NPL) in November with several delegates from other important territories such as Korea, Japan and China. I look forward to presenting further to key UK centres and agencies such as National Physical Laboratory, Department for Environment, Food and Rural Affairs, Department for Business, Energy and Industrial Strategy, British Standards Institution, Health and Safety Executive and the UK Health Security Agency at the second UK Advanced Materials Workshop in February.

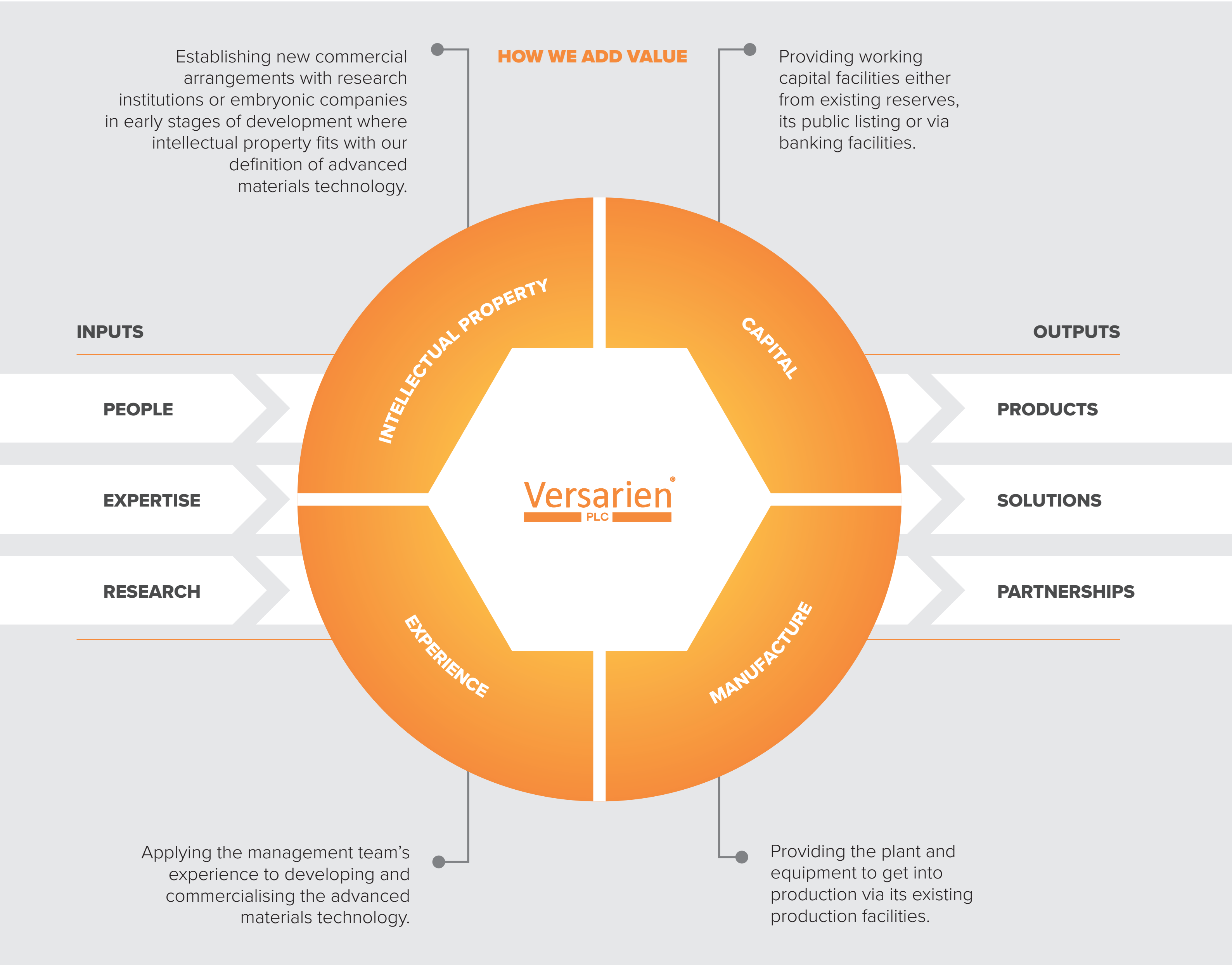
Our R&D team also continues to play an active role in European projects that allow us to further understand and develop techniques for nanotoxicology, with a new Horizon Europe project kicking-off this month known as i-CARE (Integrated assessment and Advanced Characterisation of Neuro-Nanotoxicity). The consortium aims to develop a resilient and adaptive set of advanced imaging technologies to quantify the physical/chemical properties of graphene in complex matrices. Versarien will be providing example materials such as graphene in concretes, tyres or other composite materials and adopting the developed techniques.

Dr Stephen Hodge
Chief Technical Officer

20 February 2023

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.



Strategic objectives and KPIs

Commercialisation of our graphene technology remains the objective of the Board, particularly as we focus on the construction and leisure sectors which has resulted in the change in strategic direction described below.

	Period progress	Future strategy
Identify and acquire majority stakes in companies capable of commercialising graphene applications	We have been in dialogue with prospective companies during the period including making an offer for overseas assets which was ultimately unsuccessful.	We are focused on achieving commercial revenues from construction and textiles so are no longer looking for acquisitive opportunities
Sign application development agreements with customers	A number of agreements were signed as described in the operational highlights	This continues to be a focus for the business
Commence commercial supply of graphene enhanced products	Supply is concentrated on the development of the construction and textile markets	This continues to be a focus for the business
Identify opportunities for international expansion	We made a share offer for overseas assets which was ultimately unsuccessful	We are reducing our overseas operations cost base and handling US opportunities from the UK

As a Group we concentrate on the following financial metrics:

Continuing Operations	**18 months to 30 September 2022 £'000**	**12 months to 31 March 2021 £'000**
Group revenue	11,106	5,685
Gross margin percentage	30%	21%
Loss before interest, tax, depreciation, amortisation, exceptional costs, share based charges and other gains/losses	(2,403)	(1,881)
Cash used by Technology businesses	(7,148)	(2,367)
Cash used by Mature businesses	(215)	(86)
Cash raised by parent (before loans to/from subsidiaries)	6,355	3,155
(Decrease)/increase in cash and cash equivalents	(1,008)	702

The improvement in gross margin arises principally as a result of the development contract with DSTL.

Christopher Leigh
Chief Financial Officer

Following extension of the accounting reference date, these results are for a period of 18 months with the comparatives reflecting a 12-month period.

The aluminium business based at Cheltenham closed during the period 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 10.

Group results

Revenues from continuing operations were £11.11 million (2021: £5.69 million), a pro-rata increase of 30%. Revenue from graphene, including that recognised under the DSTL contract, was £2.15 million (2021: £0.70 million) a pro rata increase of 105% of which DSTL accounted for £1.63 million (2021: £0.25 million).

The loss from operations was £7.69 million (2021: £7.93 million). This was after charging £1.19 million in respect of the valuation of the Lanstead Sharing Agreements (2021: £3.28 million).

The adjusted LBITDA for continuing operations was £2.40 million for 18 months compared to £1.88 million for the prior 12 months calculated overleaf.

Adjusted LBITDA (which is not a GAAP measure and is not intended as a substitute for GAAP measures and may not be the same as that used by other companies) is a measure used by management to reflect the core operating performance of the underlying businesses rather than the effects of non-core financial and non-cash expenses.

The adjustments to the loss from operations as disclosed in the Group Statement of Comprehensive Income relate to depreciation and amortisation, share based payment charges, exceptional items as detailed in note 6 and losses related to the fair value of the Lanstead sharing agreements.

During the period we received delivery of equipment from Hanwha Aerospace in South Korea which had been developed under government contracts and which were included as potential assets under the asset purchase agreement signed in the previous period. These were independently valued at £241,000 and have been treated as additions to non-current assets with the associated credit treated as an exceptional item. Warranty claims of £65,000 from the asset purchase agreement were also successfully concluded and treated as an exceptional credit.

As part of our previous strategy for global coverage we bid for certain assets of a US based graphene company that had entered the UK equivalent of administration. The process reached an advanced stage but eventually another bidder was preferred. We incurred £82,000 of costs which have been treated as exceptional items.

The reported loss before tax for continuing operations was £8.32 million (2021: £8.08 million). Group net assets at 30 September 2022 were £11.6 million (31 March 2021: £16.5 million) with cash at the period end of £1.4 million (31 March 2021: £2.4 million).

Net cash used in operating activities was £3.68 million (2021: £0.89 million) with trade and other payables reducing by £1.98 million (2021: £1.24 million increase). Investment in development costs and equipment was £4.66 million (2021: £1.68 million) and net principal lease payments were £0.93 million (2021: £0.99 million) giving total cash outflows of £9.27 million (2021: £3.56 million).

These activities were financed by net funds received from the Lanstead sharing agreements of £3.53 million (2021: £2.34 million), net loans received of £2.78 million (2021: £2.45 million) and net funds received from the share issue to GrapheneLab Co Ltd. of £1.92 million (2021: £Nil) totalling £8.23 million (2021: £4.79 million).

The deficit of £ 1.04 million (2021: £1.23 million surplus) resulted in a modest increase on drawings on the invoice finance facilities of £0.03 million (2021: £0.53 million decrease) thus reducing cash at the period-end by £1.01 million (2021: £0.70 million increase).

Our GSCALE development project has completed with the full £5 million drawn by the period end, repayment of which is now due to commence in 2025.

