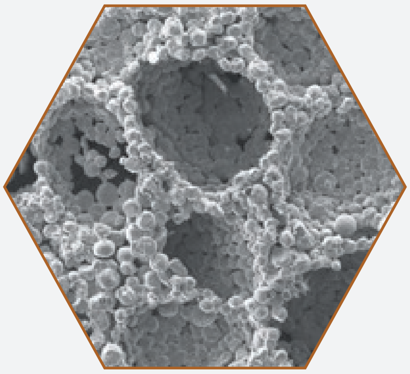
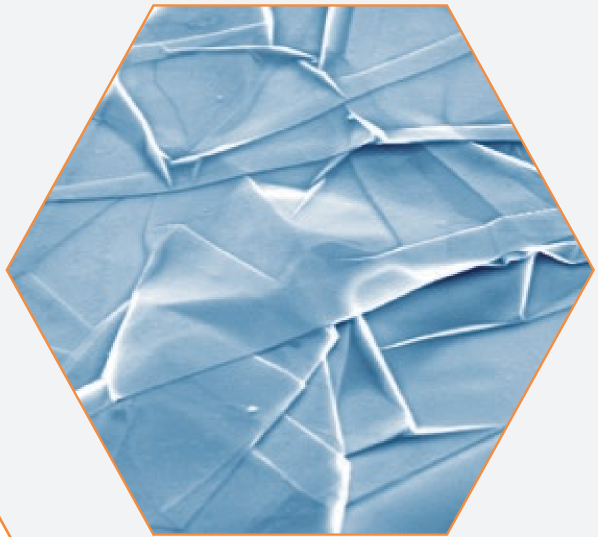
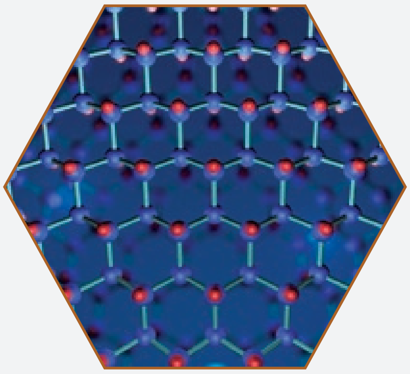
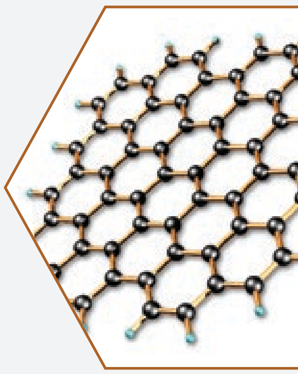


Versarien

Versarien plc
Annual Report 2014





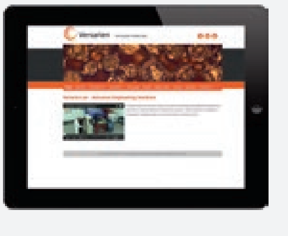


Developing **advanced materials** and enabling **engineering exploitation**

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

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.

In this report



For further information about our operations visit our website at

www.versarien.com

Key highlights

- Group revenues of £3.0 million including 9.5 months from Total Carbide
- Operating loss before interest, tax, depreciation, amortisation and non-recurring items of £250,000
- Net assets increased from £98,000 at 31 March 2013 to £2,599,000
- Cash reserves and bank facility headroom of £5.7 million following a post year-end oversubscribed placing of £5.5 million
- Thermacore Europe Limited development project on track with pre-production parts delivered
- 26 VersarienCu development projects in progress backed by grant funding of £0.3 million (2013: 14 projects with grants of £0.1 million)
- Total Carbide orders received in Q1 2014/15 of £1.4 million (Q1 2013/14: £0.8 million)
- Total Carbide delivering 11% operating return on sales of £3.0 million
- 2-DTech Limited acquired on 30 April adding world-class graphene expertise and capability to materials range
- Two collaborative projects for 2-DTech Limited agreed with University of Manchester to develop graphene for use in structural composites and thermoplastics

Our story started in 2010 and we have had a number of highlights since then.

December 2010

Versarien was formed

Versarien was formed in December 2010 with the express purpose of commercialising the Lost Carbonate Sintering process, developed initially by Dr Yuyuan Zhao of the University of Liverpool over the preceding four years.

February 2011

Gained global manufacturing rights for porous copper production

In February 2011, Versarien secured a letter of intent that unlocked global manufacturing rights to the process for micro-porous copper production (VersarienCu™).

continued on the next page

Our progress so far

After a successful start-up and flotation on the AIM submarket, the Group is confident of further growth.

Read more in our strategy on **page 7**

July 2012

Won the Hewlett-Packard SMART Award for Manufacturing Innovation 2012

The annual award celebrates the best achievements of the UK's small and medium sized businesses and was followed a year later by Overall Winner SMART Business of the year.

September 2012

"Overall Winner 2012" at the UKTI Start-Up Games

Competing against over 500 of the most exciting and innovative new companies, Versarien was voted the leading new company in the UK.

June 2013

Floated on the AIM submarket of the London Stock Exchange

Versarien is floated on the AIM market at a price of 12.25 pence per share, valuing it at c.£10 million.

June 2013

Acquired Total Carbide, giving Versarien access to a transformational portfolio of powder metallurgy machinery and equipment.

Total Carbide Limited, a manufacturer of sintered tungsten carbide parts, was acquired for a total consideration of £2.28 million. The acquisition not only expanded Versarien's product offering but also procured a plant primed to enable the larger scale manufacture of VersarienCu™.

April 2014

Acquired 2-DTech™ Limited

2-DTech™, a developer and supplier of early stage graphene products, was acquired from the University of Manchester for a total consideration of £440,000.

April 2014

£5.5 million placing

Versarien raises £5.5 million by way of an oversubscribed placing approved by its shareholders. The net funds of £5.25 million will be used to fund research and expansion of the Group.

More information is available at www.versarien.com

Our business at a glance

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

We believe that our product offerings are capable of having a game-changing impact in a broad variety of industry sectors through our subsidiaries:

Versarien Technologies Limited

Versarien Technologies Limited (VTL) holds the exclusive rights to a patent-protected additive process for creating micro-porous copper foam, which has multiple potential markets with primary focus on electronic equipment through the production of highly efficient heat exchange materials.

Total Carbide Limited

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

Created in 1950, the company has a wealth of experience and focuses on world-class product quality through the latest engineering practices.

2-DTech Limited

2-DTech Limited, a spin-out from the University of Manchester, the birthplace of graphene and home to the Nobel prize winning academics Geim and Novoselov, specialises in the supply of graphene products and the transfer of fundamental science to applied technology.

Our business model

Intellectual property

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.

