Strength to **grow**

Annual Report 2019

Versarien® PLC

We are **Versarien**

Our product offerings are capable of having a game-changing impact in a broad variety of industry sectors. We make everyday things:

Stronger

Advancing the civil engineering industry by adding graphene to concrete enables the design of taller and more robust buildings with increased mechanical strength properties. Mechanical strengthening also can facilitate replacing metals with lower-cost graphene – enhanced polymer and composite materials, such as 2-DTech Limited's custom polymer solution "Polygrene", graphene enhanced carbon fibre and graphene enhanced elastomers.

Lighter

Graphene enhanced composites/polymers can deliver increased mechanical strength allowing for desired properties to be achieved via lower volumes of production materials. Graphene enhanced lightweighting could provide huge environmental benefits, such as reducing the quantity of plastic within packaging or improving the fuel efficiency of aircraft through lighter graphene enhanced composite wings.

Flexible

Graphene's thin, flexible and conductive properties promote the development of science fiction inspired computers and smartphones which can bend like paper or wrap around a wrist. Other applications include flexible solar panels, flexible LEDs and flexible energy harvesting systems.

Smarter

Graphene is highly conductive. Infusing graphene within textiles means biometrics such as heart rate and blood pressure can be monitored by fully integrated flexible electronic devices within garment fabrics. Graphene enhanced smart textiles can also provide increased thermal transfer properties, pushing the boundaries of sport performance wear that reacts automatically to the environment.

Durable

When infused with coatings, graphene's mechanical properties improve the prevention of weather damage to materials such as metals, brick and stone. Graphene enhancement can increase the lifespan of such materials and reduce costs.

Sensitive

Sensors can be greatly improved via graphene enhancement due to properties such as high carrier mobility and large surface-to-volume ratio. Graphene is a multifunctional material; a single graphene sensor can measure many events in the physical environment. Developing graphene sensor technology includes: biomedical strain sensor bandages, food packaging sensors for detecting environmental changes in decaying food and sensor membranes for gas detection.

Faster

Graphene's high conductivity means that graphene enhanced batteries can allow faster charging times and also increase efficiency and power capacity. These improvements will aid the essential infrastructure required for transitioning to electric vehicles. Heat can also be removed from devices more efficiently using graphene enhancement due to its high thermal conductivity, improving thermal runaway and safety.

OUR YEAR IN BRIEF

FINANCIAL HIGHLIGHTS

Group revenue	Adjusted LBITDA*	Loss before tax
£9.14m	£1.1m	£2.8m
(2018: £9.02m)	(2018: £0.8m)	(2018: £1.6m)

Cash at 31 March 2019	Net assets	Successful fundraising
£4.3m	£13.3m	£5.2m
(2018: £2.3m)	(2018: £8.0m)	gross (2018: £2.9m)

* Adjusted LBITDA (loss before interest for depreciation and amortisation) excludes exceptional items and share-based payments.

OPERATIONAL HIGHLIGHTS

- Thirteen new graphene application collaborations and MOU agreements secured during the year, with one entered into post period, with partners based in the UK and overseas
- Versarien joined the Graphene Engineering Innovation Centre ("GEIC") as a tier one member gaining access to development and scale-up facilities worth c.£60 million
- Continued investment in capital equipment as collaboration agreements progress
- Acquisition of Gnanomat S.L. ("GNA"), a company based in Spain developing energy storage technology
- Establishment of a US subsidiary, Versarien Graphene Inc., to exploit opportunities in North America
- UK Government continues to support the Company's international expansion plans by seconding staff to Versarien, an 'Export Champion'
- Polygrene™ launched, a new graphene enhanced polymer to improve thermal and electricity conductivity
- Mature businesses showing steady financial performance providing stability for the emerging businesses

POST PERIOD HIGHLIGHTS

- Versarien became the first company in the world to complete the US Graphene Council's 'Verified Graphene Producer' programme validating our technology to customers and collaborators
- First graphene orders received from the USA and Japan
- First innovative large scale industrial prototype exhibited for the rail transportation infrastructure using 3D-printed graphene enhanced polymer
- Term Sheet signed with the Beijing Institute of Graphene Technology ("BIGT") for China expansion
- EU 'REACH' approval to produce up to 10 tonnes of graphene per annum received
- Appointment of Susan Bowen as a Non-executive Director

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STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

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

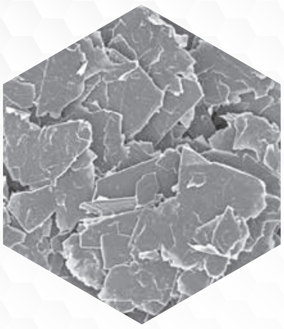
Creating **game-changing** solutions

Versarien plc is an IP-led advanced engineering materials group that utilises proprietary technology to create innovative new engineering solutions.

OUR PURPOSE

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

GROUP COMPANIES



2-DTech Limited

2-DTech Limited specialises in the supply of graphene products and the transfer of fundamental science to applied technology.

CORE PRODUCTS

- **Nanene** – high-quality few-layer graphene
- **Polygrene** – our new graphene enhanced polymer range
- **Hexotene** – few-layer hexagonal boron nitride (h-Bn) nano-platelet powder

Cambridge Graphene Limited

Cambridge Graphene Limited supplies novel graphene inks and develops graphene/2D materials technology and applications.

CORE PRODUCTS

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

Gnanomat S.L.

Gnanomat S.L. based in the Parque Científico Madrid, Spain, is a company capable of utilising Versarien's graphene products in an environmentally friendly, scalable production process for energy storage devices.

CORE PRODUCTS

- Graphene-based nanomaterials for energy storage devices

Versarien Graphene Inc

Versarien Graphene Inc, based in Texas, is the newly incorporated sales business for the UK's graphene products.

STRATEGIC REPORT

WHY INVEST IN VERSARIEN?

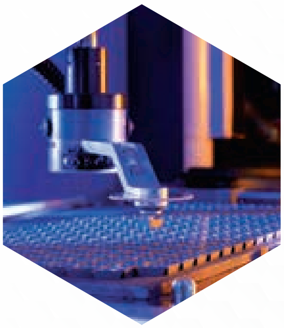
- Undergoing international expansion
- Working with leading UK universities
- First company in the world to receive accreditation for graphene
- Actively acquiring companies and their IP
- Completed or active in over 100 projects
- Strong links with Government
- Scalable, patented manufacturing processes
- Continued investment in R&D

AAC Cyroma Limited

Using Versarien's existing graphene manufacturing capabilities, AAC Cyroma will have the ability to produce graphene enhanced plastic products.

CORE PRODUCTS

- Graphene enhanced mobile accessories
- Injection moulding
- Tool boxes
- Transit trays
- PU foam tanks
- Vacuum forming



Total Carbide Limited

Total Carbide Limited is a leading European manufacturer of sintered tungsten carbide primarily for arduous environment applications in the oil and gas industry.

CORE PRODUCTS

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

Versarien Technologies Limited

Versarien Technologies Limited has developed an additive for creating microporous metals targeting the thermal management industry and supplies extruded aluminium.

CORE PRODUCTS

- Aluminium industrial products
- Aluminium heat sinks

A great **British** success story...

We are a world leader in graphene, a cutting edge nanomaterial.

- UK discovery
- UK start up
- Funded via UK Stock Exchange
- Developed using UK grants
- Leading to a world class global product

The world's first accredited graphene producer

First company in the world to complete the US Graphene Council's Verified Graphene Producer programme.

Introduction of Polygrene

A new graphene enhanced polymer to improve thermal and electricity conductivity.

Success in fundraising

Successfully fundraised £5.2 million gross in September 2018.

IN FOCUS

Order to supply Nanene for a major global airline

Versarien supplies graphene platelets to a design and manufacturing company for use in fire retardant aircraft interior parts for a major global airline.

DIVERSE MARKETS AND APPLICATIONS

Electronics
Printed circuits

Household FMCG
Films, barriers, bottles, flexible packaging, cans

Medical
Digital dressings, sensors, surgical equipment

Chemical
Polymer, blends/ coatings/paints

Textiles
Sportswear and smart textiles

Energy
Supercaps and batteries

...on the **other side** of the globe

In 2018/19 Versarien entered into many collaborations with global partners. In August 2018 we developed our UK Government partnership and became an official "Export Champion" to help promote the "Exporting is GREAT" campaign.

Chinese companies are using our graphene

Since entering into 10 collaborations, we have progressed and defined work programmes with a view to commercialisation.

Continuing activity in the USA

Following our relationship with the National Graphene Association, we have entered into four collaboration agreements and received our first US order for our graphene in June 2019.

Japanese order

Our relationships have grown into Japan and in July 2019, after initial graphene quality testing trials, we secured our first order from the North American corporate research and development centre of a Japanese headquartered company. This customer is a global automotive components company that has operations in 40 countries.

ONE MATERIAL, MANY GLOBAL APPLICATIONS

Brighter displays

Protective coatings

Wearable technology

Improved sensors

Fast charging

Lightweight parts

PARTNERING WITH CHINESE INDUSTRY

We are delighted to announce that our Nanene has been satisfactorily tested by the National Graphene Product Quality Supervision and Inspection Centre in Wuri.

Chinese Aerospace Company

An MOU was signed in December 2018 with a large state owned Chinese aerospace company, engaged in the research design, manufacture and operation of various aerospace systems.

China Railway Group

CRG is one of the world's largest construction and engineering contractors and is listed on the Shanghai and Hong Kong Stock Exchanges. It is intended to explore the application of graphene in its engineering products.

More agreements are under negotiation

- Flame retardant applications.
- Thermally conductive materials.
- New generation graphene heaters using graphene inks.
- Graphene enhanced winter sport equipment, targeted at the 2022 Winter Olympics in Beijing.

Expanding our business globally

It was one of our objectives last year to identify opportunities for international expansion and we are delighted to report that we have.