Technology Businesses

The technology businesses have seen an increase in revenue from £0.7 million to £2.15 million driven mainly by the recognized revenues from the DSTL contract. Consequently the gross margin rose from 13% to 47%. Operating costs for the 18 months were £4.74 million compared to £1.64 million for the prior 12 month period. The pro-rata increase relates primarily to costs at the new Longhope production facility, upscaling research and development to deliver the DSTL and GSCALE projects and a full period of Versarien Korea.

With our strategic focus now concentrated on construction and textiles we have reviewed the development costs previously capitalised on a number of different projects and decided that we should only carry forward those related primarily to the GSCALE project. Consequently, we have impaired assets by £0.91 million which has been treated as an exceptional charge. These projects have also previously attracted grants of £0.66 million which were held as deferred income in the balance sheet and these have been released as an exceptional credit.

In addition we have undertaken a cost cutting programme to reduce annual costs by £1.4 million. As part of this we are currently in the process of winding-up Versarien Graphene Inc., including settling certain liabilities at an agreed cost of £157,000.

Mature Businesses

The mature business segment has seen increased revenues of 20% on a pro rata basis, and returned a small profit from operations of £0.03 million for 18 months compared to the previous 12 months loss of £0.5 million. As referred to in the Chief Executive Officer's report the businesses are no longer core as we seek to transition to focusing on the graphene technology.

Going Concern

The financial statements have been prepared on a going concern basis as detailed on page 45.

Christopher Leigh
Chief Financial Officer

20 February 2023

	18 months ended 30-September-2022			12 months ended 31-March-2021		
	Continuing operations £'000	**Discontinued operations £'000**	**TOTAL £'000**	**Continuing operations £'000**	**Discontinued operations £'000**	**TOTAL £'000**
(Loss)/profit from operations	(7,693)	(130)	(7,823)	(7,930)	22	(7,908)
Depreciation and amortisation	2,126	41	2,167	1,135	98	1,233
Share based payment charges	1,510	–	1,510	1,193	–	1,193
Exceptional items	463	64	527	441	–	441
Other losses	1,191	–	1,191	3,280	–	3,280
Adjusted LBITDA	(2,403)	(25)	(2,428)	(1,881)	120	(1,761)

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 technical 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 employ technical resources with the aim of improving its products. 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
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.	Increase

KEY:

Decrease   No change   Increase

	Risk	Mitigation	Change
6	**FUTURE FUNDING RISKS** The Group will need to raise extra capital in the future to develop fully the Group's business. 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.	So far as is possible, the company mitigates this risk by having a European subsidiary	—

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 27 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.

B. THE INTERESTS OF THE COMPANY'S EMPLOYEES

Our directly employed workforce is experienced in the individual markets in which it operates. The Board believes that its employees are key stakeholders within the Group and as such welcomes any feedback, particularly 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 9001 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 company has three non-executive directors including the Chair and three executive directors to ensure fair corporate governance.

EQUAL OPPORTUNITIES

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

The key Board decisions made in the period are set out below:

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
Funding	Shareholders, employees	• Before raising equity the Company exhausted avenues for significant grant funding and debt finance. • The Company raised £1.85 million gross on the equity markets at a 34% discount to the closing share price.
Strategic direction	Shareholders, employees	• The reduced funding has resulted in the Board deciding to focus on those projects which are at the most advanced technology readiness level and which provide the best opportunity for commercialisation.
Restructuring	Employees	• Decisions were made be the executive team in consultation with the Board after carefully considering employee impact. • Impacted personnel were placed at risk with a process of consultation undertaken before a final redundancy decision was taken.

Neill Ricketts
Chief Executive Officer

20 February 2023

INTRODUCTION TO CORPORATE GOVERNANCE

Diane Savory OBE
Non-executive Chair

COMPLIANCE APPROACH

The Board has adopted the Quoted Companies Alliance (QCA) 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.

THE BOARD

The Board comprises Diane Savory OBE, Neill Ricketts, Christopher Leigh, Dr Stephen Hodge, Iain Gray CBE and Susan Bowen. 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.

Diane Savory OBE
Non-executive Chair

20 February 2023

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.

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.

DIANE SAVORY OBE

Non-executive Chair

Diane previously served as Chair at GFirst LEP (Gloucestershire). She is a member of the Retail Sector Council at the Department of Business, Enterprise, Innovation and Skills and worked at Superdry Plc for a total of 22 years, including as a main board director, during which time it grew from an SME to a London Stock Exchange Main Market listed company. Diane's experience is allied to particular elements of the Company's GSCALE project.

SUSAN BOWEN

Non-executive Director

Susan is an experienced business leader with over 25 years experience in the technology sector. She is currently president and CEO of Aptum Group, 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 Aptum Group, 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 Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's 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:

- 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 via our existing production facilities.

Our focus is on commercialising graphene opportunities in the construction and textile sectors.

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.

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 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 9001 accredited which involves processes to monitor and record feedback from suppliers and customers.

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

ATTENDANCE AT MEETINGS DURING THE PERIOD

	Board	Audit Committee	Remuneration Committee
Neill Ricketts	18/18	3/3	0/4
Christopher Leigh	18/18	3/3	0/4
Dr Stephen Hodge	18/18	3/3	0/4
James Stewart (resigned 31 December 2021)	7/18	2/3	2/4
Diane Savory (appointed 1 January 2022)	9/18	1/3	2/4
Susan Bowen	15/18	3/3	3/4
Iain Gray	18/18	3/3	4/4

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 Chair, 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

The Chair is responsible for performing informal continuous assessment in conjunction with non-executive colleagues. A system of formal assessment is to be re-introduced.

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 Chair 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 Chair, 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.

PRINCIPLE 9: CONTINUED

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 subsidiary 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

SUSAN BOWEN
Chair of the Audit Committee

MEMBERSHIP

The Board has established an Audit Committee with the appropriate Terms of Reference, which is comprised of Susan Bowen (Chair), Iain Gray and Diane Savory. 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 risks, financial reporting and internal control procedures through its monthly Board meetings as a standard agenda item for discussion. 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

During the period BDO LLP were appointed as external auditors following a formal review process in which the outgoing auditors, PwC, confirmed that there were no matters connected with their resignation which should be brought to the attention of members or creditors of the Company.

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 as well as the commercial cost.

Susan Bowen
Chair of the Audit Committee

20 February 2023

REMUNERATION COMMITTEE REPORT

IAIN GRAY
Chair of the Remuneration Committee

MEMBERSHIP

The Board has established a Remuneration Committee with the appropriate Terms of Reference, which is comprised of Iain Gray (Chair), Susan Bowen and Diane Savory. 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

20 February 2023

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' Remuneration Report for the period ended 30 September 2022. This report has not been prepared in accordance with the Directors' Report Regulations because, as an AIM listed company, Versarien Plc does not fall within the scope of the regulations.

DIRECTORS' REMUNERATION

The Remuneration Committee comprises the Non-executive Chair, Diane Savory, 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.

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, Diane Savory OBE, Iain Gray CBE and Susan Bowen, have a service agreement with a three-month notice period.

DIRECTORS' INTERESTS – INTERESTS IN SHARE OPTIONS

Details of options held by Directors who were in office at 30 September 2022 are set out below.

Details of the Company's option schemes are set out in note 23 to the financial statements.

The market price of the Company's shares at 30 September 2022 was 13.9 pence. The range of market prices during the period was 13.9 pence to 42 pence.

DIRECTORS' INTERESTS – INTERESTS IN SHARES

Directors in office at 30 September 2022 had interests in the Ordinary shares of 1 pence each in the Company as displayed in the table below.

	2022 Number	2021 Number
Neill Ricketts	**13,600,000**	13,600,000
Christopher Leigh	**315,000**	315,000
Diane Savory	**81,000**	—
Stephen Hodge	**46,774**	46,774

Iain Gray
Non-executive Director

20 February 2023

DIRECTORS' REMUNERATION

	Salary		Benefits and bonuses		Total	
	18 months to 30 September 2022 £'000	12 months to 31 March 2021 £'000	**18 months to 30 September 2022 £'000**	12 months to 31 March 2021 £'000	**18 months to 30 September 2022 £'000**	12 months to 31 March 2021 £'000
Executive						
Neill Ricketts	**316**	198	**8**	129	**324**	327
Christopher Leigh	**277**	175	**21**	139	**298**	314
Stephen Hodge (appointed 7 January 2021)	**173**	24	**17**	—	**190**	24
	766	397	**46**	268	**812**	665
Non-executive						
Iain Gray CBE	**45**	30	—	—	**45**	30
Susan Bowen	**45**	30	—	—	**45**	30
James Stewart (resigned 31 December 2021)	**30**	31	—	—	**30**	31
Diane Savory (appointed 1 January 2022)	**38**	—	—	—	**38**	—
	158	91	—	—	**158**	91

DIRECTORS' INTERESTS IN SHARE OPTIONS

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 £1,510,000 in the Group Statement of Changes in Equity (2021: £1,193,000) is £653,000 (2021: £485,000) in respect of Neill Ricketts, £653,000 (2021: £485,000) in respect of Christopher Leigh and £40,000 (2021: £10,000) 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 period ended 30 September 2022.

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 period and their positions at the end of the period. 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 period amounted to £3.3 million (2021: £2.2 million), of which £2.6 million has been capitalised (2021: £1.6 million) as the Group focuses on commercialisation of its product portfolio.

