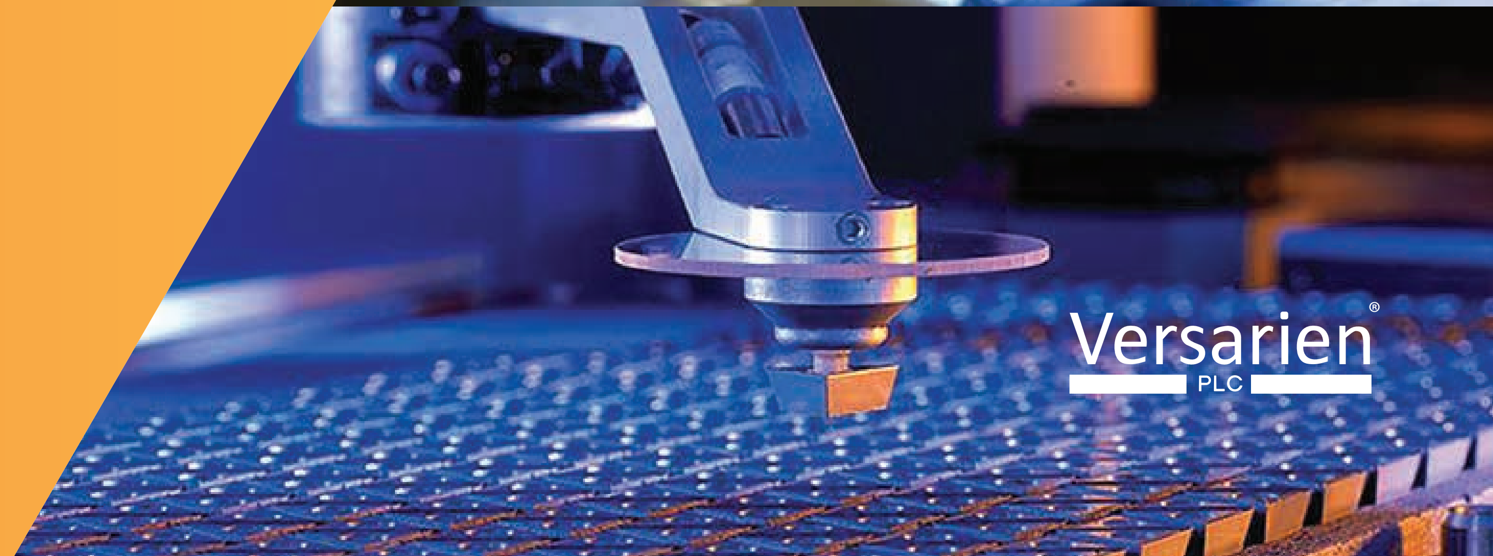
Versarien plc
Annual Report 2015



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.

Our product offerings are capable of having a game-changing impact in a broad variety of industry sectors through our three subsidiary companies.

Read more in our
At a glance **Page 2**

In this report

For further information about our operations visit our website at

www.versarien.com

Key highlights

- → Group revenues up 69% to £4.98 million (2014: £2.95 million)
- → Net assets up 180% to £7.3 million (2014: £2.6 million)
- → Cash at 31 March 2015 of £3.5 million (2014: £0.2 million)
- → *LBITDA of £277,000 (2014: £232,000)
- → Loss before tax £866,000 (2014: £653,000)
- → Total Carbide sales of £4.6 million (2014: £2.9 million – nine months)
- → Total Carbide EBITDAE rose to £1.12 million (2014: £0.47 million – nine months)
- → Acquisition of 2-Dtech Limited which has achieved a breakthrough in the cost effective manufacture of high quality graphene
- → First product range launch for Versarien Technologies' VCu copper foam
- → First distribution deal for Versarien Technologies' VCu copper foam
- → Acquisition of heat sink manufacturing business out of administration for a total consideration of £191,000

* LBITDA excludes exceptional items and share-based payment charges.

"We are clearly delivering on our stated strategy to identify, acquire, develop and commercialise disruptive intellectual property in advanced materials with the milestone of the first distribution agreement for Versarien Technologies' copper foam product."

Neill Ricketts
Chief Executive Officer

At a glance

Versarien plc consists of three core businesses.

Thermal Products

Thermal Products develops and manufactures porous copper and aluminium heat sinks.

Founded in 2010 and based in Gloucestershire, the division enables engineering exploitation of thermal management solutions in advanced materials such as copper foam. It holds the exclusive rights to a patent-protected process for creating microporous copper foam developed at the University of Liverpool and has applications including, but not limited to, copper foam heat sinks, air cooled, liquid cooled and passively cooled and in single and two phase products.

Markets we serve

We manufacture custom and off the shelf thermal management solutions for industry sectors including,

- → Telecoms and broadcast
- → Consumer electronics
- → Microscopy
- → Defence and aerospace
- → Automotive transportation
- → Medical thermal management
- → Industrial lighting

Hard Wear Products

Hard Wear Products develop and manufacture sintered tungsten carbide parts and hard wear tooling.

Founded in the 1950's and based in Buckinghamshire, the division principally manufactures bespoke products for a wide spread of wear applications ranging from all aspects of oil and gas through measurement tools and cutting knives to difficult complex applications requiring specialised corrosion resistant materials.

Markets we serve

- → Oil and gas
- → Metrology
- → Paper and packaging
- → Metal cutting
- → Valves and pumps
- → Metal forming
- → Spraying
- → Tooling
- → Textile
- → Tobacco

Case study: air-heat sinks

Continued research and development has led to the launch of a range of high performance, low profile heat sinks. The enhanced surface area of the porous metals, coupled with the exceptional thermal properties of copper, mean that our heat sink range is smaller in size without compromising performance, making it ideal for space constrained applications. This product launch is the culmination of a number of R&D projects completed by the VTL team – both internal and in partnership with external bodies such as innovateUK. In particular our expertise has been leveraged to develop unique manufacturing routes that can satisfy demand from our global distributors, along with test and qualification resource that provides our clients with the design data they need.

Case study: tungsten carbide

A major challenge in the industry has been to produce tungsten carbide components with increasingly complicated and intricate geometries and features. Due to the physical properties of the material, standard machining technology is not adequate. The R&D team went through a lengthy and challenging process to design, prototype and test a number of geometrically different components, before eventually succeeding in developing an innovative solution within the desired internal form. The solution enables the production of "chambers" in the tungsten carbide that cannot be produced by any other standard production method. The outcome was a "one piece" tungsten carbide pressure valve that eliminates the potential for pressure leaks through the previously adjoining faces, thus allowing higher operating pressures.

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

Graphene Products

Graphene Products specialises in the supply, characterisation and early stage development of graphene products.

Founded in 2012 at The University of Manchester, where graphene was first isolated, the division is focused on the development and production of graphene platelets and the acceleration of commercial applications for graphene and graphene products.

The patented process involves mechanised exfoliation in which a strong shearing force is applied to the surface of the graphene layers. This process can be automated and allows graphene sheets to be produced in larger quantities and with greater chemical purity. The resulting graphene has up to 99% carbon and minimal oxygen content, as well as being effectively inert. The graphene also exhibits exceptionally good structure and retains a very high degree of crystallinity ensuring that the risk of contamination is significantly reduced.

Graphene performance is dependent not only on the purity, but the number of atomic layers, with a single layer providing optimal performance, allowing the full potential of graphene to be unlocked. Importantly, the 2-Dtech production process provides significant amounts of few layer graphene on an industrial scale.

Graphene has successfully been incorporated into Solar PV, lithium batteries, conductive inks and a range of thermoplastic composite materials.

Case study: Acquisition of 2-Dtech

In line with Versarien's strategy to acquire advance material technology, the Company completed the purchase of 85% of 2-Dtech from The University of Manchester on 1 May 2014.

2-Dtech is a graphene company that was wholly owned by The University of Manchester, where graphene was first isolated by Nobel Prize winners Professor Sir Andre Geim and Professor Sir Kostya Novoselov, who head the University's world-leading Condensed Matter Research Group (CMRG). At the time of acquisition 2-Dtech had the ability to produce graphene by using either a chemical vapour deposition process; in suspension or dispersions; or a 'milling' process.

