

Focusing on **commercialisation**

Versarien[®]
PLC

Annual Report 2020

Accelerating **commercialisation** through collaboration

Our IP-led, proprietary technology and innovative new engineering solutions form the basis of our business as we seek to monetise the opportunities we have from our collaborations.

A SOUND FINANCIAL BASE

Fundraise and Sharing Agreement

£6 million subscription agreement with Lanstead Capital Investors, a US managed institutional investor, together with a related sharing agreement.

Innovate UK loan awarded

£5 million Innovate UK loan awarded in July 2020 for scale up and product development.

KEY NUMBERS

19

Collaborative agreements

15

Market sectors

82

Applications

Commercialisation

Our focus is now very much on the monetisation of graphene technologies in our portfolio.

Application development agreements

4 new agreements with large corporates such as Rolls Royce and J&P Coats Limited.

Specific applications

In August 2020 Versarien launched Graphene enhanced face masks – selling 120,00 units pre-launch.

OUR STRATEGIES FOR GROWTH

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



OUR YEAR IN BRIEF

FINANCIAL HIGHLIGHTS

Group revenue

£8.3m

(2019: £9.1m)

Adjusted LBITDA*

£0.6m

(2019: £1.1m)**

Loss before tax

£4.7m

(2019: £2.8m)

Cash at 31 March 2020

£1.7m

(2019: £4.3m)

Net assets

£15.7m

(2019: £13.3m)

Successful fundraising

£6.0m

gross (2019: £5.2m)

* Adjusted LBITDA (Loss before interest, tax, depreciation and amortisation) excludes exceptional items and share based payment charges.

** IFRS 16, leases, was adopted on 1 April 2019 using the modified retrospective approach and comparatives are therefore not restated under this method. The impact of this adoption has resulted in a reduction in LBITDA of £0.7 million in 2020.

OPERATIONAL HIGHLIGHTS

- > Commercial Partnership Agreement with the Company's textile sector collaboration partner, MAS Innovation (Private) Limited, to develop new garments utilising Versarien's graphene ink materials.
- > Partnership with Rolls Royce and the University of Manchester's Graphene Engineering Innovation Centre ("GEIC") using chemical vapour deposition ("CVD") in wiring for next generation aerospace engine systems.
- > Awarded €350,000 grant to participate in the Graphene Flagship project, led by Airbus to develop graphene based thermo-electric ice protection systems to prevent icing on aircraft surfaces.
- > Grant of £104,000 from the Advanced Propulsion Centre for the development of low-carbon technologies to significantly reduce vehicle emissions.

POST PERIOD HIGHLIGHTS

- > Product development agreement signed with J&P Coats Limited, part of Coats Group plc, to incorporate graphene nano-platelets and graphene inks into consumer textiles.
- > £5 million Innovate UK loan awarded in July 2020, for scale up and product development related to the GSCALE collaborations.
- > Graphene Enhanced Protective Face Masks launched with first orders received for 120,000 masks.

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10 years of innovation

Versarien plc is an advanced engineering materials group. Leveraging proprietary technology, the Group creates innovative engineering solutions for its clients in a diverse range of industries. Versarien has eight subsidiaries operating under two divisions.

OUR PURPOSE

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

WHY INVEST IN VERSARIEN?



OUR HISTORY

2011

Company formed.

2012

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

2013

Floated on the AIM submarket on the London Stock Exchange.

2014

Acquired 2-DTech Limited, a developer and supplier of early stage graphene products, from the University of Manchester.

2016

Acquired AAC Cyroma Limited.

2017

Acquired Cambridge Graphene Limited from Cambridge University.

2018

Acquired Gnanomat S.L.

2019

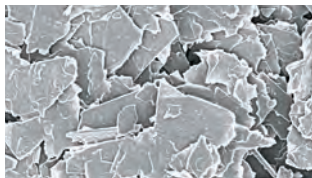
Incorporation of US-based sales arm Versarien Graphene Inc. and China based subsidiary, Beijing Versarien Technology Limited.

2020

Innovate UK provide £5m loan for graphene scale up.

GROUP COMPANIES

GRAPHENE AND PLASTICS

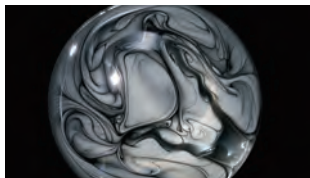


2-DTECH LIMITED

2-DTech Limited specialises in the supply, characterisation and early stage development of graphene products.

