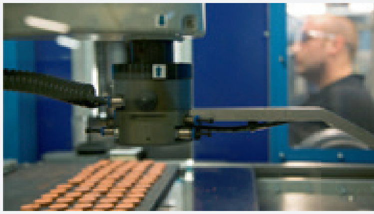
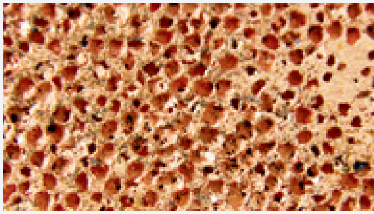
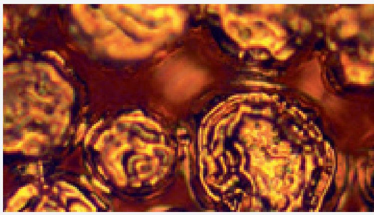
Versarien™

Versatile materials.



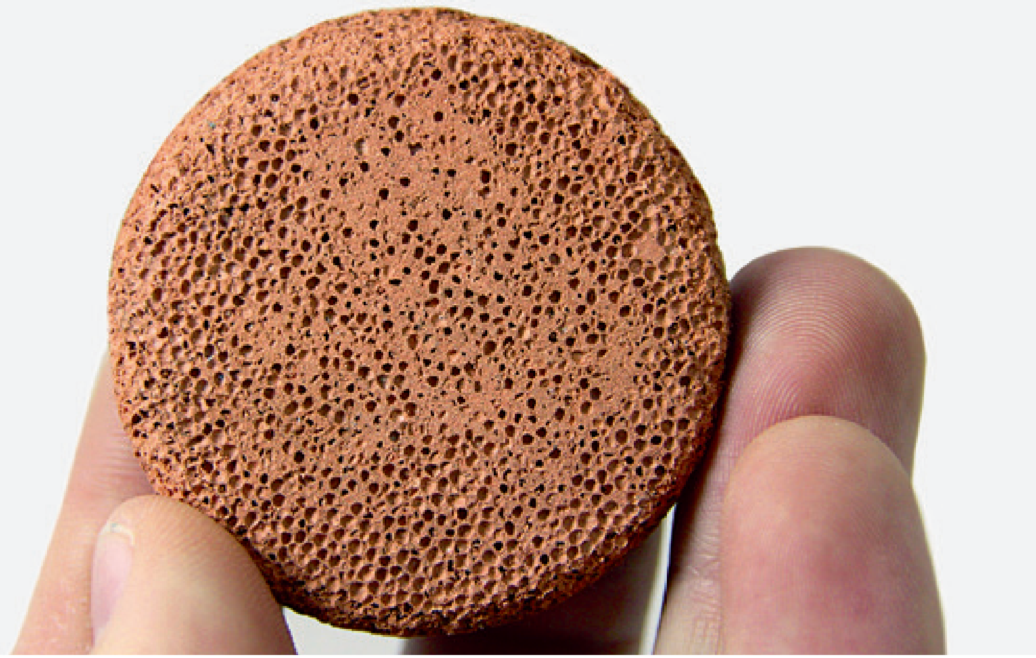




Financial statements
for the half year ended
30 September 2013

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

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



Highlights

- Successful AIM listing in June 2013 raising £3.0 million before expenses
- Acquired Total Carbide Limited in June 2013 for £2.28 million
- Group revenues of £1.08 million and operating losses of £190k pre non-recurring items
- Net assets of £2.87 million (H1 2012: £65,000)
- Integration of Versarien Technologies Limited ("VTL") and Total Carbide Limited ("TCL") ahead of schedule and both making excellent progress
- VTL successfully launched water-cooled PC and secured Technology Strategy Board funding for seven projects
- VTL received multiple positive testing results from key target customers including GE; a German engineering and electronics company and long-term partner Thermacore
- TCL delivering sustained profitability of 10% on sales of £1.08 million with a solid base of 'blue chip' customers mainly in the oil and gas industry

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2013 Gloucestershire Citizen and Echo Business Awards
Young Business of the Year

2013 HP Smart Business Awards
HP Smart Business of the Year

The Growing Business Awards 2013
Innovator of the Year

2013 British Engineering Excellence Awards
Start Up of the Year

Elektra Awards 2013
New Company of the Year

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WWW.VERSARIEN.COM/INVESTORS

Chairman's statement

Ian Balchin, Non-executive Chairman, Versarien plc

Following the successful flotation of Versarien onto AIM on 12 June 2013, I am pleased to provide the Group's maiden Interim Report to our shareholders. The Group consists of the parent Company, Versarien plc, and two wholly owned subsidiaries, Versarien Technologies Limited and Total Carbide Limited, the latter being acquired at the time of the flotation.