The patented milling process has been further developed by building on techniques originating from The University of Manchester, refined by the University of Ulster and 2-Dtech and involves a mechanised exfoliation process in which a strong shearing force is applied to the surface of the graphene layers.

Details of acquisition

Under the terms of the acquisition agreement, Versarien acquired 561,000 of the 660,000 ordinary shares of 2-Dtech currently in issue, equal to 85 per cent of the entire issued share capital of 2-Dtech. The University of Manchester retain a holding of 99,000 ordinary shares for a minimum of three years, equivalent to 15 per cent of 2-Dtech signifying their commitment to the collaboration. The consideration for the acquisition was £740,000 settled by £220,000 in cash £220,000 in Versarien Shares at 26 pence per share plus the funding of two fast-track graphene application projects to a maximum of £300,000.

Recently, following agreement with the Universities of Manchester and Ulster, 2-Dtech has now purchased 60% of the patent rights from The University of Manchester for a sum of £140,000 and in future is obligated to pay royalties only to the University of Ulster the greater of 1.6% of sales and 10% of ebitda.

Read more about our strategy on **Page 6**

Chairman's statement

In this, our first full year of trading since being admitted to AIM, I am pleased to be able to report real progress in the Group's performance.

Versarien plc comprises an exciting combination of advanced materials with high growth potential with underpinning, profitable manufacturing. I believe this set of results demonstrates Versarien plc has the expertise in place to take new materials and scale up efficient manufacturing for commercial applications. All of this is in accordance with our stated strategy, details of which are given in the Strategic Report.

The Board is confident in Versarien plc's position to capitalise on opportunities presented in its key markets."

We have completed two acquisitions in the period and the Group is now organised into three business segments: Thermal Products, which develops and manufactures porous copper and aluminium heat sinks; Hard Wear Products, which manufactures tungsten carbide hard wear parts; and Graphene Products, which is developing graphene nano-platelets via an exfoliation process.

We are pleased to report sales of £4.98 million, up 69% from the previous year. Net assets increased 180% to £7.3 million with cash at the year end of £3.5 million.

Thermal Products

We have broadened our product offering following the acquisition of the assets of Custom Systems to include aluminium heat sinks; revenue was up £351,000 as a result. A new range of air cooled heat sinks was launched and our routes to market grew through the establishment of distributors in Europe and the US.

Hard Wear Products

Hard Wear Products reported sales of £4.6 million and operating profit of £884,000 during a period of relatively high oil prices. As the oil price has declined the market for our products has weakened. We have mitigated this by diversifying our customer base to include new territories and sectors. The division continues to perform well given the current economic environment and we continue to look for ways to enhance performance further.

Graphene Products

Following the acquisition of 2-Dtech in May we have focused on developing the process licensed through the University of Ulster and part-funded by The University of Manchester (UoM). We continue to collaborate with both of these leading research institutions. Sales and other income from the division was £153,000 in the post-acquisition period. Since the year end we have announced a breakthrough in the scalable manufacture of graphene platelets using a patented exfoliation process.

We have also announced an agreement to repay the funding previously provided by UoM in return for a 60% share in the patent rights and the lesser of 98.4% of sales revenues and 90% of profits arising from the graphene IP.

Summary

We made considerable progress in the last year and this has continued into the new financial year with a number of key strategic achievements.

As announced on 13 July 2015, Versarien plc and Haydale Graphene Industries plc signed a memorandum of understanding to collaborate on and accelerate the development of their respective graphene projects. This is the latest in a number of strategic alliances formed by Versarien plc, others including agreements with the National Graphene Institute and the Graphene Engineering Innovation Centre at The University of Manchester.

The UK is one of the leading territories for the development of graphene solutions. Through collaborations, such as that which we announced recently with Haydale, the UK market is well positioned to become the global leader in graphene technology development. Our attendance at the UK Graphene Exhibit at Nano Korea earlier this month, along with a number of other UK-based companies, illustrates the high level of development and co-operation in this space.

As a result, the Board is confident in Versarien plc's position to capitalise on the opportunities presented in its key markets, while minimising risk by pursuing multiple projects and developing a range of innovative materials into commercially viable products. We look forward with optimism to the coming year.

I would like to thank the staff and the Board for their hard work during the year. This coming year will be important for Versarien plc as it seeks to commercialise the technologies it has been developing since flotation in June 2013.

Ian Balchin
Non-executive Chairman
20 July 2015

Chief Executive Officer's Review and Strategic Report

Business overview

Thermal Products consists of the porous copper foam product and the metal heat sink business acquired during the year. We have recently announced the launch of a range of air cooled heat sink products using VersarienCu™. This range is designed for use in passive cooling applications where space is at a premium and performance is crucial. Applications include power integrated circuits, high temperature components and transistors, set top boxes, AP routers, cable modems and broadband, optical networks and LED TV and flat panel displays. Since our financial year end, we have signed a global distribution agreement with Mouser Inc and a number of European distributors to sell this technology thus accelerating our routes to market. We also continue to work with a small number of potential OEM customers on specific projects. In order to expand our thermal product offering, in February 2015 we acquired certain assets and business of Custom Systems Limited, a manufacturer of all manner of extruded aluminium products and heat sinks for the electronics and computing industries as well as for large machinery and generators.

Graphene Products currently consists of 2-Dtech Limited, which we acquired in May last year from The University of Manchester. This purchase gave us a low-cost entry into graphene technology from the home of graphene and mainly consisted of some shared intellectual property with the Universities of Manchester and Ulster for graphene production using an exfoliation process, know how to produce graphene using chemical vapour deposition and a number of networking opportunities.

On 11 June 2015, we announced that 2-Dtech made a major advance in graphene platelet production to accelerate potential commercial applications for graphene and graphene products. 2-Dtech has developed its own proprietary graphene production technique founded upon the shared IP process from the Universities of Ulster and Manchester which offers numerous advantages over the conventional graphene manufacturing solutions currently on the market.

2-Dtech is currently working with a number of clients, from industries as diverse as military, medical and consumer products, requiring access to high quality, cost effective graphene and is expecting to form a number of further partnerships to commercialise this technology in a timely fashion in the near future.

Hard Wear Products currently consists of Total Carbide Limited and our associate, DV Composite Tooling Limited. Total Carbide was acquired at the time of flotation and supplies tungsten carbide parts mainly to the oil and gas industry. Despite the drop in the oil price and subsequent set-backs in that sector, it has performed exceptionally well. DV Composite Tooling is a start-up venture with Dimar Limited, an Israeli company supplying tungsten carbide tools to the woodworking industry. DV will develop and market a new range of hard wear tooling for the composites industry.

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 plc 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.

Versarien Technologies operates in the global market for thermal management technology which is expected to reach $11 billion by 2016 and its potential applications include aerospace, defence, automotive, data communications, renewable energy, power distribution, transportation and motorsport. 2-Dtech operates in the graphene development market, the total demand for which is anticipated 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. Total Carbide operates in the hard wear parts market principally for use in oil and gas exploration.

Outlook

We continue to look for opportunities to grow the business both organically and inorganically whilst keeping costs and cash under control. Research and development is a fundamental part of our business and the Board's strategy is to ensure that we now commercialise the sums invested. I would like to thank all of our hard working employees for their dedication in our fast-moving businesses and we look forward to the future with much optimism.