Strategic expansion into Chinese markets

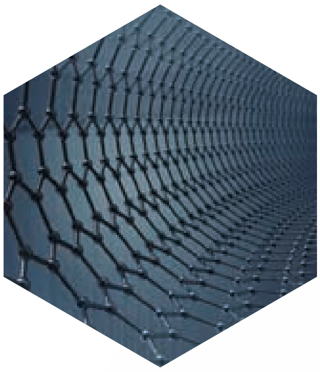
Following on from our success last year, we have since signed a framework agreement with Qingdao Bureau of Commerce in November 2018. We have also signed 10 collaborations with our Chinese partners.

Acquisition of Gnanomat

Versarien acquired 62% of the issued share capital of Gnanomat S.L. in October 2018. Based in Parque Científico de Madrid, Spain, Gnanomat utilises graphene products in energy storage devices to improve recharging and lifetimes for use in electrical vehicles and portable electronic products. In December 2018, Gnanomat was awarded a patent for its production method.

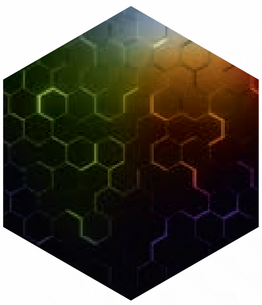
Incorporation in the USA

Versarien has established a new US corporate entity, Versarien Graphene Inc, to facilitate the Company's graphene and activities in the USA.



First US order

In June 2019 we received our first graphene order from a US-based company, operating in the oil and gas exploration sector. The order of 12kg follows successful laboratory testing and industrial trials by the customer.



Collaborations

Following our relationship with the National Graphene Association we have already entered into the following agreements:

- a US manufacturer of plastic packaging and transportation vessels for volatile chemicals, to reduce weight and barrier properties of the vessel materials;
- a North American graphene focused company, to investigate Versarien's graphene to polymer resins for products in the consumer goods market;
- a leading US producer of carbon nanotubes, to enhance performance for products and systems in fields of energy storage and polymer resins; and
- NanoCarbon Corporation, a US-based clean technology mineral processing company.

Exciting times ahead

We have made significant progress in our emerging technology businesses, globally and in the UK.

What is your assessment of Versarien's financial performance in 2018/19?
2018/19 has been a steady year in terms of financial performance, with revenues maintained at similar levels to the prior year, and adjusted LBITDA slightly increasing from £0.8 million in 2018 to £1.1 million. The increase in adjusted LBITDA is mainly due to our strategy to undertake our expansion projects simultaneously rather than sequentially, enabled by our successful fundraising. The mature businesses provide stability for our graphene-based subsidiaries as they grow and develop.

What have been Versarien's greatest achievements during the year?
One of our biggest successes has been our footprint for global expansion. We have expanded into Europe through the acquisition of Gnanomat S.L., a company based in Spain, incorporated a new subsidiary in the US and signed a term sheet with BIGT in China.

We have received our first order for our high purity graphene nano-platelets from a US-based company, and our first initial order for Nanene from a Japanese headquartered automotive company.

Projects are also in the pipeline with prospective partners in South Korea and initial discussions have commenced with Jetro in Japan. We believe we are in a strong position to now progress both globally and in the UK.

We also have received a huge validation of our technology following accreditations received from The Graphene Council in the US and the Chinese National Graphene Product Quality Supervision and Inspection Centre.

What is Versarien's focus for 2019/20?
Our focus is now to build further on the collaborations made during last year, and to progress these relationships into orders.

We have been delighted to see a number of collaborations agreements signed in 2018 begin to turn into orders, and this is a trend which we are expecting to continue.

We are always looking at new opportunities for growth via acquisition to expand our product base and market.

> We are in a strong position to now progress both globally and in the UK."
>
> Neill Ricketts | CEO

How will Versarien cope with the greater demand for its products?

During 2019, we invested £0.5 million into new plant and equipment which can produce our graphene-based products. These machines are now fully operational and can now produce up to three tonnes of graphene per annum.

In China, Versarien signed a Term Sheet with the Beijing Institute of Graphene Technology Co. Ltd (BIGT) in April 2019. A wholly owned subsidiary has now been successfully registered, which will be focused on the manufacture of Versarien's graphene and other 2-D materials in China.

Why should potential investors invest in Versarien?

Graphene is seen to be part of the fourth industrial revolution. It can be incorporated into many different markets and applications. We are currently engaged in 16 different market sectors including 64 different applications.

At Versarien we believe that we are in the best possible position to realise this opportunity as we have an accredited quality product, we have entered into numerous global collaborations which have support from the UK Government and we now have access to global markets as well.

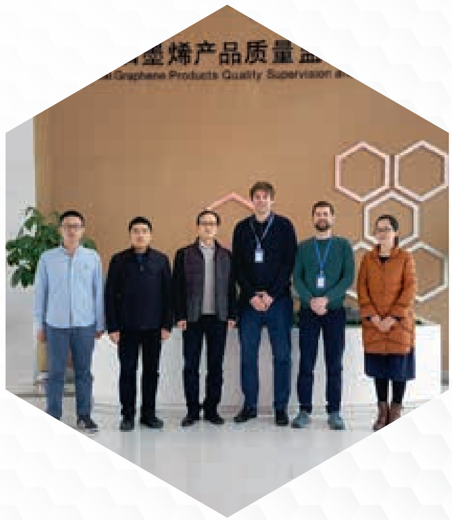
We have invested £0.7 million in development costs during the year, which enables us to research and develop new products. During the year we launched Polygrene, and we are confident that we will continue to expand our family of graphene-based products.

IN FOCUS

A huge validation of our technology

We are delighted and proud to announce that our Nanene graphene nano-platelets have now received accreditation in both the USA and China.

As one of the first companies to achieve this in the world it provides a huge validation of our technology and a great competitive advantage.



A **structure** to deliver

Versarien consists of two main business segments; Graphene and Plastic Products focused on delivering graphene solutions through plastics and carbon fibre composites, and Hard Wear and Metallic Products focused on delivering aluminium and tungsten carbide products.

Graphene and Plastic Products

The graphene businesses continue to make significant progress. We are very proud to be the first company in the world to receive independent verification from the US-based Graphene Council that has declared our Nanene graphene nano-platelets meet their standards. Not only is this a confirmation of the quality of our product, but also provides us with a competitive advantage.

With the launch of Polygrene™, we have again increased our range of graphene-based products, providing a polymer which can improve thermal and electrical conductivity.

The UK Government continues to provide support to Versarien with seconded staff and has also entered into partnership with us as an ‘Export Champion’. This support enables us to increase our global presence and succeed in our global strategy.

In China we now have many MOUs (multiple with Fortune 500 companies) which are project related across a multitude of sectors, with work either currently ongoing or with preliminary discussions and testing taking place. In South Korea we have two collaboration agreements now in place and discussions with around 20 companies which are ongoing and we are engaging with JETRO, a core government organisation for attracting inward investment in Japan. In India we are looking at opportunities for a joint venture arrangement with a suitable partner.

I am pleased to provide an update on our current commercial collaborations:

Date entered into	Description	Current status
October 2017	Collaboration with Israel Aerospace Industries	Development of applications continuing with multiple partners, including GEIC and Warwick Manufacturing Group (“WMG”).
November 2017	Collaboration with Global Consumer Goods Company	Blow moulded bottle samples were successfully produced at customer facility. Samples currently being tested and assessed at customer facility and WMG. A new agreement has also been signed with a separate division of this company. The agreement will focus on the development of flexible packaging solutions and seek to utilise graphene properties in new and existing packaging.
December 2017	Agreement with Global Chemical Major	Masterbatch testing completed with notable improvements in puncture resistance. Further tests underway with Graphinks and Hexotene.
January 2018	Agreement with Global Apparel Manufacturer	First sample garments produced and independently tested to industry standards by a recognised UK based test house. The results show wide improvement in key areas when compared to a non-graphene garment. The key areas included abrasion resistance, moisture and air permeability, water vapour and thermal resistance, stretch, wicking and drying rate. A second batch of garments is currently being produced and will go to other engagement partners for wearer trials.
February 2018	Medical Technology collaboration at Addenbrooke’s hospital	Initial positive discussions have now been held with two leading global manufacturers of dressings and further multi-partner discussions will be held in the near future.
February 2018	Agreement with the shoemaker Vivobarefoot	Production relocation caused temporary delay to the project. Initial compounding of materials has now been successfully completed with different variations of materials and loadings. Further tests now underway and first samples to be produced. Commercial understanding over a launch product in place.
March 2018	Collaboration with Team Sky (now Team INEOS) for cycling equipment	Project held up due to change of sponsor. The parties will re-engage in September 2019.
March 2018	Collaboration with world leading aerospace group	Sample parts have been sent to us for initial evaluation.
April 2018	Agreement with Luxus	Active supply chain partner, who are working with us on various projects.
May 2018	Consumer goods collaboration for polymer structures in plastics	Initial testing at limited loadings showed a demonstrable improvement in potential use of plastics. Targets have now been set to achieve significant reductions in plastics use. Further development in bottle design and weight/percentage loadings has now commenced.

Date entered into	Description	Current status
June 2018	Agreement with Arrow Green Tech	IP application submitted for initial water-soluble polymer. Engagement underway in India with multiple companies across various sectors.
June 2018	Commercial agreement with MediaDevil	First earphones launched into the market in December 2018, with next generation products now being designed. In addition, new accessories such as phone cases with graphene have now been tested, with launch dates currently being planned.
July 2018	Collaboration with ZapGo Ltd	Trials continue with different materials and loadings.
August 2018	Sporting goods collaboration	Initial trials of a new Polygrene mix show significant improvement in outer soles with further development now underway. In addition, work has commenced on a new design for another variation of football shoe. Confirmation that this partner will also feature in the wearer trials for the garments referred to in the update with the global apparel manufacturer.
August 2018	Collaboration with Axia Materials, South Korea	Consortium of companies exploring further funding opportunities and potential new partners.
August 2018	Construction materials collaboration with AECOM	Collaboration progressing well with additional collaboration agreement signed to investigate graphene enhanced concrete structures.
October 2018	Collaboration with Advanced Insulation	Testing underway at customer facility.
December 2018	Collaboration with Chinese Aerospace Company	Work plan created with involved multiple partners, including GEIC and WMG.
December 2018	MOU China Railway	Several projects are now underway including concrete projects which feature multiple partners, including GEIC.
December 2018	LOI/MOU Tungshu Optoelectronics	Our collaboration with Tungshu is continuing with a number of projects identified. These include flexible packaging, thermal interfaces for heat dissipation in electronics, thermoplastic components, various electrical devices and using graphene insole sensors in Tungshu's smart wearables.
March 2019	Further collaboration with Chinese Aerospace Company	Workplan created with involved multiple partners, including GEIC and WMG.
May 2019	Collaboration agreement with BP Polymers	Initial workflow plan agreed and being implemented.