The Group's strategy is to utilise proprietary technology to create innovative new engineering solutions that are capable of having a material impact on a broad variety of industry sectors. The first of these, upon which the flotation was founded, is porous copper, which can be used to dissipate heat three to ten times faster than conventional thermal management techniques. Applications are found in computing, medical, automotive and many other sectors where heat build up limits the performance of products. Its commercialisation is proceeding satisfactorily with interest from blue chip companies remaining strong.

The hard work and dedication of those working for and with Versarien has also been recognised by the company winning nine national awards. These awards have provided Versarien with the early introduction to potential customers at senior level.

Board appointment and new major shareholder

I am pleased to report that the Company has further strengthened its team since the AIM flotation with the appointment of Mr. Chris Leigh as full time Chief Financial Officer in July 2013. Chris is a Finance Director who has both relevant sector knowledge as well as AIM-listed company experience. Chris' expertise in M&A and post-acquisition integration, specifically within the engineering sector, will be important as the Group integrates the processes and infrastructure of Versarien Technologies Limited and Total Carbide Limited.

On 20 August 2013, the Company was informed that Henderson Global Investors had acquired a 10.31% stake in Versarien. As Henderson Global Investors is one of the UK's best recognised fund managers, the Board was extremely pleased to welcome them to its shareholder register and the Company looks forward to working with them in the future.

Dividends

As stated in the AIM Admission document, the Board will not be declaring or proposing any dividends until such time as the commercialisation of its product portfolio has generated sufficient distributable reserves from which to do so.

Outlook

The Board remains optimistic that the applications of the technologies that the Group is developing will, in time, deliver a substantial return on investment for Versarien's shareholders. The acquisition of Total Carbide provides the Group with a manufacturing facility for it porous copper products whilst at the same time being capable of underwriting the cost of developing that business. The Board is focused on expanding the Group's product portfolio whilst at the same time optimising its underlying hard metals manufacturing business and believes this will provide the best return to shareholders.

Ian Balchin
Non-executive Chairman
3 December 2013

Chief Executive Officer's statement

Neill Ricketts, Chief Executive Officer, Versarien plc

Financial Results

Versarien's revenue for the six months ended 30 September 2013 totalled £1,081,000, with operating losses before non-recurring items of £190,000. This includes just over three months' post-acquisition sales from Total Carbide of £1,080,000 and operating profits of £110,000. Non-recurring costs includes £123,000 relating to the acquisition of Total Carbide and £50,000 restructuring costs.

Group net assets at 30 September 2013 were £2,872,000 compared with £65,000 for VTL at 30 September 2012. The flotation raised £3,000,000 less expenses of £581,000, net £2,419,000. The agreed consideration for the acquisition of Total Carbide was £1,580,000 in cash and 5,714,286 in Ordinary shares of 1 pence each at the flotation price of 12.25 pence per share. The vendors agreed to re-invest £350,000 of the cash consideration by taking 2,857,143 shares in the placing. The total holding of 8,571,429 shares issued on Admission were subsequently sold.

Basic and diluted loss per share totalled 0.52 pence. The average number of shares in issue during the period was 71.16 million.

The Group has secured invoice finance funding from its bank, Santander, as well as support from their breakthrough programme. As at 30 September 2013, the Group's banking facility with Santander had headroom of £1 million.

Since flotation, the Group's technical team has successfully applied for and won a number of grants, including grants for the development of metal foam for improved cooling of integrated power modules for hybrid and electric vehicles and grants towards a number of feasibility studies. Versarien continues to focus on applying the foam copper technology to areas such as server thermal management, LED cooling, air source heat pump cooling, turbine cooling and laser thermal management.