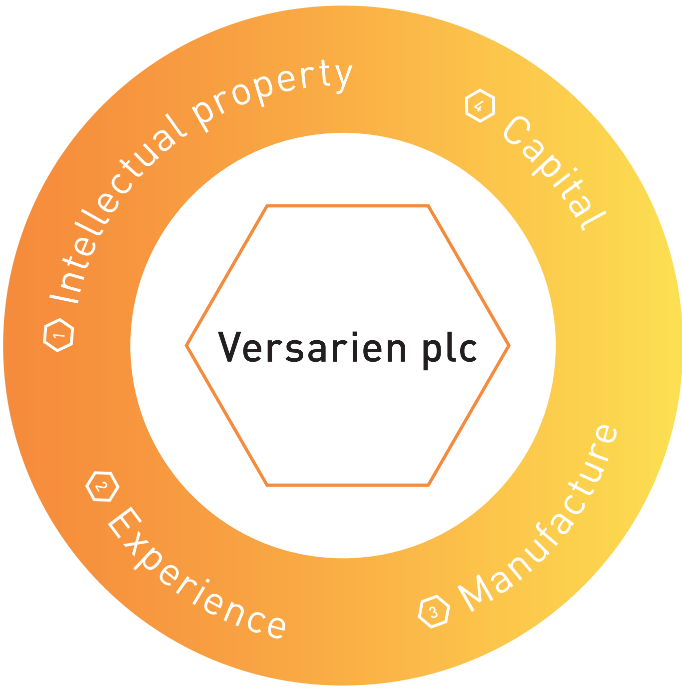
Read more about our business model and strategy over the page

Chief Executive Officer's Review and Strategic Report *continued*

Our business model and strategy

Versarien plc 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:

1. 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;
2. applying the management team's experience to developing and commercialising the advanced materials technology;
3. providing the plant and equipment to get into production either via its existing production facilities or by funding new facilities; and
4. providing working capital facilities either from existing reserves, its public listing or via banking facilities.



Our strategy at a glance

- → To identify and acquire disruptive intellectual property in advanced materials and enter into joint development agreements with potential customers or take to market through distribution channels
- → To establish development agreements with world-class organisations
- → To commence commercial production
- → To maximise cash generation from our mature business to support technology development

Our key performance indicators and objectives

Versarien plc 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:

Objectives

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 Thermal Products division to break-even by the end of the financial year;

→ maintain Hard Wear Products division operating profit return at a minimum of 10% of sales; and

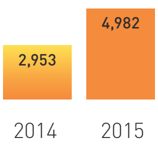
→ commence commercial production of graphene in quantity for specific applications.

Key performance indicators

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

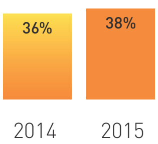
Revenue (£'000)

+68.7%



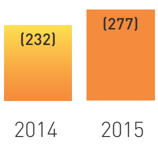
Gross margin percentage (%)

+5.5%



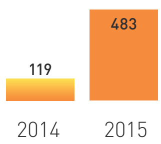
Loss before interest, tax, depreciation, amortisation, exceptional costs and share-based charges (£'000)

+19.4%



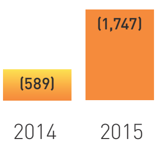
Cash generated from mature businesses after capital investment (£'000)

+305.9%



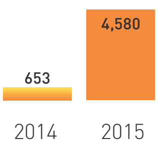
Cash utilised by technology businesses after capital investment (£'000)

+196.6%



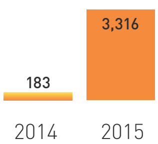
Cash raised/utilised by parent (including cash acquired and net of loans to technology businesses) (£'000)

+601.4%



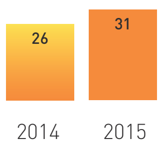
Net cash raised by the Group (£'000)

+1,712.0%



Technology products/processes in development

+19.2%



These key performance indicators have replaced those adopted previously to reflect the development of the Group in the year.

Chief Executive Officer's Review and Strategic Report *continued*

Principal risks and uncertainties

Versarien plc'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	Change
Technological risks Versarien plc operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function(s) in the market or render the patents and licences on which it relies redundant. The Group's existing products may become obsolete or may be superseded by new technologies or changes in customer or end-user requirements.	Versarien plc continually monitors the market in which it operates and has the resources to invest in new technology as appropriate.	
Competition risks New competitive products, designs or solutions may enter the market with different benefits or using different technologies, making them equally or more attractive than the Group's current range of products. Competitors may also be able to devote greater resources to the promotion and sale of their products, designs or solutions than the Group, which would give them a competitive advantage.	The Group continues to provide resources with the aim of improving each generation of products it develops. If the Group is unable to compete successfully with existing or new competitors, it may have to reduce prices on products, which would lead to reduced profits.	
Intellectual property protection risks Failure to protect the Group's IP may result in another party copying or otherwise obtaining and using its proprietary content and technology without authorisation. There may not be adequate protection for IP in every country in which the enlarged Group's products are or will be made available and policing unauthorised use of proprietary information is difficult and expensive.	The Group monitors products brought to market as far as reasonably possible and will take cost effective legal action to protect its IP.	
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.	

Key

Increase in risk

No change in risk

Decrease in risk

Risk	Mitigation	Change
Attraction and retention of key employees risks The Group depends upon the continued service and performance of the Executive Officers and key employees and, whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Executive Officers or other key employees could damage the Group's business. Equally the ability to attract new employees and senior employees with the appropriate expertise and skills cannot be guaranteed.	Risk is mitigated by providing share options to key employees together with significant opportunities for career advancement.	No change in risk
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.	Risk is mitigated by maintaining relationships with more than one bank and by dialogue with its institutional shareholders.	No change in risk
General economic conditions risks Market conditions, particularly those affecting technology companies, may affect the ultimate value of the Group's share price regardless of operating performance. Market perception of technology companies may change, which could impact on the value of investors' holdings and on the ability of the Group to raise further funds by an issue of further shares. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Group's cost of raising and maintaining debt financing.	Risk is mitigated by seeking to expand the products and technologies for sale within the Group and by seeking to sell the Group's products to wider geographical areas both directly and through distribution.	No change in risk
Commodity prices risks A significant amount of Versarien plc's purchases are metallurgical powders. Consequently, exposure to movements in underlying commodity prices affects profitability.	Where possible we purchase from more than one source under medium to long-term contracts and manage our stock levels accordingly.	No change in risk

On behalf of the Board

Neill Ricketts
Chief Executive Officer
20 July 2015

Chief Financial Officer's review

The share placing in the early part of the financial year raised £5.25 million net of expenses and allowed the Group to continue to accelerate the production of copper foam and acquire 2-Dtech, a graphene development business.

We continue to look for opportunities to grow the business, both organically and inorganically, whilst keeping costs and cash under control."

Group results

Versarien plc's revenue for the year ended 31 March 2015 was £4,982,000 (2014: £2,953,000) with operating losses before exceptional costs, depreciation/ amortisation and share-based payment charges of £277,000 (2014: £232,000).

Exceptional costs were £307,000 (2014: £197,000) including £76,000 of acquisition and potential acquisition costs (2014: £147,000), £69,000 of initial start-up costs for the associate, DV Composite Tooling (2014: £nil) and £162,000 of restructuring costs (2014: £50,000). The restructuring costs in the current year relate to the anticipated relocation of Total Carbide following the expected termination of its factory lease in 2016 (2014: £nil).

The loss before tax for the year was £866,000 (2014: £653,000).

Group net assets at 31 March 2015 were £7.3 million (2014: £2.6 million) following the placing. Cash at the year end was £3.5 million (2014: £0.2 million) with £0.6 million of headroom on its invoice finance facilities (2014: £0.5 million).

Cash outflow from operating activities was £1.1 million (2014: £0.7 million) including working capital increases of £0.5 million (2014: £0.3 million). The Group invested £0.2 million, net of cash, in acquisitions (2014: £1.2 million), £0.3 million (2014: £nil) in capitalised development costs and £0.3 million (2014: £nil) in plant and machinery. The Group raised £5.3 million, net of costs, in placing and shares issued from existing options (2014: £2.1 million) and repaid £0.2 million of borrowings (2014: £0.2 million borrowed).

Thermal Products

Revenue for the year for Versarien Technologies was £355,000 (2014: £4,000) including contribution from the heat sink business acquired in February 2015, details of which are in note 6. Operating losses before exceptional items were £688,000 (2014: £526,000). The business capitalised £250,000 on development costs.

Hard Wear Products

It is very pleasing to report that Total Carbide has had an exceptional year achieving sales of £4,594,000 (2014: £2,949,000 (nine months)) and returned an operating profit before exceptional costs of £958,000 (2014: £332,000 (nine months)) representing a 21% return on sales. During the year the costing system was reviewed, which resulted in an uplift of £85,000 to the stock valuation. The business generated £882,000 in cash from its operations, invested £221,000 in new plant and equipment and repaid loans of £178,000.