Core products

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



CAMBRIDGE GRAPHENE LIMITED

Cambridge Graphene Limited supplies novel inks based on graphene and related materials, using patented processes to develop graphene materials technology.

Core products

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



GNANOMAT S.L.

Gnanomat S.L., based in the Parque Científico Madrid, Spain, is a company capable of utilising Versarien's graphene products in an environmentally friendly, scalable production process for energy storage devices that offer high power density, fast recharging and long lifetime for use in electrical vehicles and portable electronics products.

Core products

- > Graphene-based nanomaterials for energy storage devices



VERSARIEN GRAPHENE INC

Versarien Graphene Inc, (VGI) based in Texas, United States of America, is the distribution arm for the UK's graphene development technologies.



AAC CYROMA LIMITED

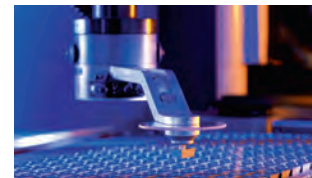
AAC Cyroma specialises in the supply of vacuum-formed, injection-moulded products and graphene enhanced plastic products.



BEIJING VERSARIEN TECHNOLOGY LIMITED

Beijing Versarien Technology Limited (BVT) is the wholly owned Chinese foreign entity that will form the base for expansion activities in China.

HARD WEAR AND METALLIC PRODUCTS

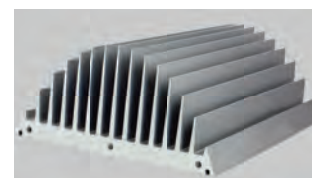


TOTAL CARBIDE LIMITED

Total Carbide Limited is a leading manufacturer in sintered tungsten carbide for applications in arduous environments.

Core products

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



VERSARIEN TECHNOLOGIES LIMITED

Versarien Technologies Limited has developed an additive process for creating advanced micro-porous metals targeting the thermal management industry and supplies extruded aluminium.

Core products

- > Aluminium industrial products
- > Aluminium heat sinks

Product commercialisation

Our focus is to monetise the many opportunities we have whilst assisting where we can with the Covid-19 pandemic.

ENHANCED PROTECTION, IMPROVED COMFORT

Working with partners in China, who had already seen the coronavirus spread rapidly, and at the request of a leading British University, the company was challenged with the task of creating a graphene enhanced face mask and delivered into the UK within 60 days.

The company delivered an antibacterial and anti-viral mask which leverages world-class graphene technology within that 60-day period. It also attracted other partners with subsequent orders also placed.

The mask is enhanced with a coated layer utilising Polygrene™. Polygrene is an advanced graphene-based material featuring Nanene™ – the world's only independently Verified Graphene Product certified by The Graphene Council. The Polygrene™ is blended with a sustainably sourced cellulose (viscose) material mix.

To help provide enhanced protection against airborne bacteria and to minimise the spread of viral infection, the mask has a robust four-ply design which uniquely boosts filtration.

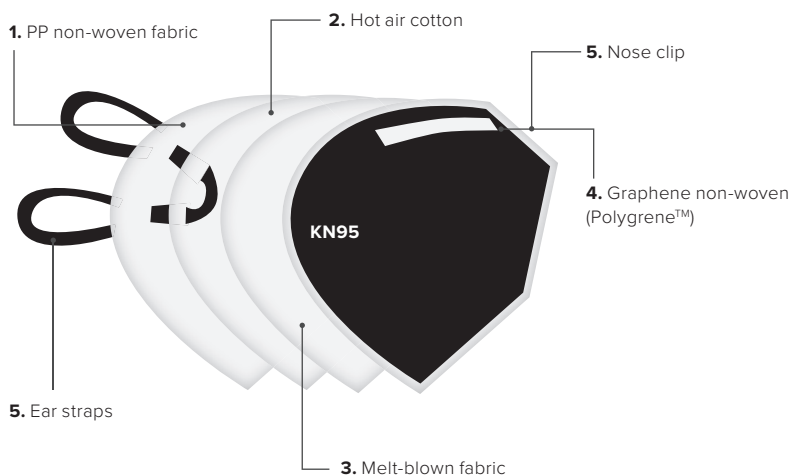
The four-ply arrangement offers users a beneficial level of protection against airborne allergens, pathogens, pollen, and dust particles that are larger than 0.3 microns in size – providing a minimum level of filtration of 95%.