Experience

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

Manufacture

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

Capital

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

Chairman's statement

I am delighted to report on the substantial progress Versarien has made during the course of 2013/14 combining growth in its core businesses with exciting acquisition opportunities.

Application test results continue to be positive and we remain in dialogue with many blue chip companies regarding exploitation in application. The addition of 2-DTech™ to our Group creates its own compelling opportunities, as well as further enhancing the copper foam potential. We look forward to this year with much optimism.

"In the current year we expect to increase our turnover by commercialising the IP we have whilst maintaining careful control of costs."

Versarien is an embryonic IP-led advanced materials group that seeks to utilise proprietary technology to create innovative new engineering solutions that are capable of having a game-changing impact in a broad variety of industry sectors.

Its IP currently consists of two major strands, VersarienCu, a porous copper foam with thermal management properties up to ten times more efficient than currently available products and, since the acquisition of 2-DTech Limited in April 2014, graphene, which conducts electricity 100 times better than silicon but is transparent, lightweight, strong yet flexible and elastic.

Versarien floated on 12 June 2013 and I am pleased to provide this, its maiden set of annual results. At the year end, the Group consisted 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. On 30 April 2014 the Group acquired 85% of 2-DTech Limited, a graphene developer and supplier, and completed a share placing raising £5.5 million.

The turnover for the year was £3.0 million and the operating loss before interest, tax, depreciation, amortisation and non-recurring items was £250,000. In the current year we expect to increase turnover through the further commercialisation of the Group's IP.

At the same time management will continue to maintain careful control of costs.

Since flotation we have completed our Executive team by the appointment of Mr Chris Leigh as full time Chief Financial Officer. Chris is a finance director who has both relevant sector knowledge as well as AIM-listed company experience.

Key to the Group's success will be the recruitment and retention of further qualified and committed senior staff and we are grateful to all of our existing staff for the valued contribution they have made.

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.

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.

Ian Balchin
Non-executive Chairman
21 July 2014

Chief Executive Officer's review and Strategic report

Predicted market for graphene products by 2023

$1.3bn

Global market for thermal management by 2016

$11bn

Business overview

Versarien Technologies Limited (VTL) holds the exclusive rights to a patent-protected additive process for creating porous copper foam, which has multiple potential markets with primary focus on electronic equipment through the production of highly efficient heat exchange materials.

Total Carbide (TC) manufactures sintered tungsten carbide primarily for hard-wearing applications in the oil and gas industry.

2-DTech Limited, acquired in April 2014, a spin-out from the University of Manchester, the birthplace of graphene and home to the Nobel prize winning academics Geim and Novoselov, specialises in supply of graphene products and the transfer of fundamental science to applied technology.

Business model

Versarien seeks to capitalise on innovative IP, transforming it into commercially viable products that can tackle the technological challenges faced by modern manufacturers. This requires a number of steps:

→ 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;

→ 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; and

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

Markets and trends

There are a number of companies that provide support and finance to businesses seeking to commercialise intellectual property or provide finance to spin-out companies from universities or research institutions, but they tend to cover many sectors. Versarien concentrates on only those opportunities that are in the advanced materials and high value manufacturing sectors and that outperform conventional materials with superior combinations of functional properties, such as toughness, hardness, durability, elasticity, strength or conductivity.

VersarienCu operates in the global market for thermal management technology which is set to grow from $8 billion in 2011 to $11 billion by the year 2016 and its potential applications include aerospace, defence, automotive, data communications, renewable energy, power distribution, transportation and motorsport.

Our strategy at a glance

To identify and acquire disruptive intellectual property in advanced materials

To establish development agreements with world-class organisations

To commence commercial production

To deliver attractive share price growth for investors

Objectives and key performance indicators

Our objectives for the current financial year are:

→ identify and acquire majority stakes in embryonic advanced materials companies;

→ identify and acquire licences for thermal management materials;

→ sign application development agreements with customers;

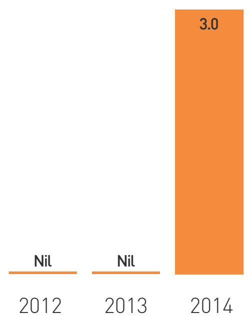
→ sign commercial production agreements with customers;

→ move VersarienCu to break-even by the end of the financial year; and

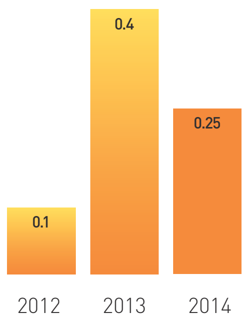
→ maintain Total Carbide's operating profit return at a minimum of 10% of sales.

Key performance indicators

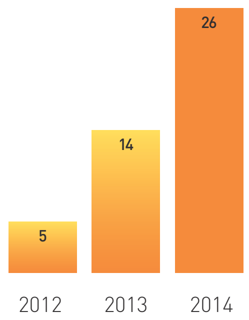
Revenue (£m)



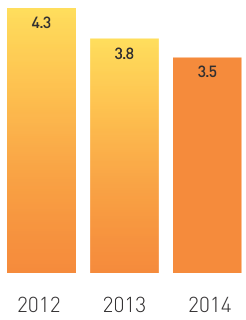
LBITDA before non-recurring items (£m)



Projects in development



Total Carbide orders received (£m)



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 unaudited and for illustration only and represent the results of that subsidiary.

Chief Executive Officer's review and Strategic report *continued*

Markets and trends *continued*

2-DTech Limited operates in the graphene development market, the total demand for which is anticipated to increase from circa 40 tonnes per annum currently to circa 400 tonnes by 2017. Forecasts suggest the market for graphene products in 2018 will be US$195 million growing to US$1.3 billion by 2023.

Strategy and results

- To identify and acquire disruptive intellectual property in advanced materials and within six months have entered into joint development agreements with potential customers. Versarien floated in June 2013 with one technology, VersarienCu. It has since acquired the graphene related intellectual property of 2-DTech and is entering into collaboration agreements with the University of Manchester to identify commercial applications. We are in discussion with a number of other universities regarding licences to produce alternative porous metals for thermal management systems.
- To establish development agreements with world-class organisations to apply acquired IP to specific applications with a view to moving into commercial production within six months. We have announced our first commercial development agreement with Thermacore for use in isothermalisation devices key in the Genomics sector. We are in discussions with the other organisations operating in the data centre infrastructure market.
- To commence commercial production within twelve months of acquiring IP rights. We anticipate reaching an agreement with Thermacore Europe Limited to commence commercial production shortly.
- To deliver share price growth for our investors based on IP in production, the pipeline of development and commercialisation opportunities and enhancing our IP portfolio.

Financial results

Versarien's revenue for the year ended 31 March 2014 totalled £2,953,000 with operating losses before non-recurring items of £444,000. This includes just over nine months' post-acquisition sales from Total Carbide of £2,948,000 and operating profits before non-recurring and special items of £332,000. Non-recurring and special costs of £197,000 include £147,000 relating to the acquisition of Total Carbide and £50,000 restructuring costs.