DV Composite Tooling is a start-up venture with Dimar Limited, an Israeli company supplying tungsten carbide tools to the woodworking industry. DV is developing and marketing a new range of hard wear tooling for the composites industry. It has been recognised as an associated company as Versarien plc holds 49.9% of the issued share capital. It is at pre-revenue stage and its share of unrecognised losses for the period since incorporation was £8,000 with £69,000 incurred as exceptional start-up costs.

Graphene Products

As described more fully in note 11, 85% of the issued share capital of 2-Dtech was acquired for a total consideration of £740,000 in May 2014. Its revenue for the post-acquisition period was £33,000 and it received £120,000 of grant income. Its operating loss for the period was £240,000.

Bank facilities and going concern

At 31 March 2015 the Group had cash balances totalling £3.5 million and available invoice discounting facilities of £0.6 million. Since the year end it has negotiated further asset funding facilities of up to £1.2 million to finance plant and machinery additions that may be required to scale up production facilities.

The Board has prepared forecasts and projections for a period of not less than twelve months from the approval of this Annual Report and assessed the key risks and uncertainties. In the event that trading performance falls below these forecasts it has a number of options available to it to manage cash outflow. Consequently, at the time of approving the financial statements, the Board has concluded that the Group has adequate resources to continue in operation for the foreseeable future and has therefore continued to adopt the going concern basis.

On behalf of the Board

Chris Leigh
Chief Financial Officer
20 July 2015

Group Revenue

£4.98m

Net cash raised by the Group

£3.31m

Read more about our principal risks and uncertainties **Pages 8 to 9**

Read more about our key performance indicators **Page 7**

Board of Directors

Neill Ricketts
Chief Executive Officer

Neill 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.

William Battrick
Chief Technical Officer

William Battrick holds a first class master's degree from one of the UK's premier engineering universities, and has significant experience in the UK advanced manufacturing sector, including former management buy-in Crompton Technology Group. The National Physical Laboratory and Elektron Ventures, the advanced products division of Elektron Technology plc. He co-founded aerospace composites start-up Kynsa, securing contracts in the defence sector prior to trade sale.

Christopher Leigh
Chief Financial Officer

Christopher is a chartered accountant with a significant track record in the manufacturing and engineering sector. His expertise covers corporate finance, mergers and acquisitions, post-acquisition integration, organisational restructuring and change management. He 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.

Ian Balchin
Non-executive Chairman

Ian has 29 years of extensive experience in technology-based businesses across several sectors, optimising business performance in start-up, growth, turnaround and change situations. Ian is currently a director of several high growth companies including HotZone Technologies Ltd, prior to which he was chief-strategy officer and deputy chairman of AIM-quoted AFC Energy plc. 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.

David (Jeremy) Veasey
Non-executive Director

David 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 and the Company, together with the audited consolidated financial statements and the Auditor's Report, for the period ended 31 March 2015.

Results and dividends

The Group incurred a loss for the year of £866,000 (2014: £653,000). The Directors do not recommend the payment of a dividend (2014: £nil). The Directors are confident of the future prospects of the Group.

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Chairman's Statement, the Chief Executive Officer's Review and Strategic Report and the Chief Financial Officer's Report on pages 4 to 11.

Research and development

Investing in research and development programmes delivers product innovation and manufacturing improvements within Versarien plc. Expenditure on research and development in the year amounted to £672,000 (2014: £258,000), of which £277,000 has been capitalised (2014: £18,000).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed in the Remuneration Report on page 16 together with details of their interests in shares and share options.

Directors' indemnities

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

Employees

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

Risk factors

Information on the Group's principal risks and how they are mitigated 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. Further details on financial risk factors are included in note 1.

Political donations

No political contributions were made during the year (2014: £nil).

Going concern

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

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's decision making. The Board's members have a wide range of expertise and experience and it is felt that concerns may be addressed to the Non-executive 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. The Committee meets twice a year to consider the scope of the annual audit and the interim financial statements and to assess the effectiveness of the Group's system of internal controls. It reviews the results of the external audit, its cost effectiveness and the objectives of the auditor. Given the size of the Group, the Audit Committee considers an internal audit function is not currently justified. The Audit Committee is chaired by 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 control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable but not absolute assurance with regard to the safeguarding of the Group's assets against misstatement or loss.

The key elements of the system of internal control are:

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

Significant shareholdings

In addition to the Directors' holdings disclosed in the Remuneration Report on page 16, holders of more than 3% of the 105,521,364 issued Ordinary shares of the Company at 20 July 2015 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

During the year BDO LLP resigned and the Board appointed PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP as auditor will be proposed at the Annual General Meeting.

Post balance sheet events

2-Dtech Limited has signed an agreement with The University of Manchester and the University of Ulster to vary the terms of the agreement existing at the time of the acquisition of 2-Dtech relating to the production of graphene using exfoliation methods. Under the terms of the variation 2-Dtech has undertaken to pay £140,000 to The University of Manchester in equal quarterly instalments over a period of two years in return for them forgoing patent and income sharing rights arising from graphene production. Under a revised agreement with the University of Ulster 2-Dtech is now entitled to 60% of the patent rights and the lesser of 98.4% of sales revenues and 90% of profits arising from graphene production.

Significant shareholdings

	Ordinary shares	% held
Henderson Global Investors	22,776,996	21.59
Miton Group Plc	8,239,512	7.81
Allianz Global Investors	5,950,000	5.64
Herald Investment Management	5,035,950	4.77
Blackrock Inc.	4,730,374	4.48
Unicorn Investment Fund	4,367,241	4.14
Hargreaves Lansdown	3,194,392	3.03

By order of the Board

Christopher Leigh
Company Secretary
20 July 2015

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 annually 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.

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 (audited)

Details of options held by Directors who were in office at 31 March 2015 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 21 to the financial statements.

The market price of the Company's shares at 31 March 2015 was 16.4 pence. The range of market prices during the year was 15.8 pence to 35.3 pence.

Directors' interests – interests in shares (audited)

Directors in office at 31 March 2015 had interests in the Ordinary shares of 1 pence each of the Company as displayed in the table below.

	2015 Number	2014 Number
Neill Ricketts	**15,304,000**	16,000,000
William Battrick	**7,679,000**	8,000,000
David (Jeremy) Veasey	**1,544,000**	1,544,000
Ian Balchin	**1,149,633**	1,149,633
Christopher Leigh	**165,000**	115,000

Ian Balchin
Chairman
20 July 2015

Directors' remuneration (audited)

	Salary		Benefits and bonuses		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Executive						
Neill Ricketts	**97**	90	**24**	7	**121**	97
William Battrick	**56**	55	**9**	7	**65**	62
Christopher Leigh	**109**	74	**24**	7	**133**	81
	262	219	**57**	21	**319**	240
Non-executive						
Ian Balchin	**32**	26	**—**	—	**32**	26
David (Jeremy) Veasey	**12**	6	**—**	—	**12**	6
	44	32	**—**	—	**44**	32

Directors' interests in share options (audited)

Director	Date of grant	Number	Exercise price	Expiry date
Neill Ricketts	12 June 2013	528,720	12.25p	12 June 2023
	2 October 2014	1,050,761	29.00p	2 October 2024
Christopher Leigh	30 September 2013	528,720	15.5p	30 September 2023
	2 October 2014	1,050,761	29.00p	2 October 2024
William Battrick	12 June 2013	528,720	12.25p	12 June 2023

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and 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 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 members of Versarien plc

Report on the financial statements

Our opinion

In our opinion:

- Versarien plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2015 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs 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.

What we have audited

Versarien plc's financial statements comprise:

- the Group and company statements of financial position as at 31 March 2015;
- the Group statement of comprehensive income for the year then ended;
- the statement of Group and Company cash flows for the year then ended;
- the Group and company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 17, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

→ whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;

→ the reasonableness of significant accounting estimates made by the directors; and

→ the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
20 July 2015

Group statement of comprehensive income

For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Continuing operations			
Revenue	3	**4,982**	2,953
Cost of sales		**(3,089)**	(1,881)
Gross profit		**1,893**	1,072
Other operating income	4	**126**	98
Operating expenses (including exceptional items)	5	**(2,883)**	(1,811)
Loss from operations before exceptional items		**(557)**	(444)
Exceptional items	6	**(307)**	(197)
Loss from operations		**(864)**	(641)
Finance charge	7	**(2)**	(12)
Loss before income tax		**(866)**	(653)
Income tax	9	**—**	—
Loss for the year		**(866)**	(653)
Loss attributable to:			
– Owners of the parent company		**(830)**	(653)
– Non-controlling interest		**(36)**	—
		(866)	(653)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	**(0.80)p**	(0.85)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 these financial statements. The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Company Income Statement. The loss of the Company for the year was £756,000 (2014: £359,000).