THE GRAPHENE ENHANCED PROTECTIVE FACE MASK

- > KN95/FFP2 compliant
- > Anti-bacterial and anti-viral protection
- > 4-ply design, providing minimum filtration of 95%
- > Polygrene™ layer is blended with viscose

Mask construction



“We would like to extend our thanks to all of our suppliers at this time, without them and their commitment we would simply not be able to supply the vast numbers of hospital and home care beds that our NHS so desperately needs.”

Graham Turner

VP International Product Management and Marketing, Drive DeVilbiss Healthcare

MANUFACTURING ESSENTIAL PRODUCTS DURING THE CRISIS

During the coronavirus pandemic and subsequent lockdown, AAC Cyroma remained open manufacturing products to support the key electrical and water utility providers and the NHS, including the manufacture and supply of hospital bed and cot mattress panels to Drive DeVilbiss Sidhil Ltd.

Graham Turner, Vice President of International Product Management and Marketing at Drive DeVilbiss Healthcare, praised the commitment shown by its suppliers to meet the company's calls for continued and increased supplies.

“We would like to extend our thanks to all of our suppliers at this time, without them and their commitment we would simply not be able to supply the vast numbers of hospital and home care beds that our NHS so desperately needs,” he said.

At the very early stages of the pandemic AAC Cyroma was also contacted to manufacture, assemble and supply visors to various NHS trusts, GP surgeries and care homes. With the support of our material suppliers and partners AAC Cyroma sourced materials, manufactured, delivered and donated 4,000 visors over a 3 week period. The design of the visor has now received CE marking and NHS design approval and is available for supply within the AAC Cyroma product range.



▶ AAC supplied mouldings
▶ for NHS beds in the
 Nightingale Hospital.



Executing our graphene commercialisation strategy

OUR IP PLATFORM

FINANCIAL STABILITY



TECHNOLOGY PLATFORM

- > Versarien continues its tier one membership with GEIC; which provides access to facilities worth c. £60 million.

PATENTS AND PATENTS PENDING

- > Versarien continues to look for opportunities to expand its patents.

NEW INVESTMENT IN PLACE

- > £5 million Innovate UK loan awarded in July 2020 for scale up and product development.
- > The Company completed a £6 million fund raise and sharing agreement with Lanstead. The Company will receive back the proceeds over a period of 24 months.

OPERATIONS AND PRODUCTION



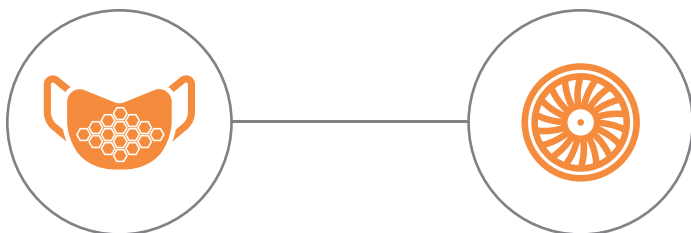
RESEARCH AND DEVELOPMENT

- > £1.3 million expenditure in research and development in the year.
- > £0.3 million has been capitalised as the Group focuses on commercialisation of its product portfolio.

PRODUCTION

- > Funds available to scale up production.
- > Through good relationships with partners, Versarien has the capacity to fulfil much larger production orders going forward.

COMMERCIAL PROGRESS



LAUNCH OF GRAPHENE ENHANCED PROTECTIVE FACE MASK

- > In August 2020 Versarien launched its first graphene enhanced face mask which utilises Polygrene™, Versarien’s enhanced polymer.
- > Following recent pre-launch sales activity, Versarien received its first two orders of its masks – 100,000 from a British university and 20,000 from a UK electrical and mechanical servicing and repairs business.

ROLLS ROYCE PARTNERS WITH VERSARIEN SUBSIDIARY

- > Collaboration will look to explore, understand and create technological advances of graphene and other 2-D materials used in wiring for next-generation aerospace engine systems.
- > Vital programme of work will use the chemical vapour deposition (CVD) equipment located within the GEIC.
- > Work conducted will seek to use the unique properties of those 2D materials to reduce the weight of electrical components, improve electrical performance and also increase resistance to corrosion of components in future engine systems.

“The partnership with Rolls-Royce is a significant endorsement of 2-DTech’s work over the years and we are delighted it has been chosen by such a renowned business and look forward to working together.”

Neill Ricketts
CEO

A MATERIAL FOR THE FUTURE

The benefits of graphene are being explored in such diverse applications and through commercialisation.