Group net assets at 31 March 2014 were £2,599,000 compared with £98,000 for VTL at 31 March 2013. 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 0.85 pence. The average number of shares in issue during the period was 77.1 million.

Post balance sheet events

Subsequent to the year end the Group raised £5.5 million before expenses by way of a placing on 30 April 2014 and uses invoice finance funding for its trading operations. Currently the Group has £5 million in cash, £0.7 million of headroom on its finance facilities.

On 30 April 2014 Versarien acquired 85% of the issued share capital of 2D-Tech Limited, a developer and producer of graphene, for a total consideration of £444,000. The Group now has three operating subsidiaries and has strengthened its organisation structure by the appointment of managing directors to each unit, two of which are internal promotions and one an external recruit.

Versarien Technologies Limited (VTL)

VTL's revenue for the year was minimal as it continues to progress through its development cycle. Operating losses before non-recurring items were £526,000 for the year (2013: £404,000).

VTL continues to receive multiple positive test results from a number of key customers and now has confidence to develop key product ranges that will provide the seed for supplying modular systems for a variety of applications including:

- all-electric, hybrid and fuel cell automotive;
- industrial automation; and
- electric marine.

It will, in addition, continue to progress custom applications and is looking to improve customer enquiry response times by investing in device test and characterisation facilities at its new factory in Mitcheldean. Key performance indicators will include the number of potential applications undergoing test and customer response times.

Total Carbide Limited

It is very pleasing to report that the Total Carbide order book continues to strengthen and has achieved 11% operating return on sales since acquisition. We have also successfully introduced an SAP platformed Enterprise Resource Planning system, which is being used group-wide. 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 in 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 successfully exploited its existing expertise to secure funding for two materials development programmes at Total Carbide and it is intended that this strategy can be developed further to bring new derivatives of tungsten carbide hard metals to market.

2D-Tech Limited

Although only acquired post year end, I am pleased to report that the company has now been integrated into our Group systems and that we have appointed Nigel Salter, a former divisional technical director at Oxford Instruments, to manage the business. We are currently examining a number of different opportunities for commercial production and look forward to reporting these in due course.

Chief Executive Officer's review and Strategic report *continued*

Principal risks and uncertainties

Versarien's businesses are subject to a number of risks and uncertainties and the Board continually considers how to identify and mitigate the key business risks that could impact the Group's performance. The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation.

Risk	Mitigation
Technological risks	Versarien 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 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. In order to be successful in the future, the Group must continue to respond promptly and effectively to the challenges of technological change and competitors' innovations. 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. Due to the Group's size and limited cash resources, it may not be able to detect and prevent infringement of its IP. The steps which the Group has taken to protect its IP may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights. Any misappropriation of the enlarged Group's intellectual property could have a negative impact on its business and operating results. Furthermore, the Group may need to take legal action to enforce its IP, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. In addition, although the Directors believe that the Group's IP does not infringe the intellectual property rights of others, third parties may assert claims that the Group has violated a patent or infringed a particular copyrights, trademark or other proprietary right or confidential information belonging to them. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, whether with or without merit, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation.
Litigation risks	All industries, including the technology industry, are subject to legal claims, with and without merit. The Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Group's financial position or results of operations.

Risk	Mitigation
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. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group. Risk is mitigated by providing share options to key employees together with significant opportunities for career advancement.
Future funding risks	Whilst the Directors have no current plans for raising additional capital 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.
General economic conditions risks	Market conditions, particularly those affecting technology companies, may affect the ultimate value of Group's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks and political unrest and/or government legislation or policy. 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.
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.

Signed by the order of the Directors

Neill Ricketts
Chief Executive Officer
21 July 2014

Directors

Ian Balchin

Non-executive Chairman

(Appointed 12 June 2013)

Mr Balchin has 27 years of extensive experience in technology-based businesses across several sectors, optimising business performance in start-up, growth, turn-around and change situations. Ian is currently chairman of HotZone Technologies Limited prior to which he was chief strategy officer and deputy chairman of AIM quoted AFC Energy plc and a non-executive director of Waste2Tricity Limited. Previously until 2005 Ian was with Stanelco plc as CEO during its successful growth period and with AEA Technology plc until 2000 including serving as director of New Ventures. Other positions held include executive chairman of Forensic Alliance, president of Biotec Holdings GmbH, non-executive director of Synexus, chairman of Risk Solutions and chairman of Sonomatic BV. Ian has a degree in chemistry with economics from the University of Sussex.

Neill Ricketts

Chief Executive Officer

Mr Ricketts is a graduate engineer with over 20 years of senior level experience in manufacturing and engineering companies, including several directorships of AIM-quoted companies. Neill 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. Neill has successfully led several successful turnarounds and was a board level director at Elektron Technology PLC, a group which included Total Carbide, which at that time sat within the Elektron Ventures division.

Will Battrick

Chief Technical Officer

Mr Battrick is an innovative, analytical and commercially focused engineering materials technologist, with a first class Masters degree from one of the UK's premier engineering universities, and significant experience in the UK advanced manufacturing sector, including former management buy-in Crompton Technology Group (CTG, recently acquired by UTC Aerospace Systems), The National Physical Laboratory and Elektron Ventures, the advanced products division of Elektron plc. He co-founded aerospace composites start-up Kynsa, securing contracts in the defence sector prior to trade-sale. Demonstrable success in the transfer of highly complex materials manufacturing processes into volume, he has delivered programmes for Siemens Healthcare and GE Medical Systems, as well as leading production of highly challenging specialist products for space science programmes. His specialities range from composite structures though to powder metallurgy, process piloting and scale-up, technology programme management and application of innovative materials.

Christopher Leigh
Chief Financial Officer
(Appointed 3 July 2013)

Mr Leigh is an experienced finance director 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 was previously Chief Financial Officer at a leading medical recruitment agency and was group finance director of AIM-listed Elektron Technology Plc for 18 years between 1992 and 2010.

David (Jeremy) Veasey
Non-Executive Director
(Appointed 12 June 2013)

Mr Veasey has over 40 years' experience in all aspects of stockbroking, including corporate work. He retired from Seymour Pierce Ellis in 2010 after twelve years with the firm, prior to which he was a senior director of NatWest and a member of the management board of the stockbroker Fielding Newson Smith & Co. Since his retirement, Jeremy has advised on smaller company corporate work through his service company, Jeddah Securities.

Directors' report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the period ended 31 March 2014.

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 for the Group are unaudited.

Results and dividends

The Group incurred a loss for the year of £653,000 (2013: £414,000). The Directors do not recommend the payment of a dividend (2013: £nil). The Directors are confident of the prospects of the Group for the current year.