The level of our graphene related sales is mainly dependent upon the rate at which our collaborations progress. The year under review has seen significant progress which is expected to validate our business model and provide future sales growth from the current minimal levels. Alongside the collaborations, we have seen an increase in interest following our Graphene Council verification with our first orders from partners in USA and Japan post period end.

During the year we have invested in new plant and equipment aimed at increasing annual production capacity to three tonnes of graphene and one tonne of Hexotene by the end of 2019. This should enable us to meet the expected demand for our high-quality graphene-based products.

We are now in discussions with many cities, provinces and companies in China, and signed a Term Sheet with BIGT in April 2019. Final contracts have yet to be completed, so there cannot be certainty, but the intention is that other interested parties and regions will form tier two investment opportunities in joint ventures to be agreed.

Since its acquisition in October 2018, GNA has been awarded a patent by the Oficina Espanola de Patentes y Marcas, the Spanish patent office, covering a method of obtaining nanomaterials composed of carbonaceous material and metallic oxides. This has also been filed under the PCT regime.

GNA has also recruited a new Chief Technology Officer and successfully completed the testing of its pilot production plant. It has also entered into collaboration agreements with two supercapacitor manufacturers and is in dialogue with a further three global supercapacitor manufacturers, as well as participating in the European Battery Alliance.

AAC Cyroma, our plastics business, was principally a strategic purchase to allow us to incorporate graphene into plastic products as well as providing revenue and cash flow in its own right. Its revenues have remained stable and returned a reasonable result whilst working with the first mover collaborations, such as with Media Devil and its own customer base, with samples being provided for customer testing.

Hard Wear and Metallic Products

Our Hard Wear parts business has performed in line with the previous year and a recent review of operations has been conducted to improve operational efficiencies. It is particularly pleasing that it has seen an increase it its recent order books and is now involved in a project involving the use of Hexotene in ceramics. We have previously stated that the thermal/aluminium products business is non-core, but nonetheless recent restructuring has improved its business performance.

A **structure** to deliver

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

HOW WE ADD VALUE

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

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

INPUTS

- People
- Expertise
- Research

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

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

OUTPUTS

› Products

› Solutions

› Partnerships

Support from the UK Government has enabled our successful international expansion.

We have invested in plant in our Cheltenham manufacturing facility to meet the expected growing demands of our graphene-based products.

IN FOCUS

Our business model in action

Our business model is to enter into collaboration projects with partners and where possible to utilise the facilities and relationships available.

In conjunction with the GEIC and other facilities and expertise available to the Company we are confident that we can make rapid progress this year with the commercialisation of graphene enhanced products both in China and with our global partners.

STRATEGIC OBJECTIVES AND KPIs

A **strategy** for growth

We are looking to continue and build upon the momentum created last year, to make significant progress this year.

Identify and acquire majority stakes in companies capable of commercialising graphene applications

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

OUR PROGRESS IN YEAR

- The acquisition of Gnanomat S.L., a Spanish-based company, in October 2018 has enabled us to explore markets in Europe.
- The acquisition has also enabled us to incorporate our graphene into the applications that Gnanomat focuses on, of fast recharging and very long lifetimes for energy storage devices used in electrical vehicles and portable electronics products.

Sign application development agreements with customers

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

OUR PROGRESS IN YEAR

- We have agreed 13 collaborations and MOUs during the year and 1 post year end, with parties based in the UK and overseas.
- Not only have we had success in the UK, we have agreed 4 collaborations in the USA and 10 in China.

1st

company to complete the Graphene Council's verification programme

£5m+

raised via PrimaryBid in 2018

Commence commercial production of graphene in quantity for specific applications

We look forward to receiving the results of our current collaborations and are in a position to commence production on a larger scale when required.

OUR PROGRESS IN YEAR

- Following on from our initial collaboration with AECOM a supply agreement has been signed to provide over 250kg of Versarien's graphene enhanced polymer range for a current infrastructure project.
- Versarien has also received its first order for 12kg of its high purity graphene nano-platelets from a US-based company operating in the oil and gas exploration sector.
- In July 2019 Versarien received its first order from a Japanese headquartered company. The company is a global automotive components company that has operations in over 40 countries.

Identify opportunities for international expansion

With the support from the UK Government provided through the secondment of its Head of Outward Direct Investment, we have a great opportunity to be able to seek and progress markets overseas.

OUR PROGRESS IN YEAR

- Versarien strengthened its relationship with the UK Government by seconding a second employee to help Versarien in its global expansion.
- It became an official "Export Champion" to promote the UK Government's "Exporting is GREAT" campaign.

KEY PERFORMANCE INDICATORS

As a group that consists of mature products supporting the development of early stage technology products, we concentrate on the following financial metrics:

	2019 £'000	2018 £'000
Group revenue	**9,140**	9,024
Gross margin percentage	**27%**	28%
Loss before interest, tax, depreciation, amortisation, exceptional costs and share-based charges	**(1,134)**	(801)
Cash used by Graphene and Plastic Products	**(1,305)**	(1,090)
Cash used by Hard Wear and Metallic Products	**(266)**	(82)
Cash raised/(utilised) by parent (before loans to/ from subsidiaries)	**3,567**	2,101
Net Cash raised and generated/(used) by the Group	**1,996**	929

13

collaboration and MOU agreements signed during the year

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
TECHNOLOGICAL RISKS Versarien plc operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function(s) in the market or render the patents and licences on which it relies redundant. The Group's existing products may become obsolete or may be superseded by new technologies or changes in customer or end-user requirements.	Versarien plc continually monitors the market in which it operates and has the resources to invest in new technology as appropriate.	
COMPETITION RISKS New competitive products, designs or solutions may enter the market with different benefits or using different technologies, making them equally or more attractive than the Group's current range of products. Competitors may also be able to devote greater resources to the promotion and sale of their products, designs or solutions than the Group, which would give them a competitive advantage.	The Group continues to provide resources with the aim of improving each generation of products it develops. If the Group is unable to compete successfully with existing or new competitors, it may have to reduce prices on products, which would lead to reduced profits.	
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.	
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.	
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.	

Risk	Mitigation	Change
FUTURE FUNDING RISKS It is possible that the Group will need to raise extra capital in the future to develop fully the Company's business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or to the Group's shareholders.	Risk is mitigated by maintaining relationships with more than one bank and by dialogue with its shareholders and prospective shareholders.	No change
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.	No change
COMMODITY PRICES RISKS A significant amount of Versarien's purchases are metallurgical powders. Consequently, exposure to movements in underlying commodity prices affects profitability.	Where possible we purchase from more than one source under medium to long-term contracts and manage our stock levels accordingly.	No change
BREXIT Versarien has relationships with the EU and the impact from Brexit could negatively affect trade regulations, people, contracts and IP.	The Company is monitoring events to determine what actions are necessary regarding its relationship with customers and the supply chain.	Increase

KEY:

Decrease No change Increase

Current trading and outlook

The Group has started off the new financial year very positively, with pleasing levels of revenue and profit from its plastics and hard wear and metallic businesses. With the investment in operational efficiencies made in the year ended 31 March 2019, we anticipate a further positive impact to the results.

We have also seen progress in the US with 4 new agreements having been recently entered into in North America, and are pleased to announce that we have received our first order in June 2019 for 12kg of our graphene from a US-based company, operating in the oil and gas exploration sector. We also look forward to working with potential new US-based partners following the American Graphene Summit in May 2019 where Versarien was a leading participant.

We also look to the future with great excitement regarding our expansion into China, South Korea and Japan which could bring significant growth for the graphene businesses. We have already seen our first order from a North American corporate research and development centre of a Japanese headquartered company. This customer is a global automotive components company that has operations in over 40 countries, employing in excess of 250,000 people.

This current year we expect, with confidence, to see the benefits of the many achievements and progress that we have accomplished during the year ended 31 March 2019, and the continued trends of increased orders for our products.

Neill Ricketts
Chief Executive Officer

19 August 2019

FINANCIAL REVIEW

Versarien's revenue for the year ended 31 March 2019 was £9.1 million (2018: £9.0 million) with operating losses before exceptional costs, depreciation, amortisation and share-based payment charges of £1.1 million (2018: £0.8 million).

Exceptional costs were £0.4 million (2018: £0.03 million) as a result of the Group's focus on global expansion and growth through acquisition. The loss before tax for the year was £2.8 million (2018: £1.6 million), after share-based payment charges of £0.7 million in the year (2018: £0.1 million).

It is the Board's intention to continue to align shareholder and senior staff interests through the award of share options rather than just remuneration. IFRS 2 (share-based payments) dictates the accounting treatment of such options using simulations such as Black-Scholes or Monte Carlo to try and determine the fair value of such awards. These models contain many assumptions, but one which has a material impact on the valuation is share volatility. Versarien, in line with many other AIM quoted shares, has seen a high level of volatility since being admitted to AIM. The consequence of this is that such simulation models allow for large share price movements resulting in a high charge in the year of £0.7 million (2018: £0.1 million). This is a non-cash movement in the financial statements and is simply an accounting transaction required under IFRS 2 to reflect the potential future value of the shares.