DIRECTORS

The Directors of the Company who were in office during the period and up to the date of signing the financial statements are listed on pages 22 and 23. The Directors' Remuneration Report on page 29 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 period 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 period (2021: £nil).

GOING CONCERN

These 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 30 September 2022, the Group had cash balances totalling £1.4 million with £0.4 million of headroom on its invoice discounting facilities;
- The Group raised £1.85 million gross by way of a placing in December 2022 and has unused authority to issue 10.6 million shares without pre-emption rights until the next AGM due by 31 March 2023 and expects the placing authority to be renewed at that AGM; and
- The Group has cut-costs as part of its strategy to focus on construction and textile 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 preliminary statement. As previously stated, the funding strategy is to apply for grants, debt and finally equity.

A number of significant grants have been applied for but with no guarantee of successful outcome, although the final stages have been reached. If successful, then the Group will have sufficient working capital for the next 12 months, but if not then the Group will need to raise additional funding. As a consequence, this represents a material uncertainty that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Board is of the opinion 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 currently committed. Whilst noting this, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

SIGNIFICANT SHAREHOLDINGS

In addition to the Directors' holdings disclosed in the Directors' Remuneration Report on page 29, holders of more than 3% of the issued 212,649,790 Ordinary shares of the Company at 31 December 2022 are listed below.

	Ordinary shares	% held
Hargreaves Lansdown Stockbrokers	45,968,444	21.62%
Interactive Investor Services Limited	32,166,113	15.13%
Halifax Share Dealing Limited	15,100,783	7.10%
AJ Bell Securities Limited	12,301,195	5.78%
Hanwha Aerospace Company Limited	9,912,580	4.66%
Barclays Stockbrokers		
Barclays Stockbrokers Limited	7,024,216	3.30%

INDEPENDENT AUDITORS

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

By order of the Board

Christopher Leigh
Company Secretary

20 February 2023

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law the 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 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;

› state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and

› prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

20 February 2023

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2022 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Versarien Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 18 month period ended 30 September 2022 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Company statement of financial position, the Group statement of changes in equity, the Company statement of changes in equity, the Group and Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw your attention to the going concern section of accounting policies of the financial statements which indicate that the group needs to raise additional funding within a period of less than 12 months from the date of approval of these financial statements in order to meet liabilities as they fall due, and that the required funding is yet to be secured. As stated in the going concern section of the accounting policies, these events or conditions, along with other matters set out in the going concern section of the accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the material uncertainty noted above and our risk assessment we considered going concern to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances;
- Challenge of the Directors' going concern assessment, including the reasonableness of assumptions and downside stress case sensitivities applied, using our underlying knowledge of the business;
- Testing of the mathematical accuracy and consideration of the reasonableness of the assumptions made and available headroom throughout the forecast period extending from the date of approval of the financial statements;
- Consideration of the key sensitivities applied in the cash flow model pertaining to revenue, grant income and cost base, the continued use of the finance facilities and management of the Group's and Company's cost base;
- Analysing post year end trading results compared to forecast and current year to evaluate the accuracy and achievability of forecasts; and
- Assessing the completeness and accuracy of disclosures in relation to going concern and whether significant judgements have been appropriately disclosed

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.

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

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE MEMBERS OF VERSARIEN PLC

Overview

Coverage	78% of Group profit before tax 97% of Group revenue 98% of Group total assets	
Key audit matters		*2022*
	Going concern	✓
	Goodwill impairment assessment (group)	✓
	Development costs intangible valuation and impairment assessment (group)	✓
	Recoverability of investment in subsidiary undertakings (parent)	✓
Materiality	*Group financial statements as a whole* £330,000 based on 1.5% of Group total assets.	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined that the Group had 5 significant components, being AAC Cyroma Limited, Total Carbide Limited, 2-DTech Limited, Versarien Graphene Limited and the Versarien Plc parent company. A full scope audit was undertaken on each of the significant components, as well as Cambridge Graphene Limited. All work was performed by the Group engagement team with the exception of physical verification of certain property plant and equipment, which was carried out by a BDO member firm in South Korea, in accordance with instructions issued by the Group engagement team.

We determined that the remaining components of the group were non- significant components and the Group engagement team performed analytical procedures in order to obtain sufficient appropriate audit evidence to support our opinion on the Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matters below to be the key audit matters to be communicated in our report. These matters 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.

<table>
<tr><th>Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Goodwill impairment review (group)
(see accounting policies, critical estimates and judgements in note 2 and note 12 Intangible assets)</td></tr>
<tr><td>In accordance with the requirements of IAS 36 Impairment of assets, management has performed impairment reviews in relation to goodwill held in the Group's cash generating units (CGUs).

The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rate employed and is therefore deemed to be a key audit matter</td><td>We obtained the Group's five year cash flow forecasts to 30 September 2028 supporting its impairment review and evaluated the appropriateness of key assumptions. We assessed the methodology used by management and challenged and evaluated key inputs including:

› We verified the mathematical accuracy of the net discounted cash flow impairment model's underlying calculations which had been split into two CGU's (mature businesses and graphene businesses) and agreeing the cash flow forecasts to the plan approved by the Board;

› We evaluated 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;

› We compared the projected growth rates used to historical information. Growth rates of 2% perpetuity were used in the DCF model, post the period 30 September 2028;

› We evaluated the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts and applied sensitivities to the discount rates to ensure sufficient headroom;

› We performed a range of sensitivity analyses to assess the impact of reasonably possible changes in key assumptions, including capital spend, CGU income and reduction in grant income received to those used by management; and

› We considered the market capitalisation of the group at the current date and its split across the CGU's, based on estimated valuations of the mature and graphene businesses. We have also compared comparable companies, given the early-stage nature of the group's graphene businesses.

› We considered a third party benchmark valuation report that was commissioned valuing the graphene business and the market share.

Key observations:
Based on our audit work performed, we consider the estimates and judgements made by management in the goodwill impairment assessment and evidence from market capitalisation and third party evidence to be reasonable.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE MEMBERS OF VERSARIEN PLC

Key audit matter	How the scope of our audit addressed the key audit matter
Development costs intangible valuation and impairment assessment (group) *(see accounting policies, critical estimates and judgements in note 2 and note 12 Intangible assets)*	
Under IAS 38 *Intangible assets*, to capitalise development costs management is required to make certain judgements, including the stage of development, the technical feasibility of completing the product development and the commercial viability of the products being developed. In order to determine whether any impairment to the carrying value has arisen, an assessment is required of the future cash flows generated by the assets and over what period of time the assets will generate returns. Because of the estimates and judgements required to be made by management in valuing development costs we considered this to be a key audit matter.	We have tested, on a sample basis, that costs capitalised in the year were valid business expenses related to the development of the relevant product and that they met the eligibility criteria in IAS 38 to be capitalised by corroborating the costs to supporting evidence. We also made enquiries of staff involved in the development of the products outside of the finance function, including the technical director, to gain an understanding of the development process. We obtained supporting documentation, for a sample of the development projects, such as collaboration agreements and expressions of interest from potential customers in order to verify management's assumptions in respect of commercial viability of active projects. 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 to check it met the conditions of IAS 38. **Key observations:** Based on our audit work performed, we consider the estimates and judgements made by management in valuing the brand and development intangibles were reasonable and costs had been capitalised appropriately.
Recoverability of investment in subsidiary undertakings (parent company) *(see accounting policies, critical estimates and judgements in note 2 and note 15 Investment in subsidiaries*	
In accordance with the requirements of IAS 36 *Impairment of assets*, management has performed impairment reviews in relation to cost of investment of each subsidiary. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rate employed And this is therefore deemed to be a key audit matter	We obtained the Group's discounted cash flow forecasts, similar to those used for the goodwill impairment model, supporting its impairment assessment and evaluated the appropriateness of key assumptions. We assessed the methodology used by management and challenged and evaluated key inputs including: › We verified the mathematical accuracy of the model's underlying calculations and agreeing the cash flow forecasts to the plan approved by the Board; › We evaluated 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; › We compared the projected growth rates used to historical performance to consider the historical accuracy of management's projections; › We evaluated 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 including capital spend, CGU income and reduction in grant income received to those used by management; and › We considered the market capitalisation of the group and other comparable companies and whether this gave rise to any indicators of impairment, given the early-stage nature of the group's graphene businesses. **Key observations:** Based on our audit work performed, we consider the estimates and judgements made by management in considering the recoverability of the parent company investment in subsidiary undertakings to be reasonable

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements	Parent company financial statements
	2022 £'000	2022 £'000
Materiality	£330,000	£300,000
Basis for determining materiality	1.5% of total assets	91% of group materiality
Rationale for the benchmark applied	Total assets was considered to be the most appropriate benchmark as the Group's core activity of commercialising graphene technology remains in early-stage status and the value of the business is therefore considered to be principally reflected in the value of its goodwill, development projects and other intangible assets.	The materiality of the Parent company was capped at a percentage of Group materiality to respond to aggregation risk
Performance materiality	£214,500	£195,000
Basis for determining performance materiality	Set at 65% of materiality. A lower threshold has been applied in recognition of this being the first year we have audited the group.	Set at 65% of materiality. A lower threshold has been applied in recognition of this being the first year we have audited the Parent company.