Group statement of financial position

At 31 March 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets	11	**1,502**	586
Property, plant and equipment	12	**1,423**	1,091
Deferred taxation	9	**65**	65
		2,990	1,742
Current assets			
Inventory	14	**1,109**	765
Trade and other receivables	15	**1,272**	955
Cash and cash equivalents		**3,531**	215
		5,912	1,935
Total assets		**8,902**	3,677
Equity			
Called up share capital	20	**1,055**	831
Share premium account	20	**7,150**	1,853
Merger reserve		**1,017**	1,017
Share-based payment reserve		**94**	35
Retained earnings		**(1,967)**	(1,137)
Equity attributable to owners of the parent company		**7,349**	2,599
Non-controlling interest		**(22)**	—
Total equity		**7,327**	2,599
Liabilities			
Non-current liabilities			
Trade and other payables	17	**181**	115
Provisions	18	**203**	200
Long-term borrowings	19	**13**	34
		397	349
Current liabilities			
Trade and other payables	16	**855**	549
Provisions	18	**300**	—
Invoice discounting advances		**—**	156
Current portion of long-term borrowings	19	**23**	24
		1,178	729
Total liabilities		**1,575**	1,078
Total equity and liabilities		**8,902**	3,677

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

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2015 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

Company statement of financial position

At 31 March 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Investment in subsidiaries	13	**3,691**	2,951
Property, plant and equipment	12	**4**	1
		3,695	2,952
Current assets			
Trade and other receivables	15	**1,612**	32
Cash and cash equivalents		**2,758**	23
		4,370	55
Total assets		**8,065**	3,007
Equity			
Called up share capital	20	**1,055**	831
Share premium account	20	**7,150**	1,853
Merger relief reserve		**964**	964
Other reserve		**(431)**	(431)
Share-based payment reserve		**94**	35
Retained earnings		**(1,115)**	(359)
Total equity		**7,717**	2,893
Liabilities			
Current liabilities			
Trade and other payables	16	**48**	114
Provisions	18	**300**	—
Total liabilities		**348**	114
Total equity and liabilities		**8,065**	3,007

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

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2015 and were signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

Group statement of changes in equity

For the year ended 31 March 2015

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 1 April 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
Issue of shares (note 20)	224	5,550	—	—	—	—	5,774
Cost of share issue (note 20)	—	(253)	—	—	—	—	(253)
Non controlling interest on acquisition (note 11)	—	—	—	—	—	14	14
Loss for the year	—	—	—	—	(830)	(36)	(866)
Share-based payments (note 21)	—	—	—	59	—	—	59
At 31 March 2015	**1,055**	**7,150**	**1,017**	**94**	**(1,967)**	**(22)**	**7,327**

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.

Company statement of changes in equity

For the year ended 31 March 2015

	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 1 April 2013 (unaudited)	—	—	—	—	—	—	—
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
Issue of shares (note 20)	224	5,550	—	—	—	—	5,774
Cost of share issue (note 20)	—	(253)	—	—	—	—	(253)
Loss for the period	—	—	—	—	—	(756)	(756)
Share-based payments (note 20)	—	—	—	—	59	—	59
At 31 March 2015	**1,055**	**7,150**	**964**	**(431)**	**94**	**(1,115)**	**7,717**

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

Statement of Group and Company cash flows

For the year ended 31 March 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Cash flows from operating activities					
Cash used in operations	24	**(1,119)**	(715)	**(746)**	(241)
Interest (paid)/received		**(2)**	(12)	**11**	—
Net cash used in operating activities		**(1,121)**	(727)	**(735)**	(241)
Cash flows from investing activities					
Acquisition of subsidiaries (net of cash acquired)		**(154)**	(1,175)	**(220)**	(1,230)
Loans to subsidiaries		**—**	—	**(1,607)**	(574)
Purchase of intangible assets		**(277)**	(18)	**—**	—
Purchase of property, plant and equipment		**(255)**	(33)	**(4)**	(1)
Net cash used in investing activities		**(686)**	(1,226)	**(1,831)**	(1,805)
Cash flows from financing activities					
Share issue		**5,553**	2,650	**5,553**	2,650
Flotation/share issue costs		**(252)**	(581)	**(252)**	(581)
Repayment of finance leases		**(22)**	(89)	**—**	—
Invoice discounting loan (repayment)/proceeds		**(156)**	156	**—**	—
Net cash generated from financing activities		**5,123**	2,136	**5,301**	2,069
Increase in cash and cash equivalents		**3,316**	183	**2,735**	23
Cash and cash equivalents at beginning of year		**215**	32	**23**	—
Cash and cash equivalents at end of year		**3,531**	215	**2,758**	23

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

Accounting policies

For the year ended 31 March 2015

General information

Versarien plc is a public limited liability company incorporated in England and Wales and domiciled in the UK. The address of its registered office is Units 7 & 8 Century Park, Chittening Industrial Estate, Avonmouth, Bristol BS11 0YD. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 14 to 15.

These financial statements are presented in Sterling, the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest hundred thousand (£0.1 million) except where otherwise stated.

Summary of significant accounting policies

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

Basis of accounting

The financial statements have been prepared on a going concern basis. The business model of the Group together with the principal risks and uncertainties 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 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).

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The Company is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue From Contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company is assessing the impact of IFRS 15.

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Versarien plc and its subsidiary undertakings. The Company acquired the entire share capital of Versarien Technologies Limited in a share-for-share exchange on 21 March 2013. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in 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) had issued an accounting standard covering business combinations (FRS 6) that is similar in a number of respects to IFRS 3. FRS 6 (and US GAAP) does include guidance for accounting for Group reconstructions of this nature. Having considered the requirements of IAS 8 and the related UK and US guidance, the transaction by which the Company acquired the entire share capital of Versarien Technologies Limited was accounted for on a merger or pooling of interest basis as if both entities had always been combined. The combination was accounted for using book values, with no fair value adjustments made nor goodwill created. All other subsidiary undertakings are consolidated using acquisition accounting from the date of acquisition.

The Company acquired 85% of the issued share capital of 2-Dtech Limited on 30 April 2014 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.

The Company acquired certain of the assets and business of Custom Systems Limited on 2 February 2015 and accounted for it using the purchase method.

Acquisition-related costs are expensed in the Group Statement of Comprehensive Income. 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.

Accounting policies *continued*

For the year ended 31 March 2015

Basis of consolidation *continued*

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

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Gains and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Segmental reporting

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

Borrowings

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

Provisions

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

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

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the 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.

Intangible assets *continued*

Acquired intangible assets *continued*

The intangible assets acquired and referred to in note 11 represent the estimated present value of the acquired company's customer relationships in respect of the acquisition of the share capital of Total Carbide Limited and the business of Custom Systems Limited. Amortisation of intangible assets is charged on a straight line basis over 5 years and are reviewed annually for impairment.

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 criteria have 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 commences.

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, licensed, 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.

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 year ended 31 March 2015

Trade and other receivables

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

Cash

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

Trade payables

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

Equity instruments

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

Current and deferred tax

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

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

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to the 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 pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities and is shown net of value-added tax, returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured upon despatch to the customer and it is probable that future economic benefits will flow to the entity.

Grant income recognition

Grant income is recognised in the 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.

Exceptional items
Exceptional 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 year ended 31 March 2015

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 5 to 9. 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. If the currencies to which the Group is exposed had strengthened by 10% the reported loss after taxation would have been £898,000.

(c) 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. If the interest rates to which the Group is exposed had increased by 1% the reported loss after taxation would have been £839,000.

(d) Credit risk

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

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

(e) Liquidity risk

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

At 31 March 2014 and 31 March 2015 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 impairment

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

(ii) Fair value of identifiable net assets acquired

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

2. Significant accounting estimates and judgements *continued*

Critical accounting estimates and judgements *continued*

(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.