As part of the expansion of our graphene businesses in the UK and overseas, we have continued to invest heavily in them. We are confident, that whilst revenues of any material amount have yet to be achieved, with the investment that we have made, the accreditations awarded and progress of our collaborations this year, significant future revenues will be achieved. Adjusted LBITDA for the graphene businesses was £1.1 million (2018: £0.9 million).

Our plastics business, AAC Cyroma has had a steady year, returning revenues of £4.7 million (2018: £4.6 million) and EBITDA of £0.2 million (2018: £0.4 million).

Our mature Hard Wear and Metallic businesses have provided stability to support the development of the emerging businesses, with Total Carbide returning revenues of £3.2 million (2018: £3.2 million) and EBITDA of £0.5 million (2018: £0.5 million) and Versarien Technologies similarly returning revenues of £1.2 million (2018: £1.2 million) and adjusted LBITDA of £0.1 million (2018: £0.1 million).

Group net assets at 31 March 2019 were £13.3 million (2018: £8.0 million) following the acquisition of Gnanomat S.L. ("GNA"). The consideration for the acquisition was £2,647,000 settled by cash of £0.7 million, by way of GNA issuing new shares in its company to Versarien, and the issue of 1,316,278 new ordinary shares of 1 pence each in Versarien to existing GNA shareholders at an agreed price of 150 pence per share. In September 2018 the Group successfully raised £5.2 million before expenses, and at the year end the Group had cash of £4.3m (2018: £2.3 million), of which £0.6 million (2018: £1.1 million) had been drawn under the invoice finance facilities. As at period end the Company had £0.6 million of headroom in its invoice finance facilities (2018: £0.7 million). The Directors consider this sufficient for our current activities over the coming twelve months having made certain assumptions, further details of which are contained below.

Cash outflow from operating activities was £1.7 million (2018: £1.9 million). The Group invested £0.7 million, net of cash, in acquisitions (2018: £nil), £0.4 million (2018: £0.1 million) in capitalised development costs, and £0.5 million (2018: £0.3 million) in plant and machinery.

Going concern

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

- the Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities; and
- as at 31 March 2019, the Group had cash balances totalling £4.3 million with £0.6 million of headroom on its invoice discounting facilities.

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. These show that the Group is expected to have sufficient cash available to meet its obligations as they fall due for the foreseeable future (at least twelve months). These projections assume modest sales growth in the mature revenue generating businesses and the continued utilisation of the invoice finance facilities.

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

Christopher Leigh
Chief Financial Officer

19 August 2019

INTRODUCTION TO CORPORATE GOVERNANCE

Compliance approach

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

Board effectiveness

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

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

The Audit Committee meets twice a year to consider the scope of the annual audit and the interim financial statements and to assess the effectiveness of the Group's system of internal controls. It reviews the results of the external audit, its cost effectiveness and the objectives of the auditor. 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 at least once a year to determine Company policy on senior Executive remuneration, to make detailed recommendations to the Board regarding the remuneration packages of the Executive Directors and to consider awards under the Group's option schemes.

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

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

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

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

The key elements of the system of internal control are:

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

Changes to the Board

The Board comprises Neill Ricketts, Christopher Leigh, Iain Gray CBE and Susan Bowen who was appointed on 1 July 2019. 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.

Neill Ricketts
Chief Executive Officer

19 August 2019

Experience and drive

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

Neill Ricketts

Executive Chairman and CEO

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.

More recently, Neill was appointed to the advisory board of the United States National Graphene Association (NGA) in February 2018.

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.

Susan Bowen

Non-executive Director

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

Iain Gray CBE

Non-executive Director

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

Best practice governance

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

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

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

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

We do this through:

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

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

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

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company is committed to open communication with its shareholders to ensure that its strategy, business model and performance are clearly understood. We do this via podcasts, investor roadshows, attending investor conferences, hosting open days and by regularly reporting news via LSE channels.

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

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

ATTENDANCE AT MEETINGS DURING THE PERIOD

	Board	Remuneration Committee	Audit Committee
Number of meetings	●●●●●●●●●	●	●●
Neill Ricketts	●●●●●●●●●	●	●●
Christopher Leigh	●●●●●●●●●	●	●●
Iain Gray	●●●●●●●●●	●	●●

Key

● Attended

CORPORATE GOVERNANCE CONTINUED

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. All Group companies are ISO 9002 accredited which involves processes to monitor and record feedback from suppliers and customers. The Company has put in place Employee Engagement Surveys.

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

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

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

The key elements of the system of internal control are:

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

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

The Company maintains Group Company Risk Registers with business continuity plans as part of its ISO 9002 accreditation to address key risks that 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 Executive Chairman/Chief Executive Officer, the Chief Financial Officer/Company Secretary and two Non-executive Directors. The Board considers that the Non-executive Directors bring an independent judgement to bear.

The Company notes that the recommendation under the QCA Code is for the roles of Chair and Chief Executive to be separate. Given the current size of the Board, the Company feels that it is appropriate for these roles to be combined at this time, which allows the Board to maintain its vitally important first mover advantage with its relatively small number of employees. The Chairman/Chief Executive is conscious of his role in running the Board as opposed to the Company and regularly consults with the Company Secretary to ensure that appropriate Board protocol is maintained.

As the Board's strategy is achieved it believes that the roles should be split as the Company grows.

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 and Chief Financial Officer.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

A formal process for independent review of Directors' performance has been implemented during the year which will be used to evaluate performance.

Principle 8: Promote a culture that is based on ethical values and behaviours

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

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board meets at least eight times each 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, Chairman and Chief Executive Officer

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

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

The roles of Chairman and Chief Executive are currently combined which allows the Board to maintain its vitally important first mover advantage with its relatively small number of employees. However, if the Board's strategy is achieved it believes that the roles should be split at the appropriate point in time.

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 and Christopher Leigh with input from the divisional managers. They are 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), release of news via LSE channels, regular podcasts, one-to-one meetings with large existing or potential new shareholders and open events with private shareholders.

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and the Auditors' Report, for the period ended 31 March 2019.

Results and dividends

The Group incurred a loss after tax for the year of £2.7 million (2018: £1.5 million). The Directors do not recommend the payment of a dividend (2018: £nil). The Directors are confident of the future prospects of the Group.

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Strategic Report on pages 1 to 18.

Research and development

Investing in research and development programmes delivers product innovation and manufacturing improvements within Versarien plc. Expenditure on research and development in the year amounted to £0.7 million (2018: £0.3 million), of which £0.4 million has been capitalised (2018: £0.05 million) as the Group focuses on commercialisation of its product portfolio.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 20. The Directors' Remuneration Report on page 26 gives details of salaries, benefits and interests in shares and share options.

Directors' indemnities

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

Employees

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

Risk factors

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

Treasury activities and financial instruments

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

Political donations
No political contributions were made during the year (2018: £nil).

Going concern
The Directors have prepared and reviewed forecasts and projections for a period of not less than twelve months from the approval of the Annual Report. These are based upon assumptions, in particular with regard to the key risks and uncertainties, together with the level of borrowings and other facilities made available to the Group. The Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group's financial statements. Further details are provided in the Chief Financial Officer's Review on page 18.

Significant shareholdings
In addition to the Directors' holdings disclosed in the Directors' Remuneration Report on page 26, holders of more than 3% of the issued 153,932,290 Ordinary shares of the Company at 30 June 2019 are listed below.

Awareness of relevant audit information
At the date of this report and insofar as each of the Directors is aware:

- there is no relevant audit information of which the auditors are unaware; and
- the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

By order of the Board

Christopher Leigh
Company Secretary

19 August 2019

> Expenditure on research and development in the year has been incurred as the Group focuses on commercialisation of its product portfolio.
>
> **Christopher Leigh | CFO**

SIGNIFICANT SHAREHOLDINGS

	Ordinary shares	% held
Hargreaves Lansdown	39,509,085	25.67
Interactive Investor Trading Limited	15,705,478	10.20
Halifax Share Dealing	10,764,274	6.99
A J Bell Securities	7,344,761	4.77
Barclays Stockbrokers Limited	7,088,313	4.61
Equiniti Shareview	5,986,727	3.89
Jarvis Investment Management Limited	5,720,443	3.72

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

The Remuneration Committee comprises the two Non-executive Directors, Iain Gray CBE, who chairs the Committee, and Susan Bowen (appointed 1 July 2019). The Remuneration Committee decides the remuneration policy that applies to Executive Directors.

Salaries and benefits

The Remuneration Committee reviews at least annually 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 and Christopher Leigh, each have a service agreement containing one year's notice. The Non-executive Directors, Iain Gray CBE and Susan Bowen, have a service agreement with a three-month notice period.

Directors' interests – interests in share options (audited)

Details of options held by Directors who were in office at 31 March 2019 are set out below.

Details of the Company's option schemes are set out in note 21 to the financial statements.

The market price of the Company's shares at 31 March 2019 was 101.00 pence. The range of market prices during the year was 61.50 pence to 187.00 pence.

Directors' interests – interests in shares (audited)

Directors in office at 31 March 2019 had interests in the Ordinary shares of 1 pence each in the Company as displayed in the table below.

	2019 Number	2018 Number
Neill Ricketts	**15,250,000**	15,653,720
Christopher Leigh	**315,000**	315,000

Iain Gray
Non-executive Director

19 August 2019

DIRECTORS' REMUNERATION (AUDITED)

	Salary		Benefits and bonuses		Total	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Executive						
Neill Ricketts	**191**	195	**17**	11	**208**	206
Christopher Leigh	**155**	151	**11**	11	**166**	162
	346	346	**28**	22	**374**	368
Non-executive						
Iain Gray CBE	**20**	20	**–**	–	**20**	20

DIRECTORS' INTERESTS IN SHARE OPTIONS (AUDITED)

Director	Date of grant	Number	Exercise price	Expiry date
Neill Ricketts	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
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

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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

The Annual Report will be available to download from the investor relations section on the Company's website at www.versarien.com.