Component materiality

We set materiality for each component of the Group based on a percentage of between 15% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £50,000 to £300,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,200. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE MEMBERS OF VERSARIEN PLC

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: › the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and › the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: › adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or › the Parent Company financial statements are not in agreement with the accounting records and returns; or › certain disclosures of Directors' remuneration specified by law are not made; or › we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

We gained an understanding of the legal and regulatory framework applicable to the Group the Parent Company and the industry in which it operates and considered the risk of acts by the Group and the Parent Company which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to compliance with the Companies Act 2006, the AIM listing rules, the principles of the Quoted Companies Alliance Corporate Governance Code and the applicable accounting framework.

We focused on areas that could give rise to a material misstatement, including fraud in the Group and Parent Company financial statements which, alongside the key audit matters relating to goodwill and development costs, included a fraud risk in relation to revenue recognition particularly in the period before year end, the costs capitalised as collection design costs, and the risk of management override of controls. Our testing included:

- enquiries of management and those charged with governance of known or suspected non-compliance with laws and regulations or fraud in the period and other unusual transactions. We corroborated our enquires through a review of minutes of Board meetings throughout the year;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- challenge of key estimates and judgements, including those applied to key audit matters by management in the financial statements to test that they are free from management bias;
- identifying and testing to supporting documentation, a sample of journal entries for the following journal types:
  - any journals outside of the normal course of business or indicative of manipulation of the financial statements;
  - all journals posted to revenue to ascertain if any unusual transactions exist which are outside the normal course of business; and
  - any manual or late journals posted at a consolidated level
- performing, amongst others, the following revenue tests:
  - review of the revenue nominal accounts for any unusual transactions;
  - testing a sample of transactions posted to the nominal ledger in September 2022 to check that revenue had been recorded in the correct period;
  - review of the elimination of intra-group revenue and associated unrealised profit within inventories at consolidation level; and
  - review of transfer prices applied on a sample of intra-group revenue transactions to verify that arm's length prices had been applied.
- verification, on a sample basis, of costs capitalised as collection design costs to check that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- consideration of management's assessment of related parties and any unusual transactions and evaluating the process for identifying and monitoring any such transactions, and
- consideration of the total unadjusted audit differences for indications of bias or deliberate misstatement.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Fenner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

Date: 20 February 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	Note	18 months to 30 September 2022 £'000	Restated* 12 months to 31 March 2021 £'000
Continuing operations			
Revenue	3	**11,106**	5,685
Cost of sales		**(7,739)**	(4,498)
Gross profit		**3,367**	1,187
Other operating income	4	**257**	103
Other losses	14	**(1,191)**	(3,280)
Operating expenses (including exceptional items)	5	**(10,126)**	(5,940)
Loss from operations before exceptional items		**(7,230)**	(7,489)
Exceptional items	6	**(463)**	(441)
Loss from operations		**(7,693)**	(7,930)
Finance costs	7	**(644)**	(153)
Finance income	7	**14**	5
Loss before income tax		**(8,323)**	(8,078)
Income tax	9	**59**	—
Loss from continuing operations		**(8,264)**	(8,078)
(Loss)/Profit from discontinued operations	10	**(141)**	10
Loss for the period		**(8,405)**	(8,068)
Loss attributable to:			
– Owners of the parent company		**(8,069)**	(7,779)
– Non-controlling interest		**(336)**	(289)
		(8,405)	(8,068)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	11	**(4.16)p**	(4.45)p

* Restated in accordance with the required disclosure of discontinued operations as detailed in note 10.

There is no other comprehensive income for the period.

The accompanying notes are part of the financial statements.

GROUP STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2022

	Note	30 September 2022 £'000	Restated* 31 March 2021 £'000
Assets			
Non-current assets			
Intangible assets	12	**10,636**	9,706
Property, plant and equipment	13	**5,861**	4,119
Deferred taxation	9	**25**	25
Trade and other receivables	14	**38**	772
		16,560	14,622
Current assets			
Inventory	16	**2,131**	1,814
Trade and other receivables	17	**2,155**	6,449
Cash and cash equivalents		**1,351**	2,359
		5,637	10,622
Total assets		**22,197**	25,244
Equity			
Called up share capital	22	**1,941**	1,899
Share premium account	22	**34,961**	33,003
Merger reserve		**1,256**	1,256
Share-based payment reserve		**4,759**	3,249
Accumulated losses		**(29,694)**	(21,625)
Equity attributable to owners of the parent company		**13,223**	17,782
Non-controlling interest	15	**(1,624)**	(1,288)
Total equity		**11,599**	16,494
Liabilities			
Non-current liabilities			
Trade and other payables	20	**600**	994
Deferred tax liabilities		**67**	67
Innovate Loan	21	**5,000**	2,260
Long-term borrowings	21	**1,595**	584
		7,262	3,905
Current liabilities			
Trade and other payables	18	**1,957**	3,279
Provisions	19	**—**	119
Invoice discounting advances	21	**660**	631
Current portion of long-term borrowings	21	**719**	816
		3,336	4,845
Total liabilities		**10,598**	8,750
Total equity and liabilities		**22,197**	25,244

*Restated in accordance with the accounting policies note on page 45.

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

The financial statements on pages 39 to 68 were approved by the Board of Directors on 20 February 2023 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 30 SEPTEMBER 2022

	Note	30 September 2022 £'000	Restated* 31 March 2021 £'000
Assets			
Non-current assets			
Investment in subsidiaries	15	**3,982**	7,034
Intangible assets	12	**3,288**	3,550
Property, plant and equipment	13	**944**	845
Trade and other receivables	14	**6,702**	8,836
		14,916	20,265
Current assets			
Trade and other receivables	17	**69**	4,237
Cash and cash equivalents		**839**	1,745
		908	5,982
Total assets		**15,824**	26,247
Equity			
Called up share capital	22	**1,941**	1,899
Share premium account	22	**34,961**	33,003
Merger relief reserve		**1,203**	1,203
Other reserve		**(431)**	(431)
Share-based payment reserve		**4,759**	3,249
Accumulated losses		**(32,462)**	(16,485)
Total equity		**9,971**	22,438
Liabilities			
Non-current liabilities			
Trade and other payables	20	**253**	—
Long-term borrowings	21	**46**	62
Innovate Loan	21	**5,000**	2,260
		5,299	2,322
Current liabilities			
Trade and other payables	18	**543**	1,357
Provisions	19	**—**	119
Current portion of long-term borrowings	21	**11**	11
		554	1,487
Total liabilities		**5,853**	3,809
Total equity and liabilities		**15,824**	26,247

*Restated in accordance with the accounting policies note on page 45.

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 period was £15,977,000 (2021: £6,005,000).

The financial statements on pages 39 to 68 were approved by the Board of Directors on 20 February 2023 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 PERIOD ENDED 30 SEPTEMBER 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	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 23)	—	—	—	1,193	—	—	1,193
At 31 March 2021	1,899	33,003	1,256	3,249	(21,625)	(1,288)	16,494
Issue of shares (note 22)	42	1,958	—	—	—	—	2,000
Loss for the period	—	—	—	—	(8,069)	(336)	(8,405)
Share-based payments (note 23)	—	—	—	1,510	—	—	1,510
At 30 September 2022	**1,941**	**34,961**	**1,256**	**4,759**	**(29,694)**	**(1,624)**	**11,599**

Included within the merger reserve is £53,000 in respect of the merger with Versarien Technologies Limited (now Versarien Graphene 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 PERIOD ENDED 30 SEPTEMBER 2022

	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 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 22)	202	7,506	—	—	—	—	7,708
Share-based payments (note 23)	—	—	—	—	1,193	—	1,193
At 31 March 2021	1,899	33,003	1,203	(431)	3,249	(16,485)	22,438
Loss for the period and total comprehensive expense	—	—	—	—	—	(15,977)	(15,977)
Issue of shares (note 22)	42	1,958	—	—	—	—	2,000
Share-based payments (note 23)	—	—	—	—	1,510	—	1,510
At 30 September 2022	**1,941**	**34,961**	**1,203**	**(431)**	**4,759**	**(32,462)**	**9,971**

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

STATEMENT OF GROUP AND COMPANY CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	Note	**30 September Group 2022 £'000**	31 March Group 2021 £'000	**30 September Company 2022 £'000**	31 March Company 2021 £'000
Cash flows from operating activities					
Cash used in operations	26	**(3,280)**	(734)	**(1,165)**	(1,348)
Interest paid		**(402)**	(160)	**(197)**	(44)
Net cash used in operating activities		**(3,682)**	(894)	**(1,362)**	(1,392)
Cash flows from investing activities					
Loans to subsidiaries		**—**	—	**(7,262)**	(2,338)
Purchase of intangible assets		**(2,751)**	(1,638)	**(213)**	(48)
Purchase of property, plant and equipment		**(1,910)**	(42)	**(246)**	—
Net cash used in investing activities		**(4,661)**	(1,680)	**(7,721)**	(2,386)
Cash flows from financing activities					
Share issue (net of funds deferred per sharing agreement – see note 14)		**1,926**	—	**1,926**	—
Share issue costs		**(10)**	(134)	**(10)**	(134)
Funds received from Innovate UK		**2,740**	2,260	**2,740**	2,260
Funds received from sharing agreements		**3,537**	2,479	**3,537**	2,479
Net funds received from CBILS		**41**	186	**—**	—
Principal payment of leases under IFRS 16		**(928)**	(990)	**—**	(11)
Invoice discounting loan (repayments)/proceeds		**29**	(525)	**(16)**	—
Net cash generated from financing activities		**7,335**	3,276	**8,177**	4,594
(Decrease)/increase in cash and cash equivalents		**(1,008)**	702	**(906)**	816
Cash and cash equivalents at beginning of period		**2,359**	1,657	**1,745**	929
Cash and cash equivalents at end of period		**1,351**	2,359	**839**	1,745

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

ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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 Units 1A-D, Longhope Business Park, Monmouth Road, Longhope, Gloucestershire GL17 0QZ. 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 period 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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 UK-adopted international accounting standards 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 2.