3. Segmental information – business and geographical segments

At 31 March 2015 the Group is organised into three 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 three 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.

Segment profit/(loss) represents the profit/(loss) earned by each segment, including a share of central administration costs, which are allocated on the basis of actual use or pro rata to sales. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

The segment analysis for the period ended 31 March 2015 is as follows:

	Central £'000	Graphene Products £'000	Thermal Products £'000	Hard Wear Products £'000	Intra-group adjustments £'000	Total £'000
Revenue from services	—	33	355	4,594	—	4,982
Gross (loss)/profit	—	(3)	60	1,841	(5)	1,893
Other operating income	—	120	6	—	—	126
Operating expenses	(768)	(357)	(773)	(957)	(28)	(2,883)
(Loss)/profit from operations	(768)	(240)	(707)	884	(33)	(864)
Finance income/(charge)	11	—	(10)	(3)	—	(2)
(Loss)/profit before tax	(757)	(240)	(717)	881	(33)	(866)
Total assets	8,064	228	1,150	3,688	(4,228)	8,902
Total liabilities	(347)	(375)	(1,782)	(679)	1,608	(1,575)
Net assets/net (liabilities)	7,717	(147)	(632)	3,009	(2,620)	7,327
Capital expenditure	4	2	27	222	—	255
Depreciation/amortisation	0	10	29	157	25	221

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

	Central £'000	Graphene Products £'000	Thermal Products £'000	Hard Wear Products £'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	(389)	—	(619)	(784)	(19)	(1,811)
(Loss)/profit from operations	(359)	—	(576)	313	(19)	(641)
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

Notes to the financial statements *continued*

For the year ended 31 March 2015

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	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
United Kingdom	**3,454**	2,378	**2,990**	1,742
Rest of Europe	**818**	515	**—**	—
North America	**11**	3	**—**	—
Other	**699**	57	**—**	—
	4,982	2,953	**2,990**	1,742

4. Other operating income

	2015 £'000	2014 £'000
Grant income	**126**	68
Other income	**—**	30
Total	**126**	98

5. Expenses by nature

Expenses included in operating expenses are analysed below:

	2015 £'000	2014 £'000
Operating expenses		
Employee costs (salaries, national insurance and pension)	**2,630**	1,378
Share-based payments	**59**	18
Research and development	**395**	240
Depreciation	**173**	152
Loss on foreign currency translation	**10**	14
Amortisation	**48**	42
Operating lease rentals:		
– machinery, equipment and vehicles	**22**	15
– land and buildings	**206**	116
Audit services:		
– fees payable to Company auditor for the audit of the parent company and consolidated financial statements	**17**	17
– the audit of the Company's subsidiaries pursuant to legislation	**24**	18
Non-audit services:		
– flotation fees	**—**	105
– audit related assurance services	**4**	9

The 2014 audit fee relates to the previous auditors, BDO LLP.

6. Exceptional items

	2015 £'000	2014 £'000
Restructuring costs	**162**	50
Acquisition costs	**76**	147
Associate start-up costs	**69**	—
	307	197

Exceptional costs include £76,000 of acquisition and potential acquisition costs (2014: £147,000), £69,000 of initial start-up costs for the associate DV Composite Tooling (2014: £nil) and £162,000 of restructuring costs (2014: £50,000). The restructuring costs in the current year relate to the impending relocation of Total Carbide following the expected termination of its factory lease in 2016 (2014: £nil).

7. Net finance charge

Finance costs	2015 £'000	2014 £'000
Bank and lease interest charges	**3**	2
Licence interest charges	**10**	10
Finance income		
Bank deposit income	**(11)**	—
Net finance charge	**2**	12

8. Directors and employees

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

	2015 Number	2014 Number
Manufacturing	**44**	31
Sales, technical and administration	**23**	12
	67	43

The aggregate remuneration was as follows:

	2015 £'000	2014 £'000
Wages and salaries	**2,317**	1,250
Social security costs	**237**	128
Other pension costs	**17**	—
Share-based payment charge – equity settled	**59**	18
	2,630	1,396

Details of directors' remuneration are included in the Remuneration report on page 16.

Notes to the financial statements *continued*

For the year ended 31 March 2015

9. Taxation

	2015 £'000	2014 £'000
UK corporation tax on profits of the year	—	—
Deferred tax	—	—
Tax on loss on ordinary activities	—	—

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £'000	2014 £'000
Loss before tax	(866)	(653)
Loss before tax at the effective rate of corporation tax in the UK of 21% (2014: 23.0%)	(182)	(150)
Effects of:		
Expenses not deductible for tax purposes	60	31
Capital allowances in excess of depreciation	(104)	(26)
Unrelieved losses arising in the year	250	190
Recognised losses brought forward	(24)	41
Other adjustments	—	(86)
Tax charge for the year	—	—

In the financial period under review, the Group incurred a trading loss. The trading loss to be carried forward against future trading profits for corporation tax purposes was £2,992,000 (2014: £1,398,000). These losses will reduce the tax charge of future years until they are utilised. No deferred tax asset has been recognised, as there is currently insufficient certainty as to the precise timing of when the asset would be recovered. The unrecognised asset amounts to £574,000 (2014: £369,000) being £598,000 (2014: £304,000) of trading losses net against a capital allowances (liability)/asset of £(24,000) (2014:£65,000) leaving the remaining asset as unrecognised.

In accordance with IAS 12 a deferred tax asset of £65,000 has been recognised in relation to the fair valuation of net assets acquired on the acquisition of Total Carbide.

10. Loss per share

The calculation of the basic loss per share for the years ended 31 March 2015 and 31 March 2014 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. The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS 33 "Earnings Per Share" potential Ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 31 March 2015 there were 5,956,000 (2014: 3,943,000) potential Ordinary shares which have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at that date.

	Loss attributable to owners of parent company £'000	Weighted average number of shares '000	Basic loss per share pence
Year ended 31 March 2015	**(830)**	**103,583**	**(0.80)**
Year ended 31 March 2014	(653)	77,118	(0.85)

11. 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 1 April 2014	354	306	660
Acquisitions	659	28	687
Additions	—	277	277
At 31 March 2015	**1,013**	**611**	**1,624**
Accumulated amortisation and impairment			
At 1 April 2013 (unaudited)	—	32	32
Amortisation charge	—	42	42
At 1 April 2014	—	74	74
Amortisation charge	—	48	48
At 31 March 2015	**—**	**122**	**122**
Carrying value			
At 31 March 2015	**1,013**	**489**	**1,502**
At 31 March 2014	354	232	586

Impairment

Goodwill arising on consolidation represents the excess of the fair value of the consideration for an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition and is reviewed annually for impairment.

Goodwill acquired in a business combination is allocated, at acquisition, to the business segments ("cash-generating units") detailed in note 3 "Segmental Reporting" as follows:

	Opening £'000	Additions £'000	Closing £'000
Hard Wear Products	354	—	354
Graphene Products	—	659	659
Thermal Products	—	—	—
	354	**659**	**1,013**

The recoverable amount of all cash-generating units has been determined based on value-in-use calculations using pre-tax cash flow projections based on financial projections approved by management covering a five-year period. The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, growth rates and expected changes to selling prices and costs during the period. The rate used to discount forecast cash flow is 12%, which was deemed to be the Group's weighted average cost of capital. Short-term growth rates for mature products is assumed to be 2% and for embryonic technology products is 75%.

Other intangible assets

	31 March 2015 £'000	31 March 2014 £'000
Customer relationships/order books	**108**	103
Development costs	**346**	67
Licence	**35**	62
Total	**489**	232

The fair value of customer relationships acquired as part of business combinations is based on the estimated cash flows from major customers over a five-year period and assumes attrition of 20% per annum and a discount factor of 19.6%. It is amortised on a straight line basis over five years.

Notes to the financial statements *continued*

For the year ended 31 March 2015

11. Intangible assets *continued*

Other intangible assets *continued*

On 1 May 2014 the Company completed the acquisition of 85% of the issued share capital of 2-Dtech Limited for a consideration of £740,000 comprising cash of £220,000, 846,153 Ordinary shares at a price of 26 pence per share and a commitment to fund vendor projects at a maximum cost of £300,000. The purchase of 2-Dtech provided the Group with a low-cost entry into graphene development. Goodwill arising from the transaction represents the opportunity to participate on the graphene market. Revenues and results of 2-Dtech are disclosed in the segmental analysis at note 3 under "Graphene Products". Had 2-Dtech been acquired at the start of the accounting period the revenue for the business would have increased by £26,000 and losses for the year by £7,000.