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 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 and Company's auditors are aware of that information.

By order of the Board.

Christopher Leigh
Company Secretary

19 August 2019

Financial statements

Independent auditors' report to the members of Versarien Plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the group and parent company statements of financial position as at 31 March 2019; the group statement of comprehensive income, the statement of group and company cash flows, and the group and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

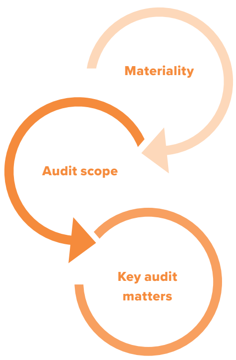
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall group materiality: £141,000 (2018: £78,000), based on 5% of loss before tax.
- Overall company materiality: £98,750 (2018: £35,000), based on 5% of loss before tax.

- Our audit of the five significant components; Versarien plc, Total Carbide Ltd, Versarien Technologies Limited, 2-D Tech Limited and AAC Cyroma Limited, as well as other specified balances addresses 90.5% of the group loss before tax and 99.9% of the group revenue.

- Goodwill impairment assessment (Group).
- Intangible assets (development expenditure) impairment assessment (Group).
- Valuation of share based payment charge (Group and parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (Group) At 31 March 2019, the Consolidated Statement of Financial Position includes £4,431,00 of goodwill (2018: £2,167,000). In accordance with the requirements of IFRS, management has performed impairment reviews in relation to the goodwill held in the group's cash generating units (CGUs). The value of the goodwill is supported by multiple-year profitability projections based on the budget for 2019. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rate employed.	We obtained the group's cash flow forecasts supporting its assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including: › the projected growth rates used; › the discount rate used; and › other key inputs, including the applicable tax rate, forecast capital expenditure and forecast margins. We considered the post year end financial performance against budget. We performed a range of sensitivity analyses to assess the impact of alternative assumptions to those used by management. We also considered the market capitalisation of the group given the early stage nature of the group's graphene businesses. We concur with management's assertion that no impairment charge is required in respect of goodwill.
Intangible assets (development expenditure) impairment assessment (Group) We focused on this area because of the magnitude of capitalised development expenditure within the Consolidated Statement of Financial position as at 31 March 2019 of £600,000 (2018: £235,000) and the risk that amounts may not be recoverable if adequate future sales are not generated.	We tested a sample of capitalised development costs against the criteria set out in IAS38 'Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits and gain necessary regulatory approvals. We updated our understanding of the purpose and status of the projects in order to gain comfort over the future economic benefit of the projects and reviewed collaboration agreements in place related to each project. Where applicable, we also obtained the grant income documentation that directly relates to these projects. We assessed individually each of the major projects for indicators of impairment, such as ongoing progress of commercialisation. As a result of our work performed we concluded that no impairment was required.
Valuation of share based payment charge (Group and parent) During the year, the group issued signficant equity-settled share options to Directors and senior staff. The impact of this charge in the current year is £712,000 (2018: £72,000). Management engaged an independent third party expert to calculate the charge. The calculation of the fair value of the share options (and ultimately the related charge) is complex and involves multiple assumptions and as such, we have considered this a key audit matter.	We have obtained the calculation of the fair value from the independent third party expert. We have assessed the competence and objectivity of the third party and performed the following procedures: › Agreed inputs within the calculation to supporting scheme documentation; › Utilised our own experts to assess the appropriateness of key assumptions including volatility and interest rate; › Utilised our own experts to reperform the modelling to ensure the accuracy of the calculation. Following the procedures performed above, we are comfortable with the fair value charge in relation to the share options

How we tailored the audit scope

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

The Versarien group is made up of a number of operations located throughout the United Kingdom. During the year operations have expanded through acquisition to Spain and incorporation of an operation within the United States. The significant operations of the group continue to be those based in the United Kingdom with those overseas being financially non-significant components.

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope continued

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

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£141,000 (2018: £78,000).	£98,750 (2018: £35,000).
How we determined it	5% of loss before tax.	5% of loss before tax.
Rationale for benchmark applied	Loss before tax is considered a key focus for management and the directors of the group.	The entity does not generate any external revenue and therefore, loss before tax is considered to be an appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £17,000 and £109,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7,000 (Group audit) (2018: £4,000) and £3,600 (Company audit) (2018: £2,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Report on the audit of the financial statements continued

Reporting on other information continued

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report 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 Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

19 August 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Continuing operations			
Revenue	3	**9,140**	9,024
Cost of sales		**(6,706)**	(6,496)
Gross profit		**2,434**	2,528
Other operating income	4	**148**	63
Operating expenses (including exceptional items)	5	**(5,345)**	(4,102)
Loss from operations before exceptional items		**(2,343)**	(1,477)
Exceptional items	6	**(420)**	(34)
Loss from operations		**(2,763)**	(1,511)
Finance costs	7	**(69)**	(50)
Finance income	7	**3**	—
Loss before income tax		**(2,829)**	(1,561)
Income tax	9	**117**	63
Loss for the year		**(2,712)**	(1,498)
Loss attributable to:			
– Owners of the parent company		**(2,473)**	(1,381)
– Non-controlling interest		**(239)**	(117)
		(2,712)	(1,498)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	**(1.64)p**	(1.00)p

There is no other comprehensive income for the year.

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 2006 to not present the Company Income Statement. The loss for the Company for the year was £1,975,000 (2018: £702,000).

GROUP STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	11	**5,318**	2,678
Property, plant and equipment	12	**3,170**	2,980
Deferred taxation	9	**25**	25
		8,513	5,683
Current assets			
Inventory	14	**2,253**	1,961
Trade and other receivables	15	**2,141**	2,437
Current tax		**106**	77
Cash and cash equivalents		**4,292**	2,296
		8,792	6,771
Total assets		**17,305**	12,454
Equity			
Called up share capital	20	**1,536**	1,486
Share premium account	20	**19,776**	12,529
Merger reserve		**1,256**	1,256
Share-based payment reserve		**899**	187
Accumulated losses		**(9,698)**	(7,225)
Equity attributable to owners of the parent company		**13,769**	8,233
Non-controlling interest		**(493)**	(254)
Total equity		**13,276**	7,979
Liabilities			
Non-current liabilities			
Trade and other payables	18	**328**	167
Deferred tax liabilities	9	**69**	64
Long-term borrowings	19	**708**	456
		1,105	687
Current liabilities			
Trade and other payables	16	**1,528**	1,849
Provisions	17	**174**	80
Current tax		**257**	284
Invoice discounting advances	19	**603**	1,117
Current portion of long-term borrowings	19	**362**	458
		2,924	3,788
Total liabilities		**4,029**	4,475
Total equity and liabilities		**17,305**	12,454

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

The financial statements on pages 33 to 58 were approved by the Board of Directors on 19 August 2019 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investment in subsidiaries	13	**7,893**	4,875
Intangible assets		**38**	—
Property, plant and equipment	12	**119**	5
		8,050	4,880
Current assets			
Trade and other receivables	15	**4,234**	2,668
Cash and cash equivalents		**3,226**	1,716
		7,460	4,384
Total assets		**15,510**	9,264
Equity			
Called up share capital	20	**1,536**	1,486
Share premium account	20	**19,776**	12,529
Merger relief reserve		**1,203**	1,203
Other reserve		**(431)**	(431)
Share-based payment reserve		**899**	187
Accumulated losses		**(8,582)**	(6,607)
Total equity		**14,401**	8,367
Liabilities			
Non-current liabilities			
Long-term borrowings	19	**85**	—
Current liabilities			
Trade and other payables	16	**819**	796
Provisions	17	**174**	80
Current portion of long-term borrowings	19	**11**	—
Current tax		**20**	21
Total liabilities		**1,109**	897
Total equity and liabilities		**15,510**	9,264

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

The financial statements on pages 33 to 58 were approved by the Board of Directors on 19 August 2019 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	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 2017	1,313	9,762	1,256	115	(5,844)	(137)	6,465
Loss for the year and total comprehensive expense	—	—	—	—	(1,381)	(117)	(1,498)
Issue of shares (note 20)	173	2,767	—	—	—	—	2,940
Share-based payments (note 21)	—	—	—	72	—	—	72
At 31 March 2018 and 1 April 2018	1,486	12,529	1,256	187	(7,225)	(254)	7,979
Loss for the year and total comprehensive expense	—	—	—	—	(2,473)	(239)	(2,712)
Issue of shares (note 20)	50	7,247	—	—	—	—	7,297
Share-based payments (note 21)	—	—	—	712	—	—	712
At 31 March 2019	**1,536**	**19,776**	**1,256**	**899**	**(9,698)**	**(493)**	**13,276**

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	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 2017	1,313	9,762	1,203	(431)	115	(5,905)	6,057
Loss for the year and total comprehensive expense	—	—	—	—	—	(702)	(702)
Issue of shares (note 20)	173	2,767	—	—	—	—	2,940
Share-based payments (note 21)	—	—	—	—	72	—	72
At 31 March 2018 and 1 April 2018	1,486	12,529	1,203	(431)	187	(6,607)	8,367
Loss for the year and total comprehensive expense	—	—	—	—	—	(1,975)	(1,975)
Issue of shares (note 20)	50	7,247	—	—	—	—	7,297
Share-based payments (note 21)	—	—	—	—	712	—	712
At 31 March 2019	**1,536**	**19,776**	**1,203**	**(431)**	**899**	**(8,582)**	**14,401**

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

STATEMENT OF GROUP AND COMPANY CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from operating activities					
Cash used in operations	24	**(1,737)**	(1,907)	**(765)**	(845)
Interest (paid)/received		**(66)**	(50)	**3**	—
Corporation tax paid		**—**	(9)	**—**	—
Net cash used in operating activities		**(1,803)**	(1,966)	**(762)**	(845)
Cash flows from investing activities					
Acquisition of subsidiaries		**(673)**	—	**(673)**	—
Loans to subsidiaries		**—**	—	**(1,941)**	(1,327)
Purchase of intangible assets		**(434)**	(148)	**(38)**	—
Purchase of property, plant and equipment		**(541)**	(280)	**(127)**	(2)
Net cash used in investing activities		**(1,648)**	(428)	**(2,779)**	(1,329)
Cash flows from financing activities					
Share issue		**5,155**	3,069	**5,155**	3,069
Share issue costs		**(200)**	(129)	**(200)**	(129)
Finance leases (net of repayments)		**156**	1	**96**	—
Invoice discounting loan (repayments)/proceeds		**(514)**	382	**—**	—
Net cash generated from financing activities		**4,597**	3,323	**5,051**	2,940
Increase in cash and cash equivalents		**1,146**	929	**1,510**	766
Cash acquired on acquisition of subsidiary		**850**	—	**—**	—
Cash and cash equivalents at beginning of year		**2,296**	1,367	**1,716**	950
Cash and cash equivalents at end of year		**4,292**	2,296	**3,226**	1,716

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

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2019

General information
Versarien plc is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 2 Chosen View Road, Cheltenham, Gloucestershire GL51 9LT. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 18.