Prior year restatements
The Company has reassessed certain items and concluded that presentation should be retrospectively adjusted, none of which have any effect on income statement or net assets of the Group.

- Debts due from subsidiaries of the parent have been re-classified to non-current assets from current assets in the Company statement of financial position. Whilst these amounts are repayable on demand, repayment is not expected or intended to be within 12 months. The impact of the adjustment is to increase non-current assets and reduce current assets as at 31 March 2021 and 30 March 2020 by £8,064,000 and £5,798,000 respectively;
- Lease liabilities have been reclassified as obligations under hire purchase contracts and similar arrangements from trade and other payables in the Group statement of financial position. The reclassification is considered to more appropriately reflect the nature of lease liabilities as part of the group's funding arrangements. The impact of the adjustment is to i) increase current portion of long term borrowings and reduce trade and other payables due within one year as at 31 March 2021 and 30 March 2020 by £469,000 and £605,000 respectively and ii) increase long-term borrowings and reduce trade and other payables due after more than one year as at 31 March 2021 and 30 March 2020 by £228,000 and £701,000 respectively;
- The disclosure of contracted maturities of financial liabilities has been updated as the prior year comparatives were presented on a discounted basis rather than an undiscounted basis under IFRS 7 and include expected interest payable to maturity. The restated amounts for 31 March 2021 are disclosed in note 28 of the financial statements.

Going concern
These 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 30 September 2022, the Group had cash balances totalling £1.4 million with £0.4 million of headroom on its invoice discounting facilities;
- The Group raised £1.85 million gross by way of a placing in December 2022 and has unused authority to issue 10.6 million shares without pre-emption rights until the next AGM due by 31 March 2023 and expects the placing authority to be renewed at that AGM; and
- The Group has cut-costs as part of its strategy to focus on construction and textile 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 preliminary statement. As previously stated, the funding strategy is to apply for grants, debt and finally equity.

A number of significant grants have been applied for but with no guarantee of successful outcome, although the final stages have been reached. If successful, then the Group will have sufficient working capital for the next 12 months, but if not then the Group will need to raise additional funding. As a consequence, this represents a material uncertainty that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

BASIS OF ACCOUNTING CONTINUED

The Board is of the opinion 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 currently committed. Whilst noting this, the Directors 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 Graphene Limited (previously 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 Graphene 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.

SEGMENTAL REPORTING

The Directors regard the Group's reportable segments of the business to be the development and supply of graphene materials ("Technology Business"), the manufacture of tungsten carbide hard wear products and plastic products ("Mature Business") 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.

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, relating to employer national insurance contributions on certain share options, 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.

ACCOUNTING POLICIES CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

INTANGIBLE ASSETS CONTINUED

Acquired intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from 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 12 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 over five years for development and licence costs and twelve and a half years for intellectual property costs.

RESEARCH AND DEVELOPMENT

In accordance with IAS 38, it is the Group's policy to recognise an intangible asset for development including attributable overheads 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.

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 – 5, 15 or 20 years
- Fixtures and fittings – 3 to 5 years
- Right of use asset – over the term of the lease

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 13 for the impairment in the period 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.

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 including the Lanstead Sharing Agreement referred to in note 14, 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 where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are 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.

ACCOUNTING POLICIES CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

FINANCIAL INSTRUMENTS CONTINUED

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition. 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 AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

Revenue from the Technology Businesses comprise income arising from development contracts together with sales of products including graphene and graphene powders and inks. Revenue from the Mature Businesses comprise income arising from sale of products.

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.

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 the inside front cover. 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:

	30 September 2022 £'000	Restated* 31 March 2021 £'000
Total borrowings	**(7,974)**	(4,291)
Cash and cash equivalents	**1,351**	2,359
Group net debt	**(6,623)**	(1,932)

* Restated in accordance with the accounting policies on page 45.

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

(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 30 September 2022 and 31 March 2021, all amounts shown in the Group Statement of Financial Position under current assets and current liabilities mature for payment within one year.

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.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

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 12.

(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 15.

(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, was dependent on the Company's share price performance. The nature of the Sharing Agreement with Lanstead required the calculation of the fair value as at the end of the accounting period and was 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. 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 30 September 2022, all sharing agreement proceeds had been received and a finance loss of £1,191,000 recognised (2021: loss of £3,280,000).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

3. SEGMENTAL INFORMATION – BUSINESS AND GEOGRAPHICAL SEGMENTS

At 30 September 2022, 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 Technology and Mature Businesses, 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 were closed during the period and are presented below as discontinued operations.

The segment analysis for the period ended 30 September 2022 is as follows:

	Central £'000	Technology Businesses £'000	Mature Businesses £'000	Intra-group adjustments £'000	Total continuing operations	Discontinued Operations	Total £'000
Revenue	**–**	**2,146**	**8,960**	**–**	**11,106**	**534**	**11,640**
Gross profit	**(29)**	**1,008**	**2,388**	**–**	**3,367**	**107**	**3,474**
Other operating income	**–**	**251**	**6**	**–**	**257**	**1**	**258**
Other losses	**(1,191)**	**–**	**–**	**–**	**(1,191)**	**–**	**(1,191)**
Operating expenses	**(14,916)**	**(4,740)**	**(2,365)**	**11,895**	**(10,126)**	**(238)**	**(10,364)**
(Loss)/Profit from operations	**(16,136)**	**(3,481)**	**29**	**11,895**	**(7,693)**	**(130)**	**(7,823)**
Finance charge	**159**	**(76)**	**(104)**	**(609)**	**(630)**	**(11)**	**(641)**
Loss before tax	**(15,977)**	**(3,557)**	**(75)**	**11,286**	**(8,323)**	**(141)**	**(8,464)**
Total assets	**15,824**	**9,232**	**7,319**	**(10,178)**	**22,197**	**–**	**22,197**
Total liabilities	**(5,853)**	**(22,292)**	**(2,997)**	**20,544**	**(10,598)**	**–**	**(10,598)**
Net assets/(liabilities)	**9,971**	**(13,060)**	**4,322**	**10,366**	**11,599**	**–**	**11,599**
Capital expenditure	**403**	**5,005**	**1,054**	**–**	**6,462**	**–**	**6,462**
Depreciation/amortisation and impairment	**566**	**1,480**	**993**	**459**	**3,498**	**–**	**3,498**

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

	Central £'000	Technology Businesses £'000	Mature Businesses £'000	Intra-group adjustments £'000	Total continuing operations	Discontinued Operations	Total £'000
Revenue	–	703	4,982	–	5,685	882	6,567
Gross profit	–	91	1,096	–	1,187	268	1,455
Other operating income	–	103	–	–	103	4	107
Other losses	(3,280)	–	–	–	(3,280)	–	(3,280)
Operating expenses	(2,686)	(1,638)	(1,584)	(32)	(5,940)	(250)	(6,190)
(Loss)/Profit from operations	(5,966)	(1,444)	(488)	(32)	(7,930)	22	(7,908)
Finance charge	(44)	(33)	(71)	–	(148)	(12)	(160)
Loss before tax	(6,010)	(1,477)	(559)	(32)	(8,078)	10	(8,068)
Total assets	26,247	5,257	6,449	(13,391)	24,562	682	25,244
Total liabilities	(3,808)	(15,116)	(2,330)	12,908	(8,346)	(404)	(8,750)
Net assets/(liabilities)	22,439	(9,859)	4,119	(483)	16,216	278	16,494
Capital expenditure	4,388	1,634	–	–	6,022	–	6,022
Depreciation/amortisation and impairment	164	444	500	27	1,135	98	1,233

Included within Technology Business Revenue is £1.63 million (2025: £0.21 million) related to the DSTL contract.

3. SEGMENTAL INFORMATION – BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Geographical information

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

	Revenue from external customers		Non-current assets	
	30 September 2022 £'000	31 March 2021 £'000	**30 September 2022 £'000**	31 March 2021 £'000
United Kingdom	**9,466**	4,823	**16,342**	8,296
Rest of Europe	**909**	495	**49**	2,300
North America	**16**	5	**—**	—
Other	**715**	362	**169**	4,026
	11,106	5,685	**16,560**	14,622

4. OTHER OPERATING INCOME

	30 September 2022 £'000	31 March 2021 £'000
Grant income	**243**	103
Other income	**14**	—
	257	103

5. EXPENSES BY NATURE

Expenses included in operating expenses are analysed below:

	30 September 2022 £'000	31 March 2021 £'000
Operating expenses		
Employee costs (salaries, National Insurance and pension)	**6,203**	3,751
Share-based payments	**1,510**	1,193
Research and development	**734**	631
Depreciation and impairment	**1,677**	1,081
Loss on disposal of tangible assets	**292**	–
Loss on foreign currency translation	**(56)**	(16)
Amortisation and impairment	**1,821**	152
Audit services:		
– Fees payable to the Company auditors for the audit of the parent company and consolidated financial statements	**32**	47
– The audit of the Company's subsidiaries pursuant to legislation	**88**	93

6. EXCEPTIONAL ITEMS

	30 September 2022 £'000	31 March 2021 £'000
Continuing Operations		
Goodwill impairment	**423**	–
Development cost impairment	**908**	–
Deferred income related to development cost impairment	**(660)**	–
Relocation and restructuring costs	**—**	53
(Credit)/charge relating to expansion in Asia	**(306)**	137
Acquisition costs	**82**	186
Other	**16**	65
	463	441
Discontinued Operations		
Relocation and restructuring costs	**64**	—

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

6. EXCEPTIONAL ITEMS CONTINUED

The exceptional credit of £306,000 arises principally from the delivery of additional plant and equipment not available for fair valuing at the time of acquisition and relate to the completion of South Korean government contracts by Hanwha Aerospace the benefit of which was due to Versarien in accordance with asset purchase agreement signed in the prior financial year.