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 Chairman's Statement and the Strategic Report on pages 5 to 11.

Directors

The current Directors of the Company are listed on pages 12 to 13, all of whom held office during the year except where indicated otherwise. Stephen Humphries resigned as Director during the year on 3 July 2013. Details of Directors' interests in share options and in shares are given in the Directors' Remuneration Report on page 16.

Risk factors

Information on the Group's principal risks and how they are mitigated are 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.

Directors' indemnity insurance

The Group held a Directors' and officers' insurance policy in place throughout the period in respect of the Company and the Group's subsidiaries.

Political donations

No political contributions were made during the year (2013: £nil).

Going concern

The Group raised £5.5 million gross from a placing on 1 May 2014 and consequently has considerable financial resources to fund its current business activities. Consequently, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's financial statements.

Corporate governance

Although not required to do so, the Company seeks, within the practical confines of being a small company, to act in compliance with the principles of good governance and the code of best practice as contained in the UK Corporate Governance Code.

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 Board consists of three Executive Directors and two Non-executive Directors. The Board considers that there is an appropriate balance between the Executives and Non-executives and that no individual or small group dominates the Board 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 Chairman.

The Board has delegated certain authorities to committees, each with formal terms of reference. The whole Board acts as a Nomination Committee.

The Non-executive Directors are the members of the Audit Committee. It meets twice a year to consider the scope of the annual audit, 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 Jeremy Veasey.

Corporate governance *continued*

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 Ian Balchin.

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 the control procedures that are in place to manage those risks have been documented. This document is subject to review by the Board and is updated on a regular basis. 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 or loss.

The key elements of the system of internal control are:

→ clear definition of delegated authorities and 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.

Significant shareholdings

Shareholders holding more than 3% of the 105,411,214 issued Ordinary shares of the company at 21 July 2014 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 auditor is 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 auditor is aware of that information.

Auditor

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

By order of the Board

Christopher Leigh
Company Secretary
21 July 2014

Significant shareholdings

	Ordinary shares	% held
Henderson Global Investors	21,169,121	20.08%
Miton Group Plc	7,239,512	6.87%
Blackrock Inc.	7,259,628	6.89%
Unicorn Investment Fund	5,150,000	4.89%
Herald Investment Management	5,035,950	4.78%

Directors' remuneration report

Directors' remuneration

The two Non-executive Directors comprise the members of the Remuneration Committee. Ian Balchin chairs the committee. The Remuneration Committee decides the remuneration policy that applies to Executive Directors.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for Executive Directors. The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. Remuneration comprises basic salary and, for most Directors, pension contributions to the Director's personal pension scheme, and benefits in kind. In addition, certain Directors are paid a car allowance or receive a contribution to their travel expenses. Remuneration also includes share options and carried interest as detailed below. An analysis of remuneration by Director is given in note 8 of these financial statements.

Contracts of service

The Executive Directors, Neill Ricketts, Christopher Leigh and William Battrick, each have a service agreement containing one year's notice. The Non-executive Directors, David (Jeremy) Veasey and Ian Balchin, have service agreements with a three-month notice period.

Directors' interests – interests in share options

Details of options held by Directors who were in office at 31 March 2014 are set out below. One-third of the options granted are exercisable annually from the date of grant.

No options were exercised by Directors during the year. Details of the Company's option schemes are set out in note 19 to the financial statements.

The market price of the Company's shares at 31 March 2014 was 26.5 pence. The range of market prices during the year was 11.5 pence to 29.5 pence.

Directors' interests – interests in shares

Directors in office at 31 March 2014 had interests in the Ordinary shares of 1 pence each of the Company as displayed in the table below.

Ian Balchin
Chairman
21 July 2014

Directors' interests in share options

Director	Date of grant	Number	Exercise price	Expiry date
Neill Ricketts	12 June 2013	528,720	12.25p	12 June 2023
William Battrick	12 June 2013	528,720	12.25p	12 June 2023
Christopher Leigh	30 September 2013	528,720	15.5p	30 September 2023

	2014 Number	2013 Number
Neill Ricketts	**16,000,000**	—
William Battrick	**8,000,000**	—
David (Jeremy) Veasey	**1,544,000**	—
Ian Balchin	**1,149,633**	—
Christopher Leigh	**115,000**	—

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

→ select suitable accounting policies and then apply them consistently;

→ present information, including accounting policies, in a manner that provides relevant, reliable, comparable, understandable information;

→ provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

→ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records sufficient to show and explain company transactions and which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report

To the shareholders of Versarien plc Group

We have audited the financial statements of Versarien Plc for the period ended 31 March 2014 which comprise the Group and Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Company Statement of Cash Flows, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2014 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Other matters

The comparative information for the period ended 31 March 2013 is unaudited.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Rhodri Whittlock
for and on behalf of BDO LLP
Chartered Accountants and Statutory Auditor
Pannell House
Park Street
Guildford
GU1 4HN
21 July 2014

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

Group statement of comprehensive income

For the period ended 31 March 2014

	Notes	2014 £'000	2013 £'000 (unaudited)
Continuing operations			
Revenue	3	**2,953**	—
Cost of sales		**(1,881)**	—
Gross profit		**1,072**	—
Other operating income	4	**98**	74
Operating expenses	5	**(1,614)**	(478)
Loss from operations		**(444)**	(404)
Non-recurring items	6	**(197)**	—
Finance charge	7	**(12)**	(10)
Loss before income tax		**(653)**	(414)
Income tax	9	**—**	—
Loss for the year		**(653)**	(414)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	**(0.85)p**	(0.78)p

There were no comprehensive gains or losses in the year other than those included in the Comprehensive Income Statement. The accompanying notes are an integral part of this Consolidated Comprehensive Income Statement. 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 £359,000 (2013: £nil). Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. Consequently, there is not a statutory comparative period and under merger accounting the comparative financial information relates to Versarien Technologies Limited until the date of the merger.

Review of the period
Corporate governance
Financial statements

Group statement of financial position

At 31 March 2014

	Notes	2014 £'000	2013 £'000 (unaudited)
Assets			
Non-current assets			
Goodwill and other intangibles	11	**586**	133
Property and equipment	12	**1,091**	69
Deferred taxation	11	**65**	—
		1,742	202
Current assets			
Inventory	14	**765**	3
Trade receivables	15	**955**	110
Cash and cash equivalents		**215**	32
		1,935	145
Total assets		**3,677**	347
Equity			
Called up share capital	18	**831**	529
Share premium account	18	**1,853**	—
Merger reserve		**1,017**	53
Share-based payment reserve		**35**	—
Retained earnings		**(1,137)**	(484)
Total equity		**2,599**	98
Liabilities			
Non-current liabilities			
Trade and other payables	17	**115**	134
Provisions	11	**200**	—
Long-term borrowings		**34**	—
Total non-current liabilities		**349**	134
Current liabilities			
Trade and other payables	16	**549**	115
Invoice discounting advances		**156**	—
Current portion of long-term borrowings		**24**	—
Total current liabilities		**729**	115
Total liabilities		**1,078**	249
Total equity and liabilities		**3,677**	347

Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. Consequently, there is not a statutory comparative period and under merger accounting the comparative financial information relates to Versarien Technologies Limited until the date of the merger.