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

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

Basis of accounting
The financial statements have been prepared on a going concern basis. The business model of the Group, together with the principal risks and uncertainties, is set out in the Strategic Report and the Group's financial risk management is covered in note 1 to the notes to the financial statements. The progress of the Group since the balance sheet date is described in the Strategic Report. Having reviewed cash flow projections, the Directors believe that the Company has adequate resources to continue in operation for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements as described in the Chief Financial Officer's Review on page 18.

The financial statements of the Group and the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards (IFRSs) as adopted for use in the European Union issued by the IFRS Interpretations Committee (IFRS IC).

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 (IAS 39).

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" as at 1 April 2018. The existing accounting policies are consistent with the requirements of IFRS 15, the application of this standard has not had a material impact on the Group.

On 1 April 2018, the Group adopted IFRS 9 "Financial Instruments", which replaced IAS 39 "Financial Instruments: Recognition and Measurement", see note 27 for the impact on the financial statements following the adoption of this standard.

IFRS 9 "Financial Instruments" is also effective for the Group for its 2019 financial statements and IFRS 16 "Leases" will be effective for the Group for its 2020 financial statements, both of which are not expected to have a material impact on the Group financial statements. There are no other standards or interpretations that are expected to have a material effect on the Group's net assets or results.

On adoption of IFRS 16, the adjustments expected are:

- an increase of £1.0 million to opening non-current assets and current liabilities as at 1 April 2019, and closing non-current assets and current liabilities of £1.0 million; and
- a decrease to operating costs of £0.55 million, and an inclusion of a £0.39 million amortisation charge and £0.16 million of finance costs.

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

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

Basis of consolidation continued

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

Segmental reporting

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

Borrowings

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

Provisions

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

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

Intangible assets

Goodwill

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

Acquired intangible assets

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

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

Research and development

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

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

Research and development continued

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

Licence accounting

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

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

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

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

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

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

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

- Licence – straight line over five years

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

Property, plant and equipment

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

Depreciation

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

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

Financial instruments

Financial assets and financial liabilities and equity are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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 do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Provisions for losses are made when there is objective evidence that settlement according to original conditions will not be received.

Cash

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

Trade payables

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

Equity instruments

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

Current and deferred tax

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

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

ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 31 MARCH 2019

Current and deferred tax continued

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 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. The Group recognises revenue when the amount of revenue can be reliably measured upon dispatch to the customer and it is probable that future economic benefits will flow to the entity.

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 5 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.

Operating leases

Amounts due under operating leases are charged to the Group Statement of Comprehensive Income in equal annual instalments over the period of the lease.

Finance leases

Tangible fixed assets acquired under finance leases and hire purchase agreements are recognised and disclosed under tangible fixed assets at their fair value or the present value of minimum lease payments if lower. The capital element of the future payments is treated as a liability and the interest is charged to the Group Statement of Comprehensive Income on a straight line basis.

Impairment

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.

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

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

Exceptional items

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. Financial risk management

Financial risk factors

The Group's business activities are set out on pages 2 to 3 within the Strategic Report. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them.

(a) Capital risk management

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

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

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

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

	2019 £000s	2018 £000s
Total borrowings	**(1,673)**	(2,031)
Cash and cash equivalents	**4,292**	2,296
Group net cash	**2,619**	265

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

(b) Foreign currency risk

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

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

(c) Interest rate risk

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

(d) Credit risk

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

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

(e) Liquidity risk

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

At 31 March 2018 and 31 March 2019, 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 and judgement:

(i) Goodwill impairment

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

(ii) Fair value of identifiable net assets acquired

Upon acquisition of a business, its identifiable assets and liabilities are assessed to determine their fair value. The values attributed to assets and liabilities as part of this process are, where appropriate, based on market values identified for equivalent assets, together with management's experience and assessments, including comparison to the carrying value of assets of a similar condition and age in the existing business.

(iii) 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.

(iv) Development costs

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

3. Segmental information – business and geographical segments

At 31 March 2019, 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 focused on the two principal business segments of graphene and plastic products and hard wear and metallic products, and, accordingly, the Group's reportable segments under IFRS 8 are based on these activities.

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

The segment analysis for the year ended 31 March 2019 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Hard Wear and Metallic Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	—	4,729	4,416	(5)	9,140
Gross profit	—	1,064	1,370	—	2,434
Other operating income	—	144	4	—	148
Operating expenses	(1,978)	(2,582)	(1,274)	489	(5,345)
Loss from operations	(1,978)	(1,374)	100	489	(2,763)
Finance charge	3	(43)	(26)	—	(66)
Loss before tax	(1,975)	(1,417)	74	489	(2,829)
Total assets	15,510	5,536	4,780	(8,521)	17,305
Total liabilities	(1,109)	(6,963)	(4,068)	8,111	(4,029)
Net assets/(liabilities)	14,401	(1,427)	712	(410)	13,276
Capital expenditure	166	775	34	—	975
Depreciation/amortisation	13	245	207	32	497

3. Segmental information – business and geographical segments continued

The segment analysis for the year ended 31 March 2018 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Hard Wear and Metallic Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	—	4,643	4,385	(4)	9,024
Gross profit	—	1,198	1,330	—	2,528
Other operating income	—	9	54	—	63
Operating expenses	(695)	(1,918)	(1,437)	(52)	(4,102)
Loss from operations	(695)	(711)	(53)	(52)	(1,511)
Finance charge	—	(21)	(29)	—	(50)
Loss before tax	(695)	(732)	(82)	(52)	(1,561)
Total assets	9,264	4,575	4,911	(6,296)	12,454
Total liabilities	(897)	(5,358)	(4,345)	6,125	(4,475)
Net assets/(liabilities)	8,367	(783)	566	(171)	7,979
Capital expenditure	2	373	53	—	428
Depreciation/amortisation and impairment	5	227	511	52	795

Geographical information

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

	Revenue from external customers		Non-current assets	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
United Kingdom	**7,577**	7,657	**6,203**	5,683
Rest of Europe	**1,065**	1,002	**2,310**	—
North America	**306**	2	**—**	—
Other	**192**	363	**—**	—
	9,140	9,024	**8,513**	5,683

4. Other operating income

	2019 £'000	2018 £'000
Grant income	**148**	63

5. Expenses by nature

Expenses included in operating expenses are analysed below:

	2019 £'000	2018 £'000
Operating expenses		
Employee costs (salaries, National Insurance and pension)	**3,216**	3,075
Share-based payments	**712**	72
Research and development	**336**	344
Depreciation	**427**	402
Profit on foreign currency translation	**(33)**	(12)
Amortisation	**70**	202
Operating lease rentals:		
– Machinery, equipment and vehicles	**21**	11
– Land and buildings	**694**	535
Audit services:		
– Fees payable to Company auditors for the audit of the parent company and consolidated financial statements	**35**	28
– The audit of the Company's subsidiaries pursuant to legislation	**56**	59
Non-audit services:		
– Fees payable to Company auditors for non-audit services	**28**	—

6. Exceptional items

	2019 £'000	2018 £'000
Relocation and restructuring costs	**59**	31
Costs relating to expansion in China	**271**	—
Costs relating to setting up of the US subsidiary	**28**	—
Acquisition costs	**29**	—
Release of deferred consideration	**—**	(80)
Impairment of development costs (note 11) net of deferred grant income release	**—**	72
Other	**33**	11
	420	34

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

The costs relating to expansion in China are mainly professional fees paid to the UK Government for their secondees, and for related costs incurred to enable the Company to manufacture and sell products in China.

7. Finance costs and income

Finance costs	2019 £'000	2018 £'000
Bank and lease interest charges	**66**	45
Licence interest charges	**3**	5
Finance income		
Bank deposit income	**3**	—
Net finance charge	**66**	50

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8. Directors and employees

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

	Group 2019 Number	Company 2019 Number	Group 2018 Number	Company 2018 Number
Manufacturing	**52**	**—**	54	—
Sales, technical and administration	**48**	**4**	25	4
	100	**4**	79	4

The aggregate remuneration was as follows:

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Wages and salaries	**2,874**	**456**	2,772	439
Social security costs	**303**	**57**	273	58
Other pension costs	**54**	**2**	30	1
Share-based payment charge – equity settled	**712**	**712**	72	72
	3,943	**1,227**	3,147	570

Details of Directors' remuneration are included in the Directors' Remuneration Report on page 26. The highest paid Director earned £208,000 (2018: £206,000) and exercised share options during the year ended 31 March 2019.