Acquisition costs of £82,000 related to the purchase of certain assets of a USA graphene company in administration that did not proceed to contract.

7. FINANCE COSTS AND INCOME

Finance costs	30 September 2022 £'000	31 March 2021 £'000
Lease interest charges	**147**	52
Bank interest and charges	**497**	100
Licence interest charges	**—**	1
Finance income		
Bank deposit income & Foreign exchange gains	**14**	5
Net finance charge	**630**	148

8. DIRECTORS AND EMPLOYEES

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

	Group 30 September 2022 Number	Company 30 September 2022 Number	Group 31 March 2021 Number	Company 31 March 2021 Number
Manufacturing	**33**	**—**	38	—
Sales, technical and administration	**60**	**9**	55	8
	93	**9**	93	8

The aggregate remuneration was as follows:

	Group 30 September 2022 £'000	Company 30 September 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Wages and salaries	**5,378**	**1,243**	3,267	896
Social security costs	**709**	**159**	414	87
Other pension costs	**116**	**11**	70	5
Share-based payment charge – equity settled	**1,510**	**1,510**	1,193	1,193
	7,713	**2,923**	4,944	2,181

Remuneration is stated net of furlough receipts of £33,000 (2021: £281,000).

Key management are considered to be the Executive Directors and their remuneration is included in the Directors' Remuneration Report on page 29. The total remuneration of Directors was £970,000 (2021: £756,000) and the highest paid Director earned £324,000 (2021: £327,000) including pension contributions of £2,000 (2021: £1,000). Included within the share based payment charge is £1,346,000 in respect of the directors including £653,000 in respect of the highest paid director.

9. INCOME TAX

	30 September 2022 £'000	31 March 2021 £'000
UK corporation tax on loss for the period	**—**	—
Research and development tax credits	**59**	—
Tax on loss on ordinary activities	**59**	—

9. INCOME TAX CONTINUED

The tax assessed for the period is higher (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	30 September 2022 £'000	31 March 2021 £'000
Loss before tax	**(8,464)**	(8,068)
Loss before tax at the effective rate of corporation tax in the UK of 19% (2021: 19%)	**(1,608)**	(1,533)
Effects of:		
Expenses not deductible for tax purposes	**288**	266
Capital allowances in excess of depreciation and other timing differences	**195**	103
Unrelieved losses arising in the period	**1,184**	1,164
Tax credit for the period	**59**	—

In the financial period under review, the Group incurred a trading loss. The trading loss to be carried forward against future trading profits for corporation tax purposes is £25,515,000 (2021: £19,362,000). 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 £5,465,000 (2021: £3,236,000), being £6,385,000 (2021: £3,679,000) of trading losses net against a capital allowances liability of £920,000 (2021: £443,000), leaving the remaining asset as unrecognised.

Deferred tax

In accordance with IAS 12, a deferred tax asset of £25,000 (2021: £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 £62,000 (2021: £62,000) in relation to the fair valuation of net assets acquired on the acquisition of AAC Cyroma Limited, with £5,000 (2021: £5,000) relating to Gnanomat S.L.

10. DISCONTINUED OPERATIONS

The Group has exited the non-core aluminium business of Versarien Technologies Limited based in Cheltenham and the company has been re-named Versarien Graphene Limited. It will be used as the entity for UK graphene production and 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.

	Note	30 September 2022 £'000	31 March 2021 £'000
Revenue	3	**534**	882
Cost of sales		**(427)**	(614)
Gross profit		**107**	268
Other operating income	4	**1**	4
Operating expenses (including exceptional items)	5	**(238)**	(250)
(Loss)/Profit from operations before exceptional items		**(66)**	22
Exceptional items	6	**(64)**	—
(Loss)/Profit from operations		**(130)**	22
Finance charge	7	**(11)**	(12)
Loss before income tax		**(141)**	10
Income tax	9	**—**	—
(Loss)/profit from discontinued operations		**(141)**	10

Net assets, excluding intra-group indebtedness, at 31 March 2021 was £278,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

11. BASIC AND DILUTED LOSS PER SHARE
The calculation of the basic loss per share for the period ended 30 September 2022 and 31 March 2021 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 period. 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 30 September 2022, there were 15,205,850 (2021: 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
Period ended 30 September 2022	**(8,069)**	**194,027**	**(4.16)**
Year ended 31 March 2021	(7,779)	174,660	(4.45)

12. INTANGIBLE ASSETS

Group	Goodwill £'000	Development Costs £'000	Patents, trademarks and other Intangibles £'000	Total £'000
Cost				
At 1 April 2020	4,431	1,412	915	6,758
Additions	—	1,553	3,585	5,138
At 31 March 2021	4,431	2,965	4,500	11,896
Additions	—	2,584	167	2,751
At 30 September 2022	**4,431**	**5,549**	**4,667**	**14,647**
Accumulated amortisation and impairment				
At 1 April 2020	876	489	673	2,038
Amortisation charge	—	2	150	152
At 31 March 2021	876	491	823	2,190
Amortisation charge	—	1	489	490
Impairment	423	908	—	1,331
At 30 September 2022	**1,299**	**1,400**	**1,312**	**4,011**
Carrying value				
At 30 September 2022	**3,132**	**4,149**	**3,355**	**10,636**
At 31 March 2021	3,555	2,474	3,677	9,706

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

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment. Intangibles assets are amortised over their useful economic life, of up to 12.5 years.

With our strategic focus now concentrated on construction and textiles we have reviewed the development costs previously capitalised on a number of different projects and decided that we should only carry forward those related primarily to the GSCALE project. Consequently, we have impaired assets by £0.91 million which has been treated as an exceptional charge.

12. INTANGIBLE ASSETS CONTINUED

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
Mature business	1,299	(1,299)	—
Technology business	3,132	—	3,132
	4,431	(1,299)	3,132

Impairment

At the period 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 is allocated by CGU to the Mature Businesses and Technology Businesses. The recoverable amounts of the CGU's are determined from value in use calculations, the key assumptions of which are discount rate, forecast revenue and growth rates.

Goodwill in the Mature Businesses has been fully impaired at a charge of £423,000. Goodwill in the Technology Businesses has not been impaired as the value in use assessment is greater that the carrying value of goodwill.

For the value in use basis the Group prepares cash flow forecasts based on financial projections covering a five-year period which takes account of both past performance and expectations for future developments. Graphene revenues are anticipated to grow significantly over the plan period by an assumed average of 125% per annum as the GSCALE project gains traction with prospective customers. Cash flows after the plan period are forecast to grow by 2% in perpetuity.

The Key assumptions to which the value in use calculation is most sensitive are those regarding the discount rate, forecast revenue and growth rates. The pre-tax rate used to discount forecast cash flow is 11.5% (2021: 11.5%). Sensitivity analysis including applying a 14% discount rate and a 20% reduction in EBITDA in year 5 and beyond does not lead to any indication of impairment. These forecasts are supported by the market capitalisation of the group as at 30 September 2022 of £27.0 million, which exceeds the net assets of the group of £11.6 million as at the same date.

Company	Patents and Trademarks £'000
Cost	
At 1 April 2020	73
Additions	3,547
At 31 March 2021	3,620
Additions	158
At 30 September 2022	**3,778**
Accumulated amortisation and impairment	
At 1 April 2020	—
Amortisation charge	70
Impairment	—
At 31 March 2021	70
Amortisation charge	420
At 30 September 2022	**490**
Carrying value	
At 30 September 2022	**3,288**
At 31 March 2021	3,550

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

13. PROPERTY, PLANT AND EQUIPMENT

Group	ROU asset £'000	Plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 April 2020	6,537	5,404	518	12,459
Additions	—	884	—	884
At 31 March 2021	6,537	6,288	518	13,343
Additions	1,801	1,776	134	3,711
Disposals	(1,742)	(30)	(84)	(1,856)
At 30 September 2022	**6,596**	**8,034**	**568**	**15,198**
Accumulated depreciation				
At 1 April 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
Charge for the period	1,113	455	109	1,677
Disposals	(1,505)	(27)	(32)	(1,564)
At 30 September 2022	**3,807**	**5,318**	**212**	**9,337**
Net book value				
At 30 September 2022	**2,789**	**2,716**	**356**	**5,861**
At 31 March 2021	2,338	1,398	383	4,119