Brighter displays



Protective coatings



Wearable technology



Improved sensors



Fast charging



Lightweight parts

- > For further information about our products visit our website at www.versarien.com





I am delighted to provide my first statement as Non-executive Chairman of Versarien. In the short time since my appointment in June 2020 much has happened at the Company.

We have completed the rigorous process required to achieve the award of a £5 million Innovate UK loan, have redirected our strategy with regard to China and have strengthened our senior management with the appointment of Matt Walker.

Our focus is now very much on the monetisation of the graphene technologies in our portfolio, although we will continue to fill any product gaps as opportunities arise to do so. An update on the collaborations that we continue to work on is provided in the Chief Executive Officer's Report.

Having exercised the backstop arrangement for our joint venture in China, our intention is to use Beijing Versarien Technology Limited ("BVT") as the vehicle for channelling sales enquiries back to the UK for the supply of graphene and/or application products into China. Additionally, we are also looking at how products that utilise our graphene can be imported. It is particularly pleasing to see this in the graphene enhanced mask launch recently announced.

The Board of BVT has been appointed and consists of Neill Ricketts, Matt Walker and Bruno Jin, who will also act as General Manager. Bruno, who has worked with Versarien since 2018, has a Bachelor of Engineering degree from Nanjing University and studied at Cambridge University having been awarded a scholarship by the Cambridge Overseas Trust.

The appointment of Matt Walker, following his two year secondment from the UK Department for International Trade, brings with it strategic direction for the Company's global expansion plans, which it should be noted are focused far wider than China and the US. Matt, together with our representative, Rachel Kim, have been working tirelessly on a number of opportunities in South Korea. Matt is also currently looking at opportunities in India, Japan and Singapore.

I am particularly pleased with the support that the UK Government has provided to the Company, most significantly via Innovate UK with the provision of a £5 million loan, their first of such magnitude. It is specifically for a project named G SCALE, (an acronym for Graphene-Seat, Concrete, Arch, Leisure, Elastomer), covering a number of Versarien's existing collaborations, which is designed to enable Versarien to significantly increase its manufacture of quality assured graphene.

Prior to my appointment, the Company completed a £6 million fund raise and sharing agreement with Lanstead, a US headquartered institutional investor who is now our largest shareholder. Having spoken directly with Lanstead's principal, I am pleased to report that he is very supportive of the Company and its strategic direction. The Versarien team is looking at how it can best advance in the US where early adoption is proving challenging for all market participants.

I would like to thank all the staff and the executive directors for their hard work during the year. The coming year will be important for Versarien as it seeks to monetise its graphene technologies and that will be the focus of the Board's attention.

James Stewart CBE
Non-executive Chairman

10 September 2020

We continue our strategy

To develop and supply high quality products in the global marketplace.

Q What is your assessment of the financial year 2019/20?

The year to 31 March 2020, has been challenging for both our emerging and traditional businesses. The Covid-19 pandemic had an adverse financial effect on the Group towards the end of the year, however, we have continued to operate throughout this difficult time and even managed to grow our product portfolio throughout with the commercialisation of visors for the NHS and our graphene enhanced face masks.

Q What has been Versarien's greatest successes this year?

Our products have continued to gain the support, traction and accreditation from new and existing partners, with new agreements made to develop our products.

We have new partnership agreements signed with large corporate companies such as Rolls Royce and J&P Coats Limited. Furthermore, we have been awarded grants of €350,000 to participate in the Graphene Flagship Airbus project to prevent icing on aircraft surfaces, and £104,000 from the Advanced Propulsion Centre for the development of low-carbon technologies to reduce vehicle emissions.

Moreover, we received the support from the UK Government by way of £5million loan from Innovate UK which will enable Versarien to scale up production and commercialisation of our products.

Coupled with the £6million fund raise and sharing agreement with Lanstead, a US headquartered investor, the Versarien team is looking at how it can best advance in the US.

Q What is Versarien's focus for 2020/21?

Monetising our technologies is the Board's main focus for the year ahead, using a £5 million Innovate UK loan awarded in July 2020, the first of such magnitude by Innovate UK specifically for a project named G SCALE, (an acronym for Graphene-Seat, Concrete, Arch, Leisure, Elastomer) which is designed to enable Versarien to significantly increase its manufacture of quality assured graphene.

The award of the loan, which occurred on 1 July 2020, follows a rigorous process of innovation assessment and is intended to facilitate the production of sufficient quantities of graphene by Versarien to enable market supply of commercial quantities of graphene enhanced materials.

Q What makes Versarien different to its competitors?