The accompanying notes are an integral part of this Consolidated Balance Sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 21 July 2014 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer
21 July 2014

Christopher Leigh
Chief Financial Officer

Registered number 8418328

Company statement of financial position

At 31 March 2014

	Notes	2014 £'000
Assets		
Non-current assets		
Investment in subsidiaries	13	**2,951**
Property and equipment		**1**
		2,952
Current assets		
Trade receivables	15	**32**
Cash and cash equivalents		**23**
		55
Total assets		**3,007**
Equity		
Called up share capital	18	**831**
Share premium account	18	**1,853**
Merger relief		**964**
Other reserve		**(431)**
Share-based payment reserve		**35**
Retained earnings		**(359)**
Total equity		**2,893**
Liabilities		
Current liabilities		
Trade and other payables	16	**114**
Total liabilities		**114**
Total equity and liabilities		**3,007**

Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. Consequently, there is no statutory comparative financial information.

The accompanying notes are an integral part of this Balance Sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 21 July 2014 and were signed on its behalf by:

Neill Ricketts
Chief Executive Officer
21 July 2014

Christopher Leigh
Chief Financial Officer

Registered number 8418328

Group statement of changes in equity

For the period ended 31 March 2014

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2012	—	—	85	—	(69)	16
Issued in the year	—	—	497	—	—	497
Merger	529	—	(529)	—	—	—
Loss for the year	—	—	—	—	(415)	(415)
At 31 March 2013 (unaudited)	529	—	53	—	(484)	98
Issue of shares	302	2,434	964	—	—	3,700
Cost of share issue	—	(581)	—	—	—	(581)
Loss for the year	—	—	—	—	(653)	(653)
Share-based payments	—	—	—	35	—	35
At 31 March 2014	**831**	**1,853**	**1,017**	**35**	**(1,137)**	**2,599**

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

Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. Consequently, there is not a statutory comparative period and under merger accounting the comparative financial information relates to Versarien Technologies Limited until the date of the merger.

Company statement of changes in equity

For the period ended 31 March 2014

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At incorporation	—	—	—	—	—	—	—
Issue of shares	831	2,434	964	(431)	—	—	3,798
Cost of share issue	—	(581)	—	—	—	—	(581)
Loss for the period	—	—	—	—	—	(359)	(359)
Share-based payments	—	—	—	—	35	—	35
At 31 March 2014	**831**	**1,853**	**964**	**(431)**	**35**	**(359)**	**2,893**

Other reserves 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 period ended 31 March 2014

	Notes	Group 2014 £'000	Group 2013 £'000 (unaudited)	Company 2014 £'000
Cash flows from operating activities				
Cash used in operations	22	**(715)**	(422)	**(241)**
Interest paid		**(12)**	(10)	**—**
Net cash from operating activities		**(727)**	(432)	**(241)**
Cash flows from investing activities				
Acquisition of subsidiaries		**(1,175)**	—	**(1,230)**
Loans to subsidiaries		**—**	—	**(574)**
Purchase of intangible non-current assets		**(18)**	(52)	**—**
Purchase of tangible non-current assets		**(33)**	(14)	**(1)**
Sale of tangible non-current assets		**—**	9	**—**
Net cash from investing activities		**(1,226)**	(57)	**(1,805)**
Cash flows from financing activities				
Share issue		**2,650**	496	**2,650**
Flotation costs		**(581)**	—	**(581)**
Repayment of finance leases		**(89)**	—	**—**
Invoice discounting loan		**156**	—	**—**
Net cash generated from financing activities		**2,136**	496	**2,069**
Increase in cash and cash equivalents		**183**	7	**23**
Cash and cash equivalents at beginning of year		**32**	25	**—**
Cash and cash equivalents at end of year		**215**	32	**23**

Versarien plc was formed on 25 February 2013 to acquire Versarien Technologies Limited in a share-for-share exchange prior to flotation. Consequently, there is no statutory comparative financial information. The comparative figures are for illustration only and represent the results of that subsidiary.

The accompanying notes are an integral part of this Cash Flow Statement.

Accounting policies

For the period ended 31 March 2014

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 are set out in the Strategic Report and the Group's financial risk management is covered in note 1. The progress of the Group since the balance sheet date is described in the Chairman's Statement and 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.

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The comparative figures are unaudited, non-statutory and for illustrative purposes only.

The financial statements have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments (IAS 39).

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements and which have not been early adopted:

Effective 1 January 2014:

→ IFRS 10 "Consolidated Financial Statements"

→ IFRS 11 "Joint Arrangements"

→ IFRS 12 "Disclosures of Interests in Other Entities"

→ IAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities"

Effective 1 January 2015:

→ IFRS 9 "Financial Instruments"

The impact of the adoption of these standards and interpretations on the Group's financial statements in the period of initial application has not been quantified.

Basis of consolidation

The Group financial statements consolidate the financial statements of Versarien 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 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. All other subsidiary undertakings are consolidated using acquisition accounting from the date of acquisition.

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 IFRS 3 are recognised at their fair value at the acquisition date (see note 5).

Basis of consolidation *continued*

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.

Under acquisition accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The direct costs of acquisition are recognised immediately as an expense.

Segmental reporting

The Directors regard the Group's reportable segments of business to be engineering versatile activities ("engineering"), manufacturing of tungsten carbide ("manufacturing") and holding company activities ("central"). The business has no significant geographical aspect. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition 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 in to cash-generating units (CGU) being the lowest levels for which there are separately identifiable cash flows. Any impairment is recognised immediately in the income statement 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 13 represent the estimated present value of the acquired company's customer relationships.

Property and equipment

Property 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	one 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.

Accounting policies *continued*

For the period ended 31 March 2014

Research and development

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

→ completion of the intangible asset is technically feasible so that it will be available for use or sale;

→ the Company intends to complete the intangible asset and use or sell it;

→ the Company has the ability to use or sell the intangible asset;

→ the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;

→ there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

→ the expenditure attributable to the intangible asset during its development can be measured reliably.

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

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value 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

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 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.

Fair value is measured using the Black-Scholes-Merton 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

Sale of manufactured goods are recognised on the date of shipping of the goods.