ROU assets

	Group 30 September 2022 £'000			Group 31 March 2021 £'000		
	Plant and equipment	**Buildings**	**Total**	Plant and equipment	Buildings	Total
Cost	**4,391**	**2,205**	**6,596**	4,613	1,924	6,537
Accumulated depreciation	**(3,147)**	**(660)**	**(3,807)**	(3,001)	(1,198)	(4,199)
Net book value	**1,244**	**1,545**	**2,789**	1,612	726	2,338

Company	Plant and equipment £'000
Cost	
At 1 April 2020	141
Additions	842
At 1 April 2021	983
Additions	245
At 30 September 2022	**1,228**
Accumulated depreciation	
At 1 April 2020	44
Charge for the year	21
Impairment	73
At 1 April 2021	138
Charge for the period	146
At 30 September 2022	**284**
Net book value	
At 30 September 2022	**944**
At 31 March 2021	845

14. NON-CURRENT TRADE AND OTHER RECEIVABLES

	Group 30 September 2022 £'000	Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Restated* Company 31 March 2021 £'000
Value of asset	**4,728**	6,987	**4,728**	6,987
Due from Group undertakings (net of provisions)*	**—**	—	**6,702**	8,064
Additional sharing agreement	**—**	3,500	**—**	3,500
Funds received during the period	**(3,537)**	(2,479)	**(3,537)**	(2,479)
(Losses) recognised through income statement	**(1,191)**	(3,280)	**(1,191)**	(3,280)
Leasehold deposits	**38**	—	**—**	—
	38	4,728	**6,702**	12,792

	Group 30 September 2022 £'000	Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Restated Company 31 March 2021 £'000
Due within one year	**—**	3,956	**—**	3,956
Due after one year	**38**	772	**6,702**	8.836
At 30 September 2022	**38**	4,728	**6,702**	12,792

* Restated in accordance with the accounting policies note on page 45.

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, subject to the terms and conditions of that Sharing Agreement, monthly settlements to the Company 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, subject to the terms and conditions of that Sharing Agreement, monthly settlements to the Company subject to adjustment upwards or downwards depending on the Company's share price performance over a period of 18 months.

At the end of the accounting period all instalments due from the sharing agreement had been received and any change in the fair value of the financial asset reflected in the income statement.

The expected credit loss provision against amounts due from group undertakings within the parent company has been determined based upon the expected future cash flows as derived from the value in use underpinned by the five year forecast model referred to in note 12.

15. INVESTMENT IN SUBSIDIARIES

	Company 30 September 2022 £'000	Company 31 March 2021 £'000
Net book value		
At the start of the period	**7,034**	7,034
Investment in period	**55**	—
Impairment	**(3,107)**	—
At the period end	**3,982**	7,034

At the period 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 basis.

During the period the investment in Total Carbide Limited was impaired in full by £2,280,000 and the investment in AAC Cyroma Limited was impaired in full by £827,000.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

15. INVESTMENT IN SUBSIDIARIES 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 flows was 11.5% (2021: pre-tax 11.5%).

The investment in subsidiaries at the period end relate to the core graphene technology which are supported by the value in use projections, the market capitalisation of the company and by comparator market capitalisation in the graphene sector.

The Company has investments in the following principal subsidiary undertakings at 30 September 2022 and 31 March 2021, which have been included in the consolidation.

	Country of incorporation	Class of capital	Ownership Percentage	Non-controlling interest
Technology Business				
Versarien Graphene Limited – manufacture of graphene products	UK	Ordinary	100.0%	–
2-DTech Limited – development and supply of graphene powders	UK	Ordinary	85.0%	15.0%
Cambridge Graphene Limited – development and supply of graphene inks	UK	Ordinary	85.0%	15.0%
Gnanomat S.L. – development and supply of energy storage devices	Spain	Ordinary	62.0%	38.0%
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%	–
3D Inspire Limited	UK	Ordinary	100.0%	–
Versarien Korea Limited – manufacturing facility operating CVD assets	Korea	Ordinary	100.0%	–
Mature Business				
Total Carbide Limited – manufacture of tungsten carbide parts	UK	Ordinary	100.0%	–
AAC Cyroma Limited – manufacture of moulded products	UK	Ordinary	100.0%	–

The registered address of all UK subsidiaries is Unit 1a-d, Longhope Business Park, Gloucestershire, GL17 0QZ.

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.

Non-controlling interest accumulated losses includes 2-DTech Limited £0.9 million (2021: £0.8 million) and Gnanomat SL £0.7 million (2021: £0.5 million). Net liabilities at the balance sheet date were £5.5 million (2021: £5.0 million) and £0.9 million (2021: £0.3 million) respectively.

16. INVENTORY

	Group 30 September 2022 £'000	Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Company 31 March 2021 £'000
Raw materials	**951**	649	**—**	—
Work in progress	**744**	651	**—**	—
Finished goods	**436**	514	**—**	—
	2,131	1,814	**—**	—

Stock recognised in cost of sales during the period as an expense was £3,658,000 (2021: £2,359,000).

17. TRADE AND OTHER RECEIVABLES

	Group 30 September 2022 £'000	Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Restated* Company 31 March 2021 £'000
Trade receivables	**1, 329**	1,658	**—**	144
Due from Group undertakings (net of provisions)	**—**	—	**—**	—
NIC receivable on share-based payments	**—**	119	**—**	119
VAT receivable	**—**	81	**—**	—
Other debtors	**408**	187	**41**	—
Financial assets at FVTPL (note 14)	**—**	3,956	**—**	3,956
Prepayments	**418**	448	**28**	18
	2,155	6,449	**69**	4,237

	Group 30 September 2022 £'000	Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Restated* Company 31 March 2021 £'000
Trade receivables not past due	**1,329**	1,672	**—**	144
Trade receivables past due but not impaired	**—**	—	**—**	—
Gross trade receivables at 30 September	**1,329**	1,672	**—**	144
Provision for bad debt at 1 April	**(14)**	(13)	**—**	—
Debt provisions recognised in the period	**14**	(1)	**—**	—
Provision for bad debt at 30 September	**—**	(14)	**—**	—
Net trade receivables at 30 September	**1,329**	1,658	**—**	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 30 September 2022 £'000	Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Restated* Company 31 March 2021 £'000
Sterling	**1,968**	6,266	**69**	4,237
Euro	**181**	182	**—**	—
Other	**6**	1	**—**	—
	2,155	6,449	**69**	4,237

* Restated in accordance with the accounting policies note on page 45.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

18. TRADE AND OTHER PAYABLES

	Group 30 September 2022 £'000	Restated* Group 31 March 2021 £'000	Company 30 September 2022 £'000	Company 31 March 2021 £'000
Trade payables	**1,107**	1,324	**170**	139
Taxation and social security	**461**	475	**69**	52
Payables to Group undertakings	**—**	—	**271**	617
Accruals and deferred income	**389**	1,480	**33**	549
	1,957	3,279	**543**	1,357

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

19. CURRENT LIABILITIES – PROVISIONS

	Group 30 September 2022 £'000	Group 31 March 2021 £'000	Company 30 September 2022 £'000	Company 31 March 2021 £'000
NIC due on share-based payments	**—**	119	**—**	119

20. NON-CURRENT TRADE AND OTHER PAYABLES

	Group 30 September 2022 £'000	Restated* Group 31 March 2021 £'000	Company 30 September 2022 £'000	Company 31 March 2021 £'000
Deferred grant income	**242**	990	**—**	—
Deferred licence cost	**105**	4	**—**	—
Other	**253**	—	**253**	—
	600	994	**253**	—

21. BORROWINGS

	Group 30 September 2022 £'000	Restated* Group 31 March 2021 £'000	Company 30 September 2022 £'000	Company 31 March 2021 £'000
Invoice discounting facilities	**660**	631	**—**	—
Obligations under hire purchase contracts and similar arrangements	**2,314**	1,400	**57**	73
Innovate UK loan	**5,000**	2,260	**5,000**	2,260
	7,974	4,291	**5,057**	2,333

	Group 30 September 2022 £'000	Restated* Group 31 March 2021 £'000	Company 30 September 2022 £'000	Company 31 March 2021 £'000
Short-term borrowings	**660**	631	**—**	—
Current portion of long-term borrowings	**719**	816	**11**	11
Long-term borrowings	**6,595**	2,844	**5,046**	2,322
	7,974	4,291	**5,057**	2,333

* Restated in accordance with the accounting policies note on page 45.

21. BORROWINGS CONTINUED

Analysis of repayments	**Group 30 September 2022 £'000**	Restated* Group 31 March 2021 £'000	**Company 30 September 2022 £'000**	Company 31 March 2021 £'000
Invoice discounting facilities – within one year	**660**	631	**—**	—
Finance leases and hire purchase contracts:				
Within one year	**719**	816	**11**	11
In two to five years	**1,595**	584	**46**	62
Innovate UK loan in two to five years	**5,000**	2,260	**5,000**	2,260
	7,974	4,291	**5,057**	2,333

* Restated in accordance with the accounting policies note on page 45.

Invoice discounting facilities of £660,000 (2021: £631,000) 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 £754,000 (2021: £703,000) attract interest at 3.5% above the base rate. The loan repayments of the Innovate UK loan of £5,000,000 will commence in 2025 and be paid over a subsequent period of 36 months. The loan attracts an interest rate of 7.4% per annum with half of the interest deferred until the repayment commences in February 2025.

Due to the short-term nature of the invoice discounting facilities and hire purchase agreements, the carrying amounts are assumed to be the same as their fair values.