Since March 2013 Versarien has increased its current Technology Strategy Board ("TSB") projects to seven (March 2012: one project). This includes the first win for Total Carbide for enhanced composite machining. Versarien is now involved in projects with a total value of over £1.3 million as the lead partner or sub-contractor, which represents potential income of over £260,000 for the Group.

Versarien Technologies Limited ("VTL")

I am pleased to report that VTL has made excellent progress in scaling up its technology using the high volume equipment acquired as part of the purchase of Total Carbide Limited. In a very short period of time since the AIM flotation the team has been able to adapt key items of plant to the Versarien product and demonstrate high volume manufacture.

VTL has recently received multiple positive test results from a number of key customers including GE; a German engineering and electronics company; and long-term partners Thermacore, where Versarien's product outperformed their current embedded solution. VTL looks forward to moving closer to full commercialisation once it is through the significant number of testing programmes it is working on.

VTL has exceeded management's expectations in terms of support from grant funding to develop new products utilising the Group's licensed technology. VTL has secured a number of development projects in fields such as cooling systems for high performance PCs and power electronics, as well as its largest collaborative project to date in the electric vehicle sector. VTL now has an extremely significant relationship with the TSB, which has been highly supportive of the technology and products subsequently developed.

During the period Versarien took the decision to start selling water-cooled PCs into the PC gaming sector. These computers utilise Versarien's porous metal copper technology to offer improved reliability, operational quietness and high performance. The cooling system is a product of VTL's first TSB project and is a requirement of the scheme to show commercialisation of the technology. The VTL management team took this decision to reduce the time to market and get a product into the marketplace quicker, where it has received a positive reception. The launch of the water-cooled PC, in conjunction with Compare the Game, has provided the Company with valuable data around the material in real world applications.

Since AIM flotation, VTL has strengthened its senior management team with the recent addition of Mr. Anthony Cooper as Head of Sales. This appointment is key to the development of the Company and will enable the Board to look at the large number of opportunities currently being presented. It is anticipated that the sales team at VTL will be further strengthened in the near future.

Chief Executive Officer's statement continued

Neill Ricketts, Chief Executive Officer, Versarien plc

Total Carbide Limited

I am pleased to announce that Total Carbide has moved into sustained profitability of 10 per cent. on sales and the Board is looking at further integration of the operating companies, streamlining operations and instigating the incorporation of a VTL development cell. We have also successfully introduced a new Enterprise Resource Planning system which will be used by all Versarien operating companies based on the SAP platform. This was necessitated due to the migration of the legacy systems withdrawn following the sale of the business and it is testament to the team effort that this has been achieved in short order.

Total Carbide is a long established supplier to the oil and gas industry and has a solid base of blue chip customers, many of whom are now looking to increase their purchasing spend as a result of the sales initiatives implemented since the Company was acquired on 12 June 2013. The Total Carbide team has worked hard to build relationships and develop these prospects into significant orders for the future. The Board has also managed to secure funding for the first materials development programme for Total Carbide and it is hoped that this can be developed further to bring new derivatives of Tungsten Carbide to the market for the benefit of the Group's customers.

Total Carbide is moving towards partnership agreements with several of these large blue chip organisations and the Company hopes to announce these in due course. The business has also successfully passed its ISO 9002 accreditation and the Board looks forward to building on this with approval for VTL having bolstered our Total Carbide team with the addition of a high calibre quality manager.

The Group will be holding an open day for investors on Wednesday 15 January 2014 at its Total Carbide facility in Princes Risborough in Buckinghamshire. The purpose of the site visit is to provide these investors with the opportunity to gain broader understanding of the Group's operations. No new trading or financial information will be made available during the visit.

The Board views the future with optimism.