9. Income tax

	2019 £'000	2018 £'000
UK corporation tax on profits for the year	**—**	(9)
Research and development tax credits	**117**	72
Tax on loss on ordinary activities	**117**	63

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Loss before tax	**(2,829)**	(1,561)
Loss before tax at the effective rate of corporation tax in the UK of 19% (2018: 19%)	**(538)**	(297)
Effects of:		
Expenses not deductible for tax purposes	**148**	46
Capital allowances in excess of depreciation and other timing differences	**(35)**	37
Unrelieved losses arising in the year	**425**	214
UK corporation tax on profits for the prior year	**—**	(9)
Research and development tax credits	**117**	72
Tax charge for the year	**117**	63

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 was £11,379,000 (2018: £8,678,000). 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 £1,690,000 (2018: £1,303,000), being £1,934,000 (2018: £1,475,000) of trading losses net against a capital allowances liability of £244,000 (2018: £172,000), leaving the remaining asset as unrecognised.

Deferred tax

In accordance with IAS 12, a deferred tax asset of £25,000 (2018: £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 £69,000 (2018: £64,000) £64,000 in relation to the fair valuation of net assets acquired on the acquisition of AAC Cyroma Limited, and £5,000 (2018: £nil) relating to Gnanomat S.L.

10. Loss per ordinary share

The calculation of the basic loss per share for the years ended 31 March 2019 and 31 March 2018 is based on the losses attributable to the shareholders of the Versarien plc Group divided by the weighted average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS 33 "Earnings per Share", potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 31 March 2019, there were 14,985,100 (2018: 8,222,830) potential ordinary shares, which have been disregarded in the calculation of diluted loss per share as they were considered non-dilutive at that date.

	Loss attributable to owners of parent company £'000	Weighted average number of shares '000	Basic loss per share pence
Year ended 31 March 2019	**(2,473)**	**151,129**	**(1.64)**
Year ended 31 March 2018	(1,381)	138,208	(1.00)

11. Intangible assets

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 April 2017	2,167	1,395	3,562
Additions	—	148	148
At 1 April 2018	2,167	1,543	3,710
Acquisitions	2,264	20	2,284
Additions	—	434	434
Disposals	—	(21)	(21)
At 31 March 2019	**4,431**	**1,976**	**6,407**
Accumulated amortisation and impairment			
At 1 April 2017	—	639	639
Amortisation charge	—	202	202
Impairment	—	191	191
At 1 April 2018	—	1,032	1,032
Disposals	—	(13)	(13)
Amortisation charge	—	70	70
At 31 March 2019	**—**	**1,089**	**1,089**
Carrying value			
At 31 March 2019	**4,431**	**887**	**5,318**
At 31 March 2018	2,167	511	2,678

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

The impairment of other intangibles for year-ended 31 March 2018 relates to development costs in Versarien Technologies Limited and is taken through exceptional items. Please see note 6.

11. Intangible assets continued

Impairment

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 business segments ("cash-generating units") detailed in note 3 "Segmental information" as follows:

	Opening £'000	Additions £'000	Closing £'000
Hard Wear and Metallic Products	364	—	364
Graphene and Plastic Products	1,803	2,264	4,067
	2,167	2,264	4,431

The recoverable amount of all cash-generating units has been determined based on value-in-use calculations using pre-tax cash flow projections based on financial projections approved by management covering a five-year period. 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 rate used to discount forecast cash flow is 11%, which is considered to be the WACC of the Company. The five-year growth rate for Hard Wear Products on 2019 budget revenue is assumed to be 0% and for Plastic Products is 1% on 2020 budget revenue. The recoverable amounts for graphene products is determined by reference to similar quoted businesses. It has been identified that under this model, for Total Carbide Limited and AAC Cyroma Limited, the fair value has minimal level of headroom in its sensitivity to the key assumptions of sales growth, materials costs, sub-contractor costs, direct labour costs, capital expenditure and the discount rate, however no impairment is required. Any adverse experience to these assumptions could lead to an impairment in these entities.

Other intangible assets

	31 March 2019 £'000	31 March 2018 £'000
Customer relationships/order books	**81**	113
Development costs	**600**	235
Licence	**48**	33
Intellectual property	**158**	130
Total	**887**	511

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

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

On 1 October 2018, the Company completed the acquisition of Gnanomat S.L. for a cash consideration of £673,000, and the issue of 1,316,278 new ordinary shares of 1 pence each in the Company, at a fair value of 178 pence per New Ordinary Share.

11. Intangible assets continued

Other intangible assets continued

The fair value of the assets and liabilities acquired were as follows:

	Gnanomat S.L. £'000
Non-current assets	
Intangible assets	20
Property, plant and equipment	76
	96
Current assets	
Trade and other receivables	157
Cash and cash equivalents	850
	1,007
Total assets	1,103
Current liabilities	
Trade and other payables	306
Total current liabilities	306
Non-current liabilities	
Trade and other payables	40
Deferred taxation	5
Total non-current liabilities	45
Total liabilities	351
Net assets/(liabilities) acquired	752
Goodwill	2,264
Consideration	3,016
Consideration satisfied by:	
Shares issued	2,343
Cash	673
	3,016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2019

12. Property, plant and equipment

Group	Plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 April 2017	9,024	488	9,512
Additions	250	30	280
Disposals	(27)	—	(27)
At 1 April 2018	9,247	518	9,765
Additions	541	—	541
Acquisitions	76	—	76
Disposals	(2)	—	(2)
At 31 March 2019	**9,862**	**518**	**10,380**
Accumulated depreciation			
At 1 April 2017	6,386	20	6,406
Charge for the year	372	30	402
Disposals	(23)	—	(23)
At 1 April 2018	6,735	50	6,785
Charge for the year	393	34	427
Disposals	(2)	—	(2)
At 31 March 2019	**7,126**	**84**	**7,210**
Net book value			
At 31 March 2019	**2,736**	**434**	**3,170**
At 31 March 2018	2,512	468	2,980

Plant and equipment includes the following amounts where the Group is a lessee under finance leases and hire purchase contracts:

	Group 2019 £'000	Group 2018 £'000
Cost	**4,453**	3,889
Accumulated depreciation	**(2,567)**	(2,326)
Net book value	**1,886**	1,563

Company	Plant and equipment £'000
Cost	
At 1 April 2018	14
Additions	127
At 31 March 2019	**141**
Accumulated depreciation	
At 1 April 2018	9
Charge for the year	13
At 31 March 2019	**22**
Net book value	
At 31 March 2019	**119**
At 31 March 2018	5

13. Investment in subsidiaries

	Company 2019 £'000	Company 2018 £'000
Net book value		
At the start of the year	**4,875**	4,875
Investment in the year	**3,018**	—
Provision for diminution	**—**	—
At the year end	**7,893**	4,875

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

	Country of incorporation	Class of capital	%
Versarien Technologies Limited – supply of metallic products	UK	Ordinary	100.0
Total Carbide Limited – manufacture of tungsten carbide parts	UK	Ordinary	100.0
2-DTech Limited – development and supply of graphene powders	UK	Ordinary	85.0
AAC Cyroma Limited – manufacture of moulded products	UK	Ordinary	100.0
Cambridge Graphene Limited – development and supply of graphene inks	UK	Ordinary	85.0
Gnanomat S.L. – development and supply of energy storage devices	Spain	Ordinary	62.0
Versarien Graphene Inc – supply of graphene products	USA	Ordinary	100.0
Versarien Advanced Composites Limited (dormant and taking audit exemption)	UK	Ordinary	100.0

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

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

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

14. Inventory

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Raw materials	**1,023**	1,093	**—**	—
Work in progress	**646**	477	**—**	—
Finished goods	**584**	391	**—**	—
	2,253	1,961	**—**	—

Stock recognised in cost of sales during the year as an expense was £3,078,000 (2018: £3,379,000).

15. Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	**1,634**	2,183	**—**	—
Due from Group undertakings (net of provisions)	**—**	—	**4,035**	2,582
NIC receivable on share-based payments	**174**	80	**174**	80
Other debtors	**118**	1	**—**	—
Prepayments and accrued income	**215**	173	**25**	6
	2,141	2,437	**4,234**	2,668

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2019

15. Trade and other receivables continued

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables not past due	**1,639**	2,032	**—**	—
Trade receivables past due but not impaired	**(3)**	153	**—**	—
Gross trade receivables at 31 March	**1,636**	2,185	**—**	—
Provision for bad debt at 1 April	**(2)**	(28)	**—**	—
Debt provisions released in the year	**—**	26	**—**	—
Provision for bad debt at 31 March	**(2)**	(2)	**—**	—
Net trade receivables at 31 March	**1,634**	2,183	**—**	—

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. They are considered to be level 1 within the fair value hierarchy. 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 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Sterling	**2,080**	2,352	**4,234**	2,668
Euro	**53**	55	**—**	—
Other	**8**	30	**—**	—
	2,141	2,437	**4,234**	2,668

16. Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	**976**	1,493	**46**	24
Other payables	**68**	—	**35**	—
Payables to Group undertakings	**—**	—	**671**	726
Accruals and deferred income	**484**	356	**67**	46
	1,528	1,849	**819**	796

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

17. Current liabilities – provisions

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
NIC due on share-based payments	**174**	80	**174**	80

18. Non-current trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Deferred grant income	**303**	140	**—**	—
Deferred licence cost	**8**	27	**—**	—
Other	**17**	—	**—**	—
	328	167	**—**	—

19. Borrowings

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Invoice discounting facilities	**603**	1,117	**—**	—
Obligations under finance leases, hire purchase contracts and similar arrangements	**1,070**	914	**96**	—
	1,673	2,031	**96**	—

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Short-term borrowings	**603**	1,117	**—**	—
Current portion of long-term borrowings	**362**	458	**11**	—
Long-term borrowings	**708**	456	**85**	—
	1,673	2,031	**96**	—

Analysis of repayments	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Invoice discounting facilities – within one year	**603**	1,117	**—**	—
Finance leases and hire purchase contracts:				
Within one year	**362**	458	**11**	—
In two to five years	**708**	456	**85**	—
	1,673	2,031	**96**	—

Invoice discounting facilities of £603,000 (2018: £1,117,000) 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 £1,070,000 (2018: £914,000) attract interest at 3.5% above the base rate.