22. 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 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
Issue of shares	4,280	42	1,958	2,000
At 30 September 2022	**194,150**	**1,941**	**34,961**	**36,902**

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 period the Company issued to Graphene Labs 4,280,000 new ordinary shares (the "Subscription Shares") at an issue of price of 45 pence per Ordinary Share (the "Issue Price").

23. 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, 6,850,000 options issued in the year ended 31 March 2019 and 529,000 options issued in the period ended 30 September 2022.

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

	30 September 2022 Weighted average exercise price in pence per share	**Options '000**	31 March 2021 Weighted average exercise price in pence per share	Options '000
At 1 April 2021	**80.28**	**14.677**	80.28	14,677
Granted	**39.5**	**529**	—	—
Exercised	**—**	**—**	—	—
At 30 September 2022	**78.86**	**15,206**	80.28	14,677

Of the 15,206,000 outstanding options (2021: 14,677,000), 780,000 had vested at 30 September 2022 (31 March 2021: 4,454,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

23. SHARE OPTIONS CONTINUED

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

Year of grant	Exercise period	Exercise price in pence per share	30 September 2022 Number '000	31 March 2021 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	2020–2024	126.50	**529**	529
2021	2021–2031	39.5	**529**	–
			15,206	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.

24. OTHER RESERVES

The merger reserve was created on the reconstruction of the Group following the acquisition of Versarien Graphene Limited (previously 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 period is credited to the share-based payment reserve. The movement in reserves for the year ended 31 March 2021 and the period ended 30 September 2022 is set out in the Group Statement of Changes in Equity.

25. 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 2022 was £928,000 (2021: £990,000).

25. LEASING CONTINUED

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	30 September 2022 £'000	31 March 2021 £'000
ROU liability under IFRS 16		
Lease liability – current	**454**	469
Lease liability – non-current	**1,106**	228
Borrowings – obligations under hire purchase contracts		
Current portion of long-term borrowings	**164**	280
Long-term borrowings	**361**	237
	2,085	**1,214**

The amounts below represent the minimum future lease payments, including interest:

Group	30 September 2022 £'000	31 March 2021 £'000
Net obligations repayable:		
Within one year	**694**	802
Between one and five years	**1,563**	504
	2,257	1,306

26. CASH USED IN OPERATIONS

	Group		Company	
	30 September 2022 £'000	31 March 2021 £'000	30 September 2022 £'000	31 March 2021 £'000
Loss before tax (including discontinued operations)	**(8,464)**	(8,068)	**(15,977)**	(6,005)
Adjustments for:				
Share-based payments	**1,510**	1,193	**1,510**	1,193
Depreciation	**1,677**	1,081	**146**	94
Amortisation	**490**	152	**420**	70
Disposal of tangible assets	**292**	—	**—**	—
Impairment of intangible assets	**1,331**	—	**—**	—
Impairment of investment in subsidiary	**—**	—	**3,107**	—
Finance cost/(income)	**630**	160	**(159)**	44
Loss/(gain) on FV movement of sharing agreement	**1,191**	3,280	**1,191**	3,280
R&D tax credit repayment	**59**	—	**—**	—
Decrease/(increase) in trade and other receivables and investments	**301**	(211)	**9,047**	(142)
(Increase)/decrease in inventories	**(317)**	438	**—**	—
(Decrease)/increase in trade and other payables	**(1,980)**	1,241	**(450)**	118
Cash flows from operating activities	**(3,280)**	(734)	**(1,165)**	(1,348)

Discontinued operations

Group	30 September 2022 £'000	31 March 2021 £'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 FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

27. RELATED PARTY TRANSACTIONS

	Company	
	2022 £'000	2021 £'000
Service transactions charged to subsidiaries	**2,184**	872
Service transactions charged to with subsidiaries	**(1,987)**	(614)
Loans to subsidiaries	**8,725**	2,641
Repayments from subsidiaries	**(1,660)**	(304)
Subsidiaries balances written down	**(8,887)**	–
Year-end balance due from subsidiaries	**5,821**	7,447

28. 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 30 September 2022			Group 31 March 2021		
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	**1,351**	**—**	**1,351**	2,359	—	2,359
Financial assets at FVTPL	**—**	**—**	**—**	—	4,728	4,728
Trade and other receivables excluding prepayments	**1,775**	**—**	**1,775**	1,964	—	1,964
Total at 30 September 2022	**3,126**	**—**	**3,126**	4,323	4,728	9,051

	Group 30 September 2022			Group 31 March 2021		
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	**2,382**	**—**	**2,382**	2,536	—	2,536
Borrowings	**6,414**	**—**	**6,414**	3,594	—	3,594
Lease liabilities	**1,560**	**—**	**1,560**	697	—	697
Total at 30 September 2022	**10,356**	**—**	**10,356**	6,827	—	6,827

Contracted maturities of financial liabilities

	Group 30 September 2022				Group 31 March 2021 (Restated)*			
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	**2,277**	**105**	**—**	**2,382**	2,532	4	—	2,536
Borrowings	**1,110**	**674**	**6,490**	**8,274**	1,051	429	3,063	4,543
Lease liabilities	**530**	**493**	**709**	**1,732**	522	267	—	789
Total at 30 September 2022	**3,917**	**1,272**	**7,199**	**12,388**	4,105	700	3,063	7,868

* Restated in accordance with the accounting policies note on page 45.

29. RECONCILIATION OF LIABILITY MOVEMENT AS A RESULT OF FINANCING ACTIVITIES

Group

	Non-Current Loans and borrowings £'000	Current Loans and borrowings £'000	Total £'000
As at 1st April 2020	1,110	2,087	3,197
New CIBLs in year	129	71	200
CIBLs repayments in year	–	(14)	(14)
Invoice discounting net repayments	–	(525)	(525)
Innovate loans	2,260	–	2,260
Lease Liability transaction to IFRS 16	163	–	163
Lease Liability repayments in year	–	(990)	(990)
Loans classified as non- current at 31 March 2020 becoming current in year	(288)	288	–
Lease Liability classified as non- current at 31 March 2020 becoming current in year	(528)	528	–
As at 31 March 2021	**2,846**	**1,445**	**4,291**
New CIBLs in year	141	29	170
CIBLs repayments in period	–	(129)	(129)
Invoice discounting	–	29	29
Innovate loans	2,740	–	2,740
Lease Liability transaction to IFRS 16	1,801	–	1,801
Lease Liability repayments in period	–	(928)	(928)
Loans classified as non- current at 31 March 2021 becoming current in period	(302)	302	–
Lease Liability classified as non- current at 31 March 2021 becoming current in period	(630)	630	–
As 30 September 2022	**6,596**	**1,378**	**7,974**

Company

The only significant financing cash flows in 2021 related to receipts of the Innovate Loans (see above). There were no significant other non-cash flows relating to financing activities.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM") of Versarien plc (the "Company") will be held at The Speech House Hotel, Coleford, Gloucestershire, GL16 7EL on Wednesday 29 March 2023 at 10.30am for the following purposes:

ORDINARY BUSINESS

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

1. To receive the Directors' Report and the audited financial statements for the period ended 30 September 2022 together with the Independent Auditors' Report thereon.
2. To re-appoint BDO LLP as the independent auditor of the Company for the year ending 30 September 2023 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 30 September 2023 and for subsequent financial years or unless this authority is either revoked or varied.
3. To re-appoint Christopher Leigh as a Director, retiring by rotation.
4. To re-appoint Iain Gray as a Director, retiring by rotation.

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 £708,832 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 £425,299,

   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.
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 21,264,979 Ordinary shares of 1 pence each (representing 10% of the Company's issued share capital at as at 20 February 2023, 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;

SPECIAL BUSINESS CONTINUED

(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

20 February 2023

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

These notes give an explanation of the proposed resolutions.

Resolutions 1 to 5 inclusive 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 2022 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 18 months ended 30 September 2022.

Resolution 2 – Re-appointment of auditor

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

Resolutions 3 and 4 – Re-appointment of Directors

The Articles of Association of the Company require the nearest number to, but not greater than, one-third of the Board of Directors to retire at each AGM with the longest serving retiring first. Any Director appointed to the Board since the last AGM has to retire at the next AGM but is not counted in the one-third to retire by rotation. Where the longest serving Directors have held office for the same amount of time, the Directors to resign are normally chosen by lot.

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 £708,832 (70,883,200 Ordinary shares of the Company), being approximately one-third of the Company's issued share capital as at 20 February 2023, the latest practicable date prior to publication of this notice. Unless previously revoked or varied, this authority will expire on the conclusion of the next Annual General Meeting of the Company.

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 £425,299 (42,599,900 Ordinary shares of the Company), which is equal to approximately 20% of the nominal value of the issued Ordinary share capital of the Company as at 20 February 2023, the latest practicable date prior to publication of this notice, 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 21,264,979, which is equal to 10% of the issued share capital of the Company as at 20 February 2023, the latest practicable date prior to publication of this notice. This authority will expire on the conclusion of the next Annual General Meeting of the Company.

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, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, or by scan and email to Neville Registrars Limited at info@nevilleregistrars.co.uk 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, Neville Registrars Limited (CREST participant ID: 7RA11), 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).

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 Neville 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 by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Neville 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 Neville 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 20 February 2023 (being the latest practicable date prior to the publication of this document), the Company's issued share capital comprised 212,649,790 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 20 February 2023 is 212,649,790.

NOMINATED PERSONS

13. If you are a person who has been nominated under Section 146 of the Act 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.

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