Neill Ricketts
Chief Executive Officer
3 December 2013

Group statement of comprehensive income

For the half year ended 30 September 2013

	Notes	Six months ended 30 September 2013 Unaudited £'000	Six months ended 30 September 2012 Unaudited* £'000	Year ended 31 March 2013 Unaudited* £'000
Continuing operations				
Revenue		1,081	—	—
Cost of sales		(787)	—	—
Gross profit		294	—	—
Other operating income		65	67	74
Operating expenses (including non-recurring items)		(722)	(230)	(478)
Operating loss before non-recurring items		(190)	(163)	(404)
Non-recurring items	2	(173)	—	—
Operating loss		(363)	(163)	(404)
Finance costs		(5)	(5)	(10)
Loss before income tax		(368)	(168)	(414)
Income tax		—	—	—
Loss and total comprehensive income for the year attributable to owners of the parent company		(368)	(168)	(414)
Loss per share expressed in pence per share	3			
Basic and diluted		(0.52p)	—	—

* Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. The comparative figures are for illustration only and represent the results of that subsidiary.

Group statement of financial position

As at 30 September 2013

	Note	30 September 2013 Unaudited £'000	30 September 2012 Unaudited £'000*	31 March 2013 Unaudited £'000*
Assets				
Non-current assets				
Intangible assets	4	610	93	133
Property, plant and equipment		1,149	71	69
Deferred tax assets		65	—	—
		1,824	164	202
Current assets				
Inventories		724	—	3
Trade and other receivables		856	51	110
Cash and cash equivalents		668	31	32
		2,248	82	145
Total assets		4,072	246	347
Equity				
Shareholders' equity				
Called up share capital		831	13	529
Share premium		2,817	290	—
Merger reserve		53	—	53
Share-based payment reserve		23	—	—
Accumulated losses		(852)	(238)	(484)
Total equity		2,872	65	98
Liabilities				
Non-current liabilities				
Trade and other payables		111	134	134
Obligations under finance leases		73	—	—
Provisions		200	—	—
		384	134	134
Current liabilities				
Trade and other payables		544	47	115
Obligations under finance leases		41	—	—
Invoice finance		231	—	—
		816	47	115
Total liabilities		1,200	181	249
Total equity and liabilities		4,072	246	347

* Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. The comparative figures are for illustration only and represent the results of that subsidiary.

Statement of Group cash flows

For the half year ended 30 September 2013

	Six months ended 30 September 2013 Unaudited £'000	Six months ended 30 September 2012 Unaudited* £'000	Year ended 31 March 2013 Unaudited* £'000
Cash flows from operating activities			
Cash generated from operations	(429)	(204)	(422)
Interest paid	(5)	(5)	(10)
Net cash from operating activities	(434)	(209)	(432)
Cash flows from investing activities			
Acquisition of subsidiary	(1,230)	—	—
Purchase of intangible fixed assets	(17)	—	(52)
Purchase of tangible fixed assets	(5)	(11)	(14)
Sale of tangible fixed assets	—	9	9
Net cash from investing activities	(1,252)	(2)	(57)
Cash flows from financing activities			
Share issue	2,650	217	496
Flotation costs	(581)	—	—
Repayment of finance leases	(33)	—	—
Invoice discounting loan	231	—	—
Net cash from financing activities	2,267	217	496
Increase in cash and cash equivalents	581	6	7
Cash acquired on acquisition	55	—	—
Cash and cash equivalents at start of period	32	25	25
Cash and cash equivalents at end of period	668	31	32

Note to the statement of Group cash flows

For the half year ended 30 September 2013

	Six months ended 30 September 2013 Unaudited £'000	Six months ended 30 September 2012 Unaudited £'000*	Year ended 31 March 2013 Unaudited £'000*
Loss before income tax	**(368)**	(168)	(414)
Share-based charge	**23**	—	—
Depreciation and amortisation	**84**	16	33
Finance costs	**5**	5	10
Increase in inventories	**(20)**	—	(3)
Increase in trade and other receivables	**(97)**	(11)	(70)
(Decrease)/increase in trade and other payables	**(56)**	(46)	22
Cash used in operations	**(429)**	(204)	(422)

* Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. The comparative figures are for illustration only and represent the results of that subsidiary.

Notes to the unaudited interim statements

For the half year ended 30 September 2013

1. Basis of preparation

1.1 This is the first set of consolidated results published by the Group and has been prepared in accordance with the AIM rules and the accounting policies disclosed in the statutory audited accounts of Versarien Technologies Limited for the year ended 31 March 2013 sent to shareholders in September 2013 which will be applied at the year-end. In addition the accounting policies set out below have been applied.