On 2 February 2015 Versarien Technologies acquired out of administration parts of the business of Custom Systems Limited for an initial cash consideration of £206,000 revised to £191,000 to expand the company's thermal product offering including extruded aluminium products and heat sinks for the electronics and computing industries as well as for large machinery and generators. Included with the results for the year are revenues of £332,000 and profits of £38,000. As the business was purchased out of Administration results for the period from 1 April 2014 to the date of acquisition are not available to disclose the results of the combined entity had it been purchased at the start of the financial year.

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

	2-Dtech £'000	Custom Systems £'000	Total
Non-current assets			
Intangible assets	—	28	28
Property, plant and equipment	126	127	253
	126	155	281
Current assets			
Inventories	10	36	46
Trade and other receivables	42	—	42
Cash and cash equivalents	257	—	257
	309	36	345
Total assets	435	191	626
Current liabilities			
Trade and other payables	(78)	—	(78)
Accruals and deferred income	(262)	—	(262)
Total liabilities	(340)	—	(340)
Net assets acquired	95	191	286
Non-controlling interest	(14)	—	(14)
Goodwill	659	—	659
Consideration	740	191	931

Consideration satisfied by:			
Shares issued	220	—	220
Cash	220	191	411
Deferred consideration	300	—	300
	740	191	931

12. Property, plant and equipment

Group	Plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 April 2013 (unaudited)	66	13	79
On acquisition of Total Carbide Limited	5,389	—	5,389
Additions	33	—	33
At 1 April 2014	5,488	13	5,501
Acquisitions	290	—	290
Additions	255	—	255
Disposals	(29)	(13)	(42)
At 31 March 2015	**6,004**	**—**	**6,004**
Accumulated depreciation			
At 1 April 2014 (unaudited)	3	7	10
On acquisition of Total Carbide Limited	4,248	—	4,248
Charge for the year	146	6	152
At 1 April 2014	4,397	13	4,410
Acquisitions	37	—	37
Charge for the year	173	—	173
Disposals	(26)	(13)	(39)
At 31 March 2015	**4,581**	**—**	**4,581**
Net book value			
At 31 March 2015	**1,423**	**—**	**1,423**
At 31 March 2014	1,091	—	1,091

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

	Group 2015 £'000	Group 2014 £'000
Cost	**122**	122
Accumulated depreciation	**(38)**	(30)
Net book value	**84**	92

Notes to the financial statements *continued*

For the year ended 31 March 2015

12. Property, plant and equipment *continued*

Company	Plant and equipment £'000
Cost	
At 1 April 2014	1
Additions	4
At 31 March 2015	**5**
Accumulated depreciation	
At 1 April 2014	—
Charge for the year	1
At 31 March 2015	**1**
Net book value	
At 31 March 2015	**4**
At 31 March 2014	1

13. Investment in subsidiaries

	Company 2015 £'000	Company 2014 £'000
Cost		
At the start of the year	**2,951**	—
Investment in the year	**740**	2,951
At the year end	**3,691**	2,951

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

	Country of incorporation	Class of capital	%
Versarien Technologies Limited – principal activity is the engineering of versatile materials	England	Ordinary	100.0
Total Carbide Limited – principal activity is the manufacture of tungsten carbide parts	England	Ordinary	100.0
2-Dtech Limited – principal activity is the development and supply of early stage graphene products	England	Ordinary	85.0
Versarien Properties Limited – principal activity is holding licenses for rental properties	England	Ordinary	100.0

The Group holds 49.9% of the Ordinary share capital of DV Composite Tooling Limited, which has been accounted for as an associate. DV provides cutting solutions to the composites industry and is incorporated in England, which is its principal place of business. It is accounted for using the equity method and the unrecognised share of losses is £8,000.

14. Inventory

	Group 2015 £'000	Group 2014 £'000	**Company 2015 £'000**	Company 2014 £'000
Raw materials	**616**	368	**—**	—
Work in progress	**234**	306	**—**	—
Finished goods	**259**	91	**—**	—
	1,109	765	**—**	—

15. Trade and other receivables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade receivables	**1,087**	829	**—**	—
Due from Group undertakings	**—**	—	**1,598**	—
Social security and other taxes	**—**	15	**—**	—
Other debtors	**22**	15	**10**	1
Prepayments and accrued income	**163**	96	**4**	31
	1,272	955	**1,612**	32

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade receivables not past due	**1,105**	790	**—**	—
Trade receivables past due but not impaired	**7**	64	**—**	—
Gross trade receivables at 31 March 2015	**1,112**	854	**—**	—
Provision for bad debt at 1 April	**(25)**	—	**—**	—
Debt provisions provided for in the year	**—**	(25)	**—**	—
Provision for bad debt at 31 March	**(25)**	(25)	**—**	—
Net trade receivables at 31 March	**1,087**	829	**—**	—

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.

The gross carrying amounts of trade and other receivables are denominated in the following currencies:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Sterling	**1,188**	702	**1,612**	32
US Dollar	**—**	33	**—**	—
Euro	**23**	56	**—**	—
Other	**61**	38	**—**	—
	1,272	829	**1,612**	32

16. Trade and other payables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade payables	**437**	360	**6**	24
Other payables	**214**	18	**—**	—
Payables to Group undertakings	**—**	—	**—**	64
Social security and other taxes	**113**	112	**15**	13
Accruals and deferred income	**91**	59	**27**	13
	855	549	**48**	114

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

Notes to the financial statements *continued*

For the year ended 31 March 2015

17. Non-current trade and other payables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Deferred licence cost	**53**	85	**—**	—
Deferred grant income	**128**	30	**—**	—
	181	115	**—**	—

18. Provisions

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Leasehold dilapidations	**203**	200	**—**	—
Deferred consideration on the acquisition of 2-Dtech Limited (note 11)	**300**	—	**300**	—
	503	200	**300**	—

19. Borrowings

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Invoice discounting facilities	**—**	156	**—**	—
Obligations under finance leases and hire purchase contracts	**36**	58	**—**	—
	36	214	**—**	—

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Short-term borrowings	**—**	156	**—**	—
Current portion of long-term borrowings	**23**	24	**—**	—
Long-term borrowings	**13**	34	**—**	—
	36	214	**—**	—

Analysis of repayments	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Invoice discounting facilities – within one year	**—**	156	**—**	—
Finance leases and hire purchase contracts:				
Within one year	**23**	24	**—**	—
In two to five years	**13**	34	**—**	—
	36	214	**—**	—

Invoice discounting facilities of £nil (2014: £154,000) are secured by debentures and charges over certain Group assets and attract interest at 2.75% over currency base rate. Finance leases and hire purchase contracts of £36,000 attract interest at 3.3% above base rate.

20. Called up share capital and share premium

Group and Company

	Number of shares '000	Called up share capital £'000	Share premium £'000	Total £'000
At 1 April 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 1 April 2014	83,076	831	1,853	2,684
Issue of shares at 12.25 pence per share	445	4	50	54
Issue of shares at 26 pence per share	22,000	220	5,500	5,720
Expenses of share issue	—	—	(253)	(253)
At 31 March 2015	**105,521**	**1,055**	**7,150**	**8,205**

In connection with the acquisition of 2-Dtech Limited, the Company raised £5,500,000 (before expenses) through the placing of 21,153,847 new Ordinary shares at 26 pence per share and issued 846,153 new Ordinary shares at 26 pence per share as part of the consideration for 2-Dtech. During the year, options to acquire 445,000 Ordinary shares at 12.25 pence per share were exercised.

21. Share options

The Company has an option scheme for Executive Directors and employees, the Versarien plc Share Option Plan, created on 12 June 2013, 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. No performance conditions or market conditions are attached to these options other than in respect of 2,102,000 options issued during the year.