Grant income recognition

Grant income is recognised in the income statement on a receivable basis. A grant, contribution or donated asset may be received subject to a condition that it be returned to the transferor if a specified future event does or does not occur. A return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant, contribution or donated asset being recognised as income in the statement of profit or loss and other comprehensive income. Capital grants are recognised over the useful life of the funded asset.

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 income statement 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 income statement 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 (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 (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 (cash-generating unit) in prior years. Impairment losses relating to goodwill are not reversed.

Non-recurring items

Non-recurring items are defined as items of income and expenditure which, in the opinion of the Directors, are material and 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 comprehensive income statement in accordance with IAS 1 "Presentation of Financial Statements".

Notes to the financial statements

For the period ended 31 March 2014

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Chief Executive's review and Strategic Report on pages 6 to 11. 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 for 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 efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares. 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.

Interest rate risk

The Group currently uses some invoice discounting advances to fund working capital requirements and holds surplus funds on deposit. Interest rate risks are not hedged.

(c) 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.

(d) 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 commitments.

At 31 March 2013 and 31 March 2014 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.

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 historic 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 and impairment

The Group believes that the most significant judgement area in the application of its accounting policies is establishing the fair value of intangibles. 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.

2. Significant accounting estimates and judgements *continued*

Critical accounting estimates and judgements continued

(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) Licence accounting

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

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

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

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

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

Management believes the commitment to purchase the VersarienCu technology licence meets the criteria above.

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

→ Licence – Straight line over five years.

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

3. Segmental information – business and geographical segments

At 31 March 2014 the Group is organised into two business segments. Central costs are reported separately.

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the two principle activities of the engineering of versatile materials and the manufacturing of tungsten carbide parts and accordingly the Group's reportable segments under IFRS 8 are based on these activities.

The segment analysis for the period ended 31 March 2014 is as follows:

	Central £'000	Engineering £'000	Manufacturing £'000	Intra group adjustments £'000	Total £'000
Revenue from services	—	4	2,949	—	2,953
Gross (loss)/profit	—	(25)	1,097	—	1,072
Other operating income	30	68	—	—	98
Operating expenses	(261)	(569)	(765)	(19)	(1,614)
(Loss)/profit from operations	(231)	(526)	332	(19)	(444)
Non-recurring and special items	(128)	(50)	(19)	—	(197)
Finance charge	—	(10)	(2)	—	(12)
(Loss)/profit before tax	(359)	(586)	311	(19)	(653)
Total assets	3,438	258	2,953	(2,972)	3,677
Total liabilities	(114)	(173)	(864)	73	(1,078)
Net assets/net (liabilities)	3,324	85	2,089	(2,899)	2,599
Capital expenditure	1	29	21	—	51
Depreciation/amortisation	—	34	140	20	194

In the prior year the Group only had the VTL activity and therefore no comparison is produced.

Notes to the financial statements *continued*

For the period ended 31 March 2014

3. Segmental information – business and geographical segments *continued*

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	
	2014 £'000	2013 £'000 (unaudited)	**2014 £'000**	2013 £'000 (unaudited)
United Kingdom	**2,378**	—	**1,742**	202
Rest of Europe	**515**	—	**—**	—
North America	**3**	—	**—**	—
Other	**57**	—	**—**	—
	2,953	—	**1,742**	202

4. Other operating income

	2014 £'000	2013 £'000 (unaudited)
Grant income	**68**	74
Other income	**30**	—
Total	**98**	74

5. Expenses by nature

Expenses included in operating expenses are analysed below.

	2014 £'000	2013 £'000 (unaudited)
Operating expenses		
Employee costs (salaries, national insurance and pension)	**1,378**	256
Share-based payments	**18**	—
Depreciation	**152**	10
Amortisation	**42**	22
Operating lease rentals:		
– machinery, equipment and vehicles	**15**	—
– land and buildings	**116**	—
Audit services:		
– fees payable to Company auditor for the audit of the parent company and consolidated accounts	**17**	—
– the audit of the Company's subsidiaries pursuant to legislation	**18**	11
Non-audit services:		
– flotation fees	**105**	—
– other	**9**	—

6. Non-recurring items

	2014 £'000	2013 £'000 (unaudited)
Restructuring costs – VTL	**50**	—
Acquisition costs – TCL	**147**	—
	197	—

7. Finance charge

	2014 £'000	2013 £'000 (unaudited)
Bank interest	2	—
Licence interest	10	10
	12	10

8. Directors and employees

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

	2014 Number	2013 Number (unaudited)
Manufacturing	31	4
Sales and administration	12	4
	43	8

The aggregate remuneration was as follows:

	2014 £'000	2013 £'000 (unaudited)
Wages and salaries	1,250	227
Social security	128	29
Share-based payment charge – equity settled	18	—
	1,396	256

Details of share options granted to and exercised by Directors in the year are contained in the Directors' Remuneration Report.

The key management of the Group comprises the Versarien Plc Group Board Directors. The total remuneration for each Director is shown below.

	Salary		Other benefits		Total	
	2014 £'000	2013 £'000 (unaudited)	2014 £'000	2013 £'000 (unaudited)	2014 £'000	2013 £'000 (unaudited)
Executive						
Neill Ricketts	90	85	7	—	97	85
Will Battrick	55	55	7	—	62	55
Christopher Leigh	74	—	7	—	81	—
	219	140	21	—	240	140
Non-executive						
Ian Balchin	26	—	—	—	26	—
David (Jeremy) Veasey	6	—	—	—	6	—
	32	—	—	—	32	—

Stephen Humphries resigned as a Director on 3 July 2013. During the period a total of £1,400 (2013: £2,000) was invoiced for acting as Finance Director.

Notes to the financial statements *continued*

For the period ended 31 March 2014

9. Taxation

	2014 £'000	2013 £'000 (unaudited)
UK corporation tax on profits of the year	—	—
Deferred tax	—	—
Tax on loss on ordinary activities	—	—

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

	2014 £'000	2013 £'000 (unaudited)
Loss before tax	(653)	(414)
Loss before tax at the effective rate of corporation tax in the UK of 23.0% (2013: 24.0%)	(150)	(99)
Effects of:		
Expenses not deductible for tax purposes	31	—
Capital allowances in excess of depreciation	(26)	3
Unrelieved losses arising in the year	190	96
Recognised losses brought forward	41	—
Other adjustments	(86)	—
Tax charge for the year	—	—

The Group's deferred tax assets, except for those arising on the fair valuation of net assets acquired on the acquisition of Total Carbide, are not recognised in accordance with Group policy. The amounts set out below will be available for offset against future taxable profits. These are stated using a corporation tax rate of 20% (2013: 23%).