1.2 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 IFRS covering such transactions. IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This requires, inter alia, that where IFRS does 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 United Kingdom Financial Accounting Standards Board (ASB) has 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 has been accounted for on a merger or pooling of interest basis as if both entities had always been combined. The combination has been accounted for using book values, with no fair value adjustments made nor goodwill created.

1.3 The Company acquired the entire share capital of Total Carbide Limited on 12 June 2013 and accounted for it using the purchase method. The consideration was measured at the fair value of equity instruments issued and cash paid by the Company in exchange for control of the acquiree. Acquisition related costs are recognised in the Group statement of comprehensive income (see note 2).

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair value at the acquisition date (see note 5).

Goodwill arising on the acquisition of subsidiaries represents 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.

1.4 The policies set out above are in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively, "IFRS") issued by the International Accounting Standards Board as endorsed for use in the European Union. Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied in this Interim Report.

1.5 The financial information in this statement is unaudited and does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. These are the first consolidated accounts of the Group and comparative figures are given for illustration purposes only, are unaudited and have not been delivered to the Registrar of Companies.

The Board of Directors approved the Interim Report on 2 December 2013.

Notes to the unaudited interim statements continued

For the half year ended 30 September 2013

2. Non-recurring items

Non-recurring items include £123,000 in respect of the costs of acquisition of Total Carbide Limited and £50,000 in respect of restructuring costs.

3. Loss per share

The loss per share has been calculated by dividing the loss after taxation (£368,000) by the weighted average number of shares in issue (71,157,101) during the period.

The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS33 'Earnings Per Share', potential Ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 30 September 2013 there were 3,388,354 potential ordinary shares which have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at that date.

4. Intangible assets

	30 September 2013 Unaudited £'000	30 September 2012 Unaudited £'000	31 March 2013 Unaudited £'000
Goodwill	**354**	—	—
Fair value of intangibles acquired	**116**	—	—
Development costs	**69**	—	51
Licence	**71**	93	82
Total	**610**	93	133

The provisional fair value of intangible assets acquired 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 19.6%. It is amortised on a straight-line basis over five years.

5. Acquisition of subsidiary

On 12 June 2013 the Company acquired the entire share capital of Total Carbide Limited for a consideration of £2.28 million comprising cash of £1.23 million (net) and 8,571,429 Ordinary shares at the flotation price of 12.25 pence per share. The provisional fair value of the assets and liabilities of Total Carbide at the date of acquisition were as follows:

	Provisional fair value £'000
Non-current assets	
Intangible assets	123
Property, plant and equipment	1,141
Deferred tax assets	65
	1,329
Current assets	
Inventories	701
Trade and other receivables	714
Cash and cash equivalents	55
	1,470
Total assets	**2,799**
Non-current liabilities	
Obligations under finance leases	(92)
Provisions	(200)
	(292)
Current liabilities	
Trade and other payables	(526)
Obligations under finance leases	(55)
	(581)
Total liabilities	**(873)**
Net assets	**1,926**

In accordance with IFRS 3, the Board has reviewed the fair value of the assets and liabilities using the information available to it since Total Carbide was acquired. The provisional fair values are being discussed in accordance with the terms of the share purchase agreement and may therefore change.

6. Dividends

As stated in the AIM admission document the Board's objective is to continue to grow the Group's business and it is expected that any surplus cash resources will, in the short to medium term, be re-invested into the research and development of the Group's products. In view of this, no dividend is declared and the Directors will not be recommending a dividend for the foreseeable future. However, the Board intends that the Company will recommend or declare dividends at some future date once they consider it commercially prudent for the Company to do so, bearing in mind its financial position and the capital resources required for its development.

7. Interim Report

Copies of the Interim Report are being sent to shareholders and are available to the public from the offices of Versarien plc at Hollyhill Industrial Park, Hollyhill Road, Forest Vale Industrial Estate, Cinderford, Gloucestershire, GL14 2YB. The Interim Report and interim announcement will also be available on the Group's website at www.versarien.com.

www.versarien.com

Group information

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Non-executive Chairman

N Ricketts
Chief Executive Officer

W Battrick
Chief Technical Officer

C Leigh
Chief Financial Officer

J Veasey
Non-executive Director

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