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

	2015 Weighted average exercise price in pence per share	**Options ('000s)**	2014 Weighted average exercise price in pence per share	Options ('000s)
At 1 April 2014	**12.69p**	**3,943**	—	—
Granted	**29.00p**	**2,762**	12.89p	4,031
Exercised	**12.25p**	**(110)**	—	—
Lapsed	**12.25p**	**(639)**	12.25p	(88)
At 31 March 2015	**20.31p**	**5,956**	12.69p	3,943

Of the 5,956,000 outstanding options (2014: 3,943,000), 1,065,00 had vested at 31 March 2015 (2014: nil).

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

Year of grant	Exercise period	Exercise price pence per share	**2015 Number ('000s)**	2014 Number ('000s)
2013	2014–2023	12.25p	**2,665**	3,414
2013	2014–2023	15.50p	**529**	529
2014	2015–2024	29.00p	**2,762**	—
			5,956	3,943

The weighted average fair value of options granted to Executive Directors and employees during the year determined using the Black-Scholes valuation model was 8.1 pence per option. The significant inputs into the model were exercise price shown above, volatility of 41%, dividend yield of 0%, expected option life of three years and annual risk-free interest rate of 1.1%. Future volatility has been estimated based on comparable information rather than historical data.

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 four years from 12 June 2014. Options have been exercised to acquire 335,129 Ordinary shares during the year.

Notes to the financial statements *continued*

For the year ended 31 March 2015

22. Other reserves

The merger reserve was created on the reconstruction of the Group following the acquisition of Versarien Technologies Limited. The share-based payment reserve was created as a result of the issue of share options. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is credited to the share-based payment reserve. The movement in reserves for the years ended 31 March 2014 and 2015 is set out in the Group Statement of Changes in Equity.

23. Operating lease commitments

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

	2015		2014	
	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**	**187**	18	173
From two to five years	**11**	**91**	20	158
After five years	**—**	**—**	—	—

24. Cash flows from operating activities

	Group		**Company**	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Loss before tax	**(866)**	(653)	**(756)**	(359)
Adjustments for:				
Share-based payments	**59**	35	**59**	35
Depreciation	**173**	152	**1**	—
Amortisation	**48**	42	**—**	—
Disposal of non-current assets	**3**	—	**—**	
Finance cost	**2**	12	**(11)**	—
Increase in trade and other receivables	**(275)**	(131)	**27**	(32)
Increase in inventories	**(298)**	(61)	**—**	—
(Decrease)/increase in trade and other payables	**35**	(111)	**(66)**	115
Cash flows from operating activities	**(1,119)**	(715)	**(746)**	(241)

25. Post balance sheet events

2-Dtech Limited has signed an agreement with the University of Manchester and the University of Ulster to vary the terms of the agreement existing at the time of the acquisition of 2-Dtech relating to the production of graphene using exfoliation methods. Under the terms of the variation 2-Dtech has undertaken to pay £140,000 to the University of Manchester in equal quarterly instalments over a period of 2 years in return for them forgoing patent and income sharing rights arising from graphene production. Under a revised agreement with the University of Ulster 2-Dtech is now entitled to 60% of the patent rights and the lesser of 98.4% of sales revenues and 90% of profits arising from graphene production.

26. Related party transactions

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Net service transactions with subsidiaries	**—**	—	**199**	174
Loans to subsidiaries	**—**	—	**1,607**	574
Year-end balance due from/(to) subsidiaries	**—**	—	**1,598**	(64)
Transactions with associates	**16**	—	**16**	—
Year-end balances due from associates	**9**	—	**9**	—

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Versarien plc (the "Company") will be held at the offices of PricewaterhouseCoopers LLP at 7 More London Riverside, London SE1 2RT on Thursday 24 September 2015 at 11.00am for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 4 will be proposed as ordinary resolutions and resolutions 5 and 6 will be proposed as special resolutions:

Ordinary business

1. To receive the report of the Directors and the audited financial statements for the year ended 31 March 2015 together with the report of the independent auditor thereon.

2. That PricewaterhouseCoopers LLP be and is hereby re-appointed as the independent auditor of the Company for the year ending 31 March 2016 to hold office until the end of the next period for appointing the auditor in accordance with the provisions of Part 16 of the Companies Act 2006 and that the Directors be authorised to fix the remuneration of the auditor for the year ending 31 March 2016 and for subsequent financial years or unless this authority is either revoked or varied.

3. To re-appoint Neill Ricketts as a Director.

Special business

4. 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 are hereby generally and unconditionally authorised for the purpose of Section 551 of the Companies Act 2006 (the "Act") to exercise all or any of the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal value of £351,737 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the Articles of Association of the Company) provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Company's next Annual General Meeting save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted or Rights to be granted (as the case may be) after the expiry of such period and the Directors of the Company may allot shares or grant Rights (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

5. 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 4 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 4 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 £105,521,

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

Notice of Annual General Meeting *continued*

Special business *continued*

6. 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 1 pence each in the capital of the Company provided that:

   (a) the maximum aggregate number of shares hereby authorised to be purchased is 10,552,100 Ordinary shares of 1 pence each (representing 10% of the Company's issued share capital at the date of this notice);

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

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

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

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

By order of the Board

Christopher Leigh
Company Secretary
7 August 2015

Explanatory notes to the Notice of Annual General Meeting

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

Resolutions 1 to 4 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 5 and 6 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least 75% of the votes cast must be in favour of the resolution.

Ordinary resolutions

Resolution 1 – Receipt of 2015 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 2015.

Resolution 2 – Re-appointment of auditor

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

Resolution 3 – Re-appointment of Director

The Articles of Association of the Company require the nearest number to one-third of the Board of Directors to retire at each Annual General Meeting, with the longest serving retiring first. Where the longest serving Directors have held office for the same amount of time, the Directors to resign are normally chosen by lot. As there are five Directors only one has to retire by rotation. As all the Directors were re-elected at the last AGM Neill Ricketts has offered himself for re-election.

Resolution 4 – 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 £351,737 (35,173,700 Ordinary shares of the Company), being approximately one-third of the Company's issued share capital as at 7 August 2015, the latest practicable date prior to publication of this notice.

Special resolutions

Resolution 5 – 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 £105,521, which is equal to approximately 10% of the nominal value of the issued Ordinary share capital of the Company, subject to resolution 4 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the Company.

Resolution 6 – 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 10,552,100, which is equal to approximately 10% of the issued share capital of the Company as at 7 August 2015, the latest practicable date prior to publication of this notice. This authority will expire at the conclusion of the Annual General Meeting in 2016.

The Directors currently have no intention of using their authority to make market purchases. Should this change and the Directors decide to make market purchases, they will only do so if such market purchases are expected to result in an increase in the Company's earnings per share and are in the best interests of the Company's shareholders. The Directors must ensure that any market purchases made are made between a minimum price of 1 pence per Ordinary share and a maximum price equal to 105% of the average of the middle market quotations for the Ordinary shares of the Company derived from the AIM appendix to the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is purchased.

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 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.

Notice of Annual General Meeting *continued*

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1, above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this Notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the proxy form.

3. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the "Nominated persons" section (note 13).

5. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

   If you wish your proxy to speak on your behalf at the AGM, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

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

Appointment of proxy using hard-copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To be valid, the proxy form, and any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority) must be duly completed, executed and deposited with the Company's registrars, Share Registrars Limited, 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 timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company using 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 7 August 2015 (being the latest practicable date prior to the publication of this document), the Company's issued share capital comprised 105,521,364 Ordinary shares of 1 pence each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business on 7 August 2015 is 105,521,364.

Nominated persons

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

    → you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("the Relevant Member") to be appointed or to have someone else appointed as a proxy for the AGM;

    → if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and

    → your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Notice of Annual General Meeting *continued*

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 9.30am 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.

Versarien plc
Units 7 & 8 Century Park
Chittening Industrial Estate
Avonmouth
Bristol
BS11 0YD

Advisers

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Share Registrars Limited
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Farnham
Surrey GU9 7LL

Independent Auditors
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31 Great George Street
Bristol
BS1 5QD

Nominated adviser and broker
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EC4M 9AF

Legal adviser
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St James' House
St James' Square
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Financial PR
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Tax adviser
Moore Stephens LLP
Russell Square House
10–12 Russell Square
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Secretary and registered office
Christopher Leigh
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Company registration number
8418328

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