	2014 £'000	2013 £'000 (unaudited)
Unrelieved trading losses	304	133
Unrelieved capital losses	20	—
	324	133

10. Loss per share

The calculation of the basic loss per share for the year ended 31 March 2014 and 31 March 2013 is based on the losses attributable to the shareholders of Versarien plc Group divided by the weighted average number of shares in issue during the year.

	Loss attributable to shareholders £'000	Weighted average number of shares	Basic loss per share pence
Year ended 31 March 2014	**(653)**	**77,118,019**	**(0.85)**
Year ended 31 March 2013 (unaudited)	(414)	52,872,000	(0.78)

11. Goodwill and other intangible assets

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 April 2013 (unaudited)	—	165	165
Acquisition of Total Carbide Limited	354	123	477
Additions	—	18	18
At 31 March 2014	**354**	**306**	**660**
Amortisation and impairment			
At 1 April 2013 (unaudited)	—	32	32
Amortisation charge	—	42	42
At 31 March 2014	**—**	**74**	**74**
Carrying value			
At 31 March 2014	**354**	**232**	**586**
At 31 March 2013 (unaudited)	—	133	133

Impairment

Goodwill arising on consolidation represents the excess of cost of 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.

Other intangible assets

	31 March 2014 £'000	31 March 2013 £'000 (unaudited)
Fair value intangibles acquired	**103**	—
Development costs	**67**	51
Licence	**62**	82
Total	**232**	133

The 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.

Notes to the financial statements *continued*

For the period ended 31 March 2014

11. Goodwill and other intangible assets *continued*

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:

	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)
Dilapidations provision	(200)
	(292)
Current liabilities	
Trade and other payables	(526)
Obligations under finance leases	(55)
	(581)
Total liabilities	(873)
Net assets	1,926
Goodwill	354
Amount paid	2,280
Cash	1,230
Shares	1,050

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.

12. Property and equipment

Group	Plant and machinery £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 April 2013 (unaudited)	66	13	79
On acquisition of TCL	5,389	—	5,389
Additions	33	—	33
At 31 March 2014	**5,488**	**13**	**5,501**
Depreciation			
At 1 April 2013 (unaudited)	3	7	10
On acquisition of TCL	4,248	—	4,248
Charge for the year	146	6	152
At 31 March 2014	**4,397**	**13**	**4,410**
Net book value			
At 31 March 2014	**1,091**	**—**	**1,091**
At 31 March 2013	63	6	69

13. Investment in subsidiaries

	Company 2014 £'000
Cost	
At incorporation	**—**
Investment in VTL	**98**
Investment in TCL	**2,279**
Capitalisation of debt due from VTL	**574**
At 31 March 2014	**2,951**

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.

An analysis of the assets and liabilities acquired together with fair value adjustments are given in note 11.

Principal Group investments

The Company has investments in the following principal subsidiary undertakings.

	Country of incorporation	Class of capital	%
Versarien Technologies Limited – principal activity of this company is the engineering of versatile materials	England	Ordinary	100.0
Total Carbide Limited – principal activity of this company is the manufacture of tungsten carbide parts	England	Ordinary	100.0

Notes to the financial statements *continued*

For the period ended 31 March 2014

14. Inventory

	Group 2014 £'000	Group 2013 £'000 (unaudited)	Company 2014 £'000
Raw materials	368	3	—
Work in progress	306	—	—
Finished goods	91	—	—
	765	3	—

15. Trade receivables and other current assets

	Group 2014 £'000	Group 2013 £'000 (unaudited)	Company 2014 £'000
Trade receivables	829	19	—
Social security and other taxes	15	23	—
Other debtors	15	68	1
Prepayments and accrued income	96	—	31
	955	110	32

Trade receivables

	Group 2014 £'000	Group 2013 £'000 (unaudited)	Company 2014 £'000
Trade receivables not past due	790	19	—
Trade receivables past due but not impaired	64	—	—
Gross trade receivables at 31 March 2014	854	19	—
Provision for bad debt at 1 April 2013	—	—	—
Debt provisions provided for in the year	25	—	—
Provision for bad debt at 31 March 2014	25	—	—
Net trade receivables at 31 March 2014	829	19	—

The Directors consider that the carrying amount of trade receivables approximates to their fair value. 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 above. The Group has no pledge as security on trade receivables.

16. Trade and other payables

	Group 2014 £'000	Group 2013 £'000 (unaudited)	Company 2014 £'000
Trade payables	**360**	70	**24**
Other payables	**18**	17	**—**
Payables to Group undertakings	**—**	—	**64**
Social security and other taxes	**112**	9	**13**
Accruals and deferred income	**59**	19	**13**
	549	115	**114**

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

17. Non-current trade and other payables

	Group 2014 £'000	Group 2013 £'000 (unaudited)	Company 2014 £'000
Deferred licence cost	**85**	102	**—**
Deferred grant income	**30**	32	**—**
	115	134	**—**

18. Share capital and share premium

Group and Company

	Number of shares '000	Ordinary shares £'000	Share premium £'000	Total £'000
At incorporation	—	—	—	—
Issue of shares at 1 pence per share	52,872	529	—	529
Expenses of share issue	—	—	—	—
At 1 April 2013 (unaudited)	52,872	529	—	529
Issue of shares at 12.25 pence per share	30,204	302	2,434	2,736
Expenses of share issue	—	—	(581)	(581)
At 31 March 2014	**83,076**	**831**	**1,853**	**2,684**

All issued shares are fully paid.

Notes to the financial statements *continued*

For the period ended 31 March 2014

19. Share options

The Company has an option scheme for Executive Directors and employees, the Versarien plc Share Option Plan, created on 12 June 2013, which has received Inland Revenue approval. 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. Options over 4,031,490 Ordinary shares (2013: nil) were granted during the year and 88,120 options lapsed (2013: nil). No performance conditions or market conditions are attached to these options.

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

	2014 Weighted average exercise price in pence per share	Options ('000s)	2013 Weighted average exercise price in pence per share (unaudited)	Options ('000s)
At 12 June 2013	—	—	—	—
Granted	0.13p	4,032	—	—
Exercised	—	—	—	—
Lapsed	0.12p	88	—	—
At 31 March 2014	**0.13p**	**3,944**	—	—

Of the 3,943,370 outstanding options (2013: nil), nil had vested at 31 March 2014 (2013: nil).

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

Expiry date	Exercise price pence per share	2014 Number ('000s)	2013 Number (unaudited)
2014	12.25p	1,138	—
2014	15.50p	176	—
2015	12.25p	1,138	—
2015	15.50p	176	—
2016	12.25p	1,139	—
2016	15.50p	177	—
		3,944	

The weighted average fair value of options granted to Executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 6.7 pence per option. The significant inputs into the model were exercise price shown above, volatility of 30%, dividend yield of 0%, expected option life of four years and annual risk-free interest rate of 1.6%. Future volatility has been estimated based on comparable information rather than historical data. No options were granted in the prior year.