Over the past years, our research and development, subsequent accreditations and support from our much-valued partners allow Versarien to now be in the best possible position for commercialisation of our products both in the UK and globally.

Graphene continues to provide exponential benefits in so many applications, and this year we have seen the successful results of the testing of our existing collaborations.

With these positive results, we can now move onto the next stage of commercialisation and monetising our technologies. We have the available resources and funds from the Innovate loan to focus on specific collaborations which are extremely promising, whilst still progressing the others.

The quick production and subsequent commercialisation of our Graphene enhanced face masks showed how we can be extremely reactive to the world today, and are successfully able to move our accredited diverse graphene products into many different applications.

Neill Ricketts
CEO



As stated above, this year has been particularly challenging with the Covid-19 pandemic taking full force and effect towards the end of our financial year. As has been reported previously, we are now concentrating on the major collaboration opportunities and these are allied to the £5 million Innovate UK loan ("the Loan") awarded to us in July 2020. The Loan particularly acknowledges the work we are undertaking, the advancements made and the strategic importance of our 2D materials technology to the UK. The Loan will help Versarien step up its graphene production capacity so that we can expedite the commercial adoption of products utilising graphene enhanced materials.

As we stated would be the case in our announcement on 25 February 2020

the Company intends to use its interim and full year results announcements to provide updates on the status of the Company's various collaborations and will not make announcements between these unless a disclosure obligation arises. I am therefore pleased to provide an update on our current commercial collaborations as well as a summary of specific funding.

In order to ensure the appropriate focus of the Company's resources and to ensure that the monetisation of our technologies is now the primary focus of the Company's attention we have segmented our various collaborative projects. Our primary focus is on those projects that are related to the GSCALE project, whilst still continuing to progress others that are likely to provide medium term returns.

FUNDED PROJECTS

Funder	Project	Amount	Duration
Innovate UK	GSCALE	£5,000,000	24 months
Graphene Flagship	Aircraft surface de-icing	€350,000	36 months
Advanced Propulsion Centre	Low carbon technologies	£104,000	18 months

GSCALE COLLABORATIONS

Start date	Description	Current status
May 2020	Coats Group Plc	The agreement will see the parties work on four specific projects, which will focus on two different manufacturing processes that use Versarien graphene nano-platelets and graphene inks in different consumer textile applications in the Apparel and Footwear sectors. The agreement follows new research and testing on yarn extrusion featuring the Company's graphene materials at the Warwick Manufacturing Group and subsequent discussions with an existing collaborative partner of the Company.
March 2019	Initial order from US company for 12kg of HP-GNP incorporated into polymer masterbatch for down-hole drilling components	Testing on scale up is underway at the customer test facility in Europe and the next milestone is a live drilling test but is subject to ongoing restrictions re Covid-19.
March 2019	Further collaboration with Chinese Aerospace Company	The parties continue to progress through the work plan created with samples sent for further testing.
December 2018	MOU China Railway	The project, which involves GEIC and other civil engineering parties, continues to progress well. The testing features trials with various grades of construction materials for different construction applications and are undergoing further analysis.
December 2018	Collaboration with Chinese Aerospace Company	This longer-term project, which is focused on several materials for different parts continues at an R&D level. Progress dependent upon test results.
August 2018	Construction materials collaboration with AECOM	Following the launch of the AECOM CNCT Arch at Network Rail facility in Bristol, the product has been subject to further tests, with positive test data reported to date. Discussions underway regarding project delivery/commercialisation.
August 2018	Sporting goods collaboration	New Polygrene blend being formulated for trial at customer factory. In addition, the companies are collaborating on other shoe development and garments. Programme to resume following lifting of Covid-19 restrictions.
January 2018	Agreement with global apparel manufacturer, MAS Innovation (Private) Limited	The parties continue to work together on projects with brand partners for sportswear and non-sports wear as well as pre-production trials on base layer garments for own branding. Further projects underway on PPE garments with different material blends that could provide further unique benefits.