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

20. Called up share capital and share premium

Group and Company

	Number of shares '000	Called up share capital £'000	Share premium £'000	Total £'000
At 1 April 2017	131,331	1,313	9,762	11,075
Issue of shares	17,334	173	2,767	2,940
At 1 April 2018	148,665	1,486	12,529	14,015
Issue of shares	4,959	50	7,247	7,297
At 31 March 2019	**153,624**	**1,536**	**19,776**	**21,312**

During the year the Company issued:

- 3,554,893 Ordinary shares raising £5,155,000 (before expenses) in a placing at 145 pence per share;
- 88,120 Ordinary shares raising £34,000 in an exercise of share options at 39 pence per share; and
- 1,316,278 Ordinary shares pursuant to the acquisition of Gnanomat S.L. at a fair value of 178 pence per share.

21. 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 2,102,000 options issued in the year ended 31 March 2015, 5,253,000 options issued in the year ended 31 March 2018 and 6,850,000 options issued in the year ended 31 March 2019.

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

	2019 Weighted average exercise price in pence per share	2019 Options '000	2018 Weighted average exercise price in pence per share	2018 Options '000
At 1 April 2018	**22.36**	**8,223**	22.35	3,820
Granted	**146.98**	**6,850**	0.15	5,593
Exercised	**(39.00)**	**(88)**	(0.14)	(1,190)
At 31 March 2019	**79.23**	**14,985**	22.36	8,223

Of the 14,985,000 outstanding options (2018: 8,223,000), 1,604,000 had vested at 31 March 2019 (2018: 1,249,000).

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

Year of grant	Exercise period	Exercise price in pence per share	2019 Number '000	2018 Number '000
2013	2014–2023	12.25	**199**	199
2014	2015–2027	29.00	**2,432**	2,432
2017	2018–2027	39.00	**176**	264
2017	2018–2027	21.25	**75**	75
2017	2020–2027	15.00	**5,253**	5,253
2018	2021–2028	152.0	**5,339**	—
2018	2020–2028	119.5	**209**	—
2018	2020–2028	157.5	**319**	—
2018	2020–2028	117.0	**454**	—
2019	2020–2023	126.5	**529**	—
			14,985	8,223

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.

22. Other reserves

The merger reserve was created on the reconstruction of the Group following the acquisition of Versarien Technologies Limited. The share-based payment reserve was created as a result of the issue of share options. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is credited to the share-based payment reserve. The movement in reserves for the years ended 31 March 2018 and 2019 is set out in the Group Statement of Changes in Equity.

23. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Plant, equipment and vehicles £'000	Land and buildings £'000	Plant, equipment and vehicles £'000	Land and buildings £'000
Group				
Due before one year	8	564	8	456
Due between one to five years	7	1,193	5	1,267

24. Cash used in operations

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loss before tax	(2,829)	(1,561)	(1,975)	(701)
Adjustments for:				
Share-based payments	712	72	712	72
Depreciation	427	402	13	5
Amortisation	70	202	—	—
Impairment	—	191	—	—
Disposal of non-current assets	8	4	—	—
Finance cost	66	50	(3)	—
R&D tax credit repayment	117	72	—	—
Decrease/(increase) in trade and other receivables and investments	424	(569)	433	(81)
Increase in inventories	(292)	(73)	—	—
Decrease/(increase) in trade and other payables	(440)	(697)	55	(140)
Cash flows from operating activities	(1,737)	(1,907)	(765)	(845)

25. Related party transactions

	Company	
	2019 £'000	2018 £'000
Net service transactions with subsidiaries	294	178
Net loans to subsidiaries	2,057	1,149
Year-end balance due from subsidiaries	3,364	1,856

26. Financial instruments

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as "loans and receivables". 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2019

27. Adoption of IFRS 9
On 1 April 2018, the Group adopted IFRS 9 "Financial Instruments", which replaced IAS 39 "Financial Instruments: Recognition and Measurement". Adoption of this standard has had the following impacts on the financial statements:

(a) Changes to accounting policies
The new accounting policies, as amended for IFRS 9, are set out in note 1. A summary of the changes is as follows:

(i) Financial assets and financial liabilities
The classification of financial assets has changed such that they assessment is based on the Group's business model for managing the financial assets and whether cash flows represent solely payments of principal and interest. All other financial assets held in a business model that is managed and whose performance is evaluated on a fair value bias are held at fair value through profit or loss and those that are held in a business model that is held to collect contractual cash flows are classified as amortised cost.

(ii) Impairment
IFRS 9 results in changes to the impairment approach for financial assets at amortised cost. Under IAS 39, an "incurred loss" approach was used, which required a charge for impairment when events or circumstances indicated that amounts were not recoverable. The approach under IFRS 9 is an "expected credit loss" approach, which requires an assessment of expected future losses on initial recognition.

(b) Opening reserves on transition
As a result of the adoption of IFRS 9 there has been no impact to opening reserves as no changes to classification or impairment were required.

(c) Classification of financial assets and liabilities on initial application of IFRS 9
There have been no changes to the classification or carrying amounts of financial liabilities as a result of adopting IFRS 9. There have been no changes to the classification of financial assets as a result of adopting IFRS 9.

(d) Loss allowance on transition
At 31 March 2018 there were no impairment losses under IAS 39. As a result of the adoption of IFRS 9 there continue to be no impairment losses.

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 offices of Gloucester Rugby at Kingsholm Stadium, Kingsholm Road, Kingsholm, Gloucester GL1 3AX, on Tuesday 24 September 2019 at 11 am for the following purposes:

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

Ordinary business

1. To receive the Directors' Report and the audited financial statements for the year ended 31 March 2019 together with the Independent Auditors' Report thereon.
2. To re-appoint PricewaterhouseCoopers LLP as the independent auditor of the Company for the year ending 31 March 2020 to hold office until the end of the next period for appointing the auditor in accordance with the provisions of Part 16 of the Companies Act 2006 and to authorise the Directors to fix the remuneration of the auditor for the year ending 31 March 2019 and for subsequent financial years or unless this authority is either revoked or varied.
3. To re-appoint Iain Gray as a Director, retiring by rotation.
4. To re-appoint Susan Bowen as a Director, retiring in accordance with the Company's Articles of Association.

Special business

As special business, to consider and, if thought fit, pass the following resolutions, of which resolution 4 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 £513,107 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 £230,898,

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

Special business continued

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

   (a) the maximum aggregate number of shares hereby authorised to be purchased is 15,393,229 Ordinary shares of 1 pence each (representing 10% of the Company's issued share capital at as at 19 August 2019, the latest practicable date prior to publication of this notice);

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

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

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

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

By order of the Board

Christopher Leigh
Company Secretary

19 August 2019

Explanatory notes to the Notice of Annual General Meeting

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

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

Ordinary resolutions

Resolution 1 – Receipt of 2019 Annual Report and financial statements

The Directors of the Company must present the Directors' Report, the audited financial statements and the Independent Auditors' Report on those financial statements before shareholders each year at a general meeting. Those to be presented at the AGM are in respect of the period ended 31 March 2019.

Resolution 2 – Re-appointment of auditor

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

Resolution 3 and 4 – Re-appointment of Directors

The Articles of Association of the Company require the nearest number to one-third of the Board of Directors to retire at each AGM with the longest serving retiring first. Where the longest serving Directors have held office for the same amount of time, the Directors to resign are normally chosen by lot. In addition, any Director appointed to the Board since the last Annual General Meeting has to retire at the next Annual General Meeting. As there are four Directors, one has to retire by rotation and Iain Gray offers himself for re-election at the AGM. Susan Bowen was appointed by the Board on 1 July 2019 and therefore offers herself for re-election at the AGM.

Resolution 5 – Directors' power to allot securities

This resolution seeks shareholder approval to grant the Directors of the Company the authority to allot shares in the Company. The authority will be limited to an aggregate nominal amount of £513,107 (51,310,700) Ordinary shares of the Company), being approximately one-third of the Company's issued share capital as at 19 August 2019, the latest practicable date prior to publication of this notice.

Special resolutions

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

Section 561 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £230,898 (23,089,800 Ordinary shares of the Company), which is equal to approximately 15% of the nominal value of the issued Ordinary share capital of the Company, subject to resolution 5 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the Company.

Resolution 7 – Authority to make market purchases

A special resolution will be proposed to authorise the Directors to make one or more market purchases for the purposes of Section 701 of the Act. The maximum number of shares which may be acquired pursuant to this authority is 15,393,229, which is equal to approximately 10% of the issued share capital of the Company as at 19 August 2019, the latest practicable date prior to publication of this notice. This authority will expire at the conclusion of the Annual General Meeting in 2020.

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.

The Company anticipates a large attendance at the AGM. The doors to the venue will open at 10am and the meeting will start at 11am. If you are proposing to attend the meeting, you are requested to arrive at the venue in sufficient time to register so that the start of the meeting is not delayed. Please contact Share Registrars Limited for an attendance card to be sent you or, if you are a proxy or corporate representative, please bring with you your letter of appointment (together with your photographic ID).

Entitlement to attend and vote

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

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1, above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this Notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the proxy form.
3. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the "Nominated persons" section (note 13).
5. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

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

Appointment of proxy using hard-copy proxy form

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

Appointment of proxies through CREST

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

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

Appointment of proxies continued

Appointment of proxies through CREST continued

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

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

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

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

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

Issued shares and total voting rights

12. As at close of business on 19 August 2019 (being the latest practicable date prior to the publication of this document), the Company's issued share capital comprised 153,932,290 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 19 August 2019 is 153,932,290.

Nominated persons

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

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

Communication

14. You may not use any electronic address provided either in:
    - this Notice of Annual General Meeting; or
    - any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Inspection of documents

15. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the AGM, and at the place of the AGM from 10.30am on the date of the AGM until its conclusion:
    - the constitutional documents of the Company, comprising the Articles of Association;
    - copies of the service contracts of the Executive Directors of the Company; and
    - copies of the letters of appointment of the Non-executive Directors of the Company.

ADVISERS

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GU9 7DR

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