The Company issued options to its joint brokers to acquire 1,661,522 Ordinary shares at flotation, exercisable at 12.25 pence per share for five years from 12 June 2014. Options have been exercised to acquire 335,129 Ordinary shares since the year end.

20. Other reserves

The merger reserve was created on the reconstruction of the Group consequent to 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 2013 and 2014 is set out in the Group Statement of Changes in Equity.

21. Operating lease commitments

The Company leases the premises of Total Carbide Limited under a non-cancellable operating lease which expires in 2016. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014		2013	
	Plant, equipment and vehicles £'000	**Land and buildings £'000**	Plant, equipment and vehicles £'000 (unaudited)	Land and buildings £'000 (unaudited)
Group				
Within one year	**18**	**146**	—	—
From two to five years	**16**	**97**	—	—
After five years	**—**	**—**	—	—
Company				
Within one year	**—**	**—**	—	—
From two to five years	**—**	**—**	—	—
After five years	**—**	**—**	—	—

22. Cash flows from operating activities

	Group		Company
	2014 £'000	2013 £'000 (unaudited)	**2014 £'000**
Loss before tax	**(653)**	(414)	**(359)**
Adjustments for:			
Share-based payments	**35**	—	**35**
Depreciation	**152**	10	**—**
Amortisation	**42**	23	**—**
Finance cost	**12**	10	**—**
Increase in trade and other receivables	**(131)**	(70)	**(32)**
Increase in inventories	**(61)**	(3)	**—**
(Decrease)/increase in trade and other payables	**(111)**	22	**115**
Cash flows from operating activities	**(715)**	(422)	**(241)**

23. Post balance sheet events

On 30 April 2014 the Company completed the acquisition of 85% of the issued share capital of 2-DTech Limited from the University of Manchester for a total consideration of £440,000 settled by a mix of cash and new Ordinary shares. The fair value of the assets and liabilities acquired was £103,000 comprising tangible fixed assets of £126,000, inventory of £10,000, debtors £41,000, cash of £257,000 and assumed liabilities of £331,000. It simultaneously raised £5.5 million (before expenses) through the placing of 21,153,847 new Ordinary shares at 26 pence per share.

Review of the period
Corporate governance
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Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "AGM") of Versarien plc (the "Company") will be held at the offices of Field Fisher Waterhouse LLP, 2 Swan Lane, London EC4R 3TT on Friday 22 August at 9.00am for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

Ordinary business

1. To receive the Report of the Directors and the audited financial statements for the period ended 31 March 2014 together with the Report of the Independent Auditors thereon.
2. That BDO LLP be and is hereby re-appointed as the independent auditor of the Company for the year ending 31 March 2015 to hold office until the end of the next period for appointing an auditor in accordance with the provisions of Part 16 of the Companies Act 2006 and that the Directors be authorised to fix the remuneration of the auditor for the year ending 31 March 2015 and for subsequent financial years or unless this authority is either revoked or varied.
3. To re-appoint Neill Ricketts as a Director.
4. To re-appoint William Battrick as a Director.
5. To appoint Christopher Leigh as a Director.
6. To appoint Ian Balchin as a Director.
7. To appoint David (Jeremy) Veasey as a Director.

Special business

8. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

   THAT, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of Section 551 of the Companies Act 2006 (the "Act"):

   (a) 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 £351,370 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); and further

   (b) to allot equity securities (as defined in Section 560 of the Act) up to an aggregate further nominal value of £351,370 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,

   PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) 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.

9. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

THAT, subject to and conditional upon the passing of the resolution numbered 8 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 8 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 £105,411,

and shall expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) 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.

10. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

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 1p each in the capital of the Company provided that:

(i) the maximum aggregate number of shares hereby authorised to be purchased is 10,541,121 ordinary shares of 1p each (representing 10 per cent. of the Company's issued share capital at the date of this notice);

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

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 105 per cent. 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;

(iv) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting; and

(v) 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
29 July 2014

Notice of Annual General Meeting *continued*

Explanatory notes to the Notice of Annual General Meeting

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

Resolutions 1 to 8 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.

Ordinary resolutions

Resolution 1 – Receipt of 2014 Annual Report and financial statements

The Directors of the Company must present the Directors' report, the audited financial statements and the Independent Auditor's 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 2014.

Resolution 2 – Re-appointment of auditor

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

Resolutions 3 to 7 (inclusive) – Re-appointment of Directors

In accordance with the UK Corporate Governance Code ("the Code") all of the Directors will seek election at the AGM (to take effect at the conclusion of the AGM). Company law requires that each Director is voted on separately and accordingly each Director will be proposed for re-election by a separate resolution. Brief biographical details of all the Directors, including those standing for re-appointment, appear on pages 12 and 13 of the Annual Report and financial statements. The Non-executive Directors standing for re-election are considered independent under the Code.

Resolution 8 – 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 £351,370 (35,137,000 ordinary shares of the Company), being approximately one-third of the Company's issued share capital as at 21 July 2014, the latest practicable date prior to publication of this notice as well as a further £351,370 (35,137,000 ordinary shares) in respect of pre-emptive rights issues.

Special resolutions

Resolution 9 – 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 £105,411, which is equal to 10% of the nominal value of the issued ordinary share capital of the Company, subject to resolution 8 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 or on the date which is six months after the next accounting reference date of the Company (whichever is the earlier).

Resolution 10 – 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 10,541,121 which is equal to 10% of the issued share capital of the Company as at the date of this notice. This authority will expire at the conclusion of the Annual General Meeting in 2015.

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 1p per ordinary share and a maximum price equal to 105% of the average of the middle market quotations for the ordinary shares of the Company derived from the AIM appendix to the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased.

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00pm on the day two days prior to the day appointed for holding the AGM or, in the event that the AGM is adjourned, at 6.00pm on the day two days 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 section "Nominated persons" defined in 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, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL or by fax to Share Registrars Limited on 01252 719232 or by scan and email to Share Registrars Limited at proxies@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 time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

Appointment of proxy by joint members

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

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.

Notice of Annual General Meeting *continued*

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   → 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; or

   → by contacting Share Registrars Limited on 01252 821390. Calls are charged at your network provider's standard rates. Lines are open from 9.00am to 5.30pm, Monday-Friday.

   In either case, 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 25 July 2014 (being the latest practicable date prior to the publication of this document) the Company's issued share capital comprised 105,411,214 Ordinary shares of 5 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 25 July 2014 is 105,411,214.

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 ("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 AGM; 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 8.30am 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.

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Gold Medal Winners – 2012

HP Smart Business of the Year – 2013

Innovator of the Year – 2013

Start Up of the Year – 2013

Winners – 2014

Winners – 2014

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