PRIORITY PROJECTS

Start date	Description	Current status
April 2020	Rolls Royce/ GEIC	The aim of the collaboration is to reduce the weight of electrical components, improve electrical performance of 2D materials and increase resistance to corrosion of components in future engine systems. It also involves the development of new reel to reel CVD capabilities applicable to other sectors.
March 2018	Collaboration with world-leading aerospace group	This longer-term project features work on specific parts and continues with WMG and other parties.
February 2018	Medical technology collaboration at Addenbrooke's hospital	Following the return to work of the global partner, the parties are now discussing further supplementary funded projects.
February 2018	Agreement with shoemaker, Vivobarefoot	Further project work, including textiles and leathers has now commenced, following delays due to Covid-19.
December 2017	Agreement with global chemical major	Project ongoing and awaiting further test results.
November 2017	Collaboration with global consumer goods company	Following commercial discussions to evaluate cost-benefit value. The customer has agreed to funded testing at its R&D centre based in the UK. The funding forms part of a new joint development agreement agreed between the parties.

ONGOING PROJECTS (NON-PRIORITY)

Start date	Description	Current status
February 2020	Oxford Advanced Surfaces	Collaboration to work on graphene enhanced surfaces for adhesion and increase in electrical conductivity using Versarien 2D materials.
October 2019	Refractory Materials Collaboration	Materials have been supplied and tests carried out, the results of which have been assessed and further tests are being carried out.
June 2018	Commercial agreement with MediaDevil	New product development has focused on the requirements of private label partners and further trials of different eco-friendly material are on-going. In addition, Media Devil is working with the Company on another audio project with a well known household brand.
May 2018	Consumer goods collaboration for polymer structures in plastics	The project was put on hold by the customer due to production demands during Covid-19 with resumption anticipated later in the year.
March 2018	Collaboration with Team Ineos for cycling equipment	We are working on material prototypes with other partners which we expect to trial later in 2020.

GNANOMAT

Gnanomat has continued to make progress with its objective of incorporating graphene into energy storage devices.

Recently, some of these nanomaterials have demonstrated not only their suitability to be integrated into the electrodes of such devices, but also have demonstrated a significant improvement over current market standards in tests in industrial prototypes. Gnanomat believes it has now developed its nanomaterials to a level that provides

approximately three times the energy capacity of current market reference products and is continuing with further developments.

These findings have opened the door to prospective customers that are now partnering with Gnanomat. At present it is working with companies in the US, Japan and South Korea, among others, to commercialise its products.

In addition, some of the Gnanomat materials have shown significant benefits in other energy storage

applications, such as supercapacitors and metal/air batteries.

As a result of the advances achieved and its extensive knowledge base and manufacturing potential, Gnanomat is able to participate in a number of different European funding programmes. These include the Spanish Ministry of Science and Innovation which has granted a €116,000 project to the Company as well as others where application is progressing.

VERSARIEN GRAPHENE INC

With the Covid-19 pandemic significantly impacting the US, contacting and conducting business with customers in the US has been challenging in recent times. Therefore, the current strategy is to concentrate on larger corporations, which have a further forward vision.

A number of NDAs have been signed and technical conference calls between prospective customers and the UK development staff held. In addition, trials are ongoing on a project to add graphene for coatings applications. A tyre manufacturer has also expressed its recent wish to move forward with testing despite being at the epicentre of the pandemic.

Gaining traction in the US market is proving challenging, which appears to be in common with many other US graphene companies and these challenges are expected to continue until the worst of the pandemic has abated in the region.

AAC CYROMA

The past 12 months has seen AAC Cyroma focusing on internal efficiency improvements and new business sales in very challenging market conditions. Improved planning techniques, factory process layout changes and scrap reduction activities has resulted in a reduction in direct labour and raw material costs.

A targeted sales strategy has seen new customers placing regular scheduled orders, for both injection moulded and vacuum formed work, replacing some lower margin accounts. These include the manufacture and supply of hospital bed and cot mattress panels, injection moulded soil sample core boxes, paint masks, electric vehicle component parts, packaging trays and protective visors for smart PPE.

Graphene enhanced injection moulded products, ranging from packaging trays, construction products and consumer goods, have been successfully moulded using AAC Cyroma's injection moulding technology utilising a variety of different polymer grades. These products are

being tested in conjunction with our partners for live applications and AAC Cyroma continues to work with new partners looking at opportunities whereby graphene enhanced products can offer product differentiation and structural improvements.

HARD WEAR AND METALLIC PRODUCTS

Over the past few years Total Carbide has sought to move away from its dependency on the oil and gas sector which it had done reasonably successfully. However, with low oil prices that part of the business which still remains has been badly affected and accelerated the need for the business to diversify.

For example, after two years of tests and development work with an award winning, Norwegian high-tech company, Total Carbide has succeeded in securing orders for the manufacture of parts which reduce the inflow of water or gas in oil wells. It is expected that this will account for approaching up to 10% of future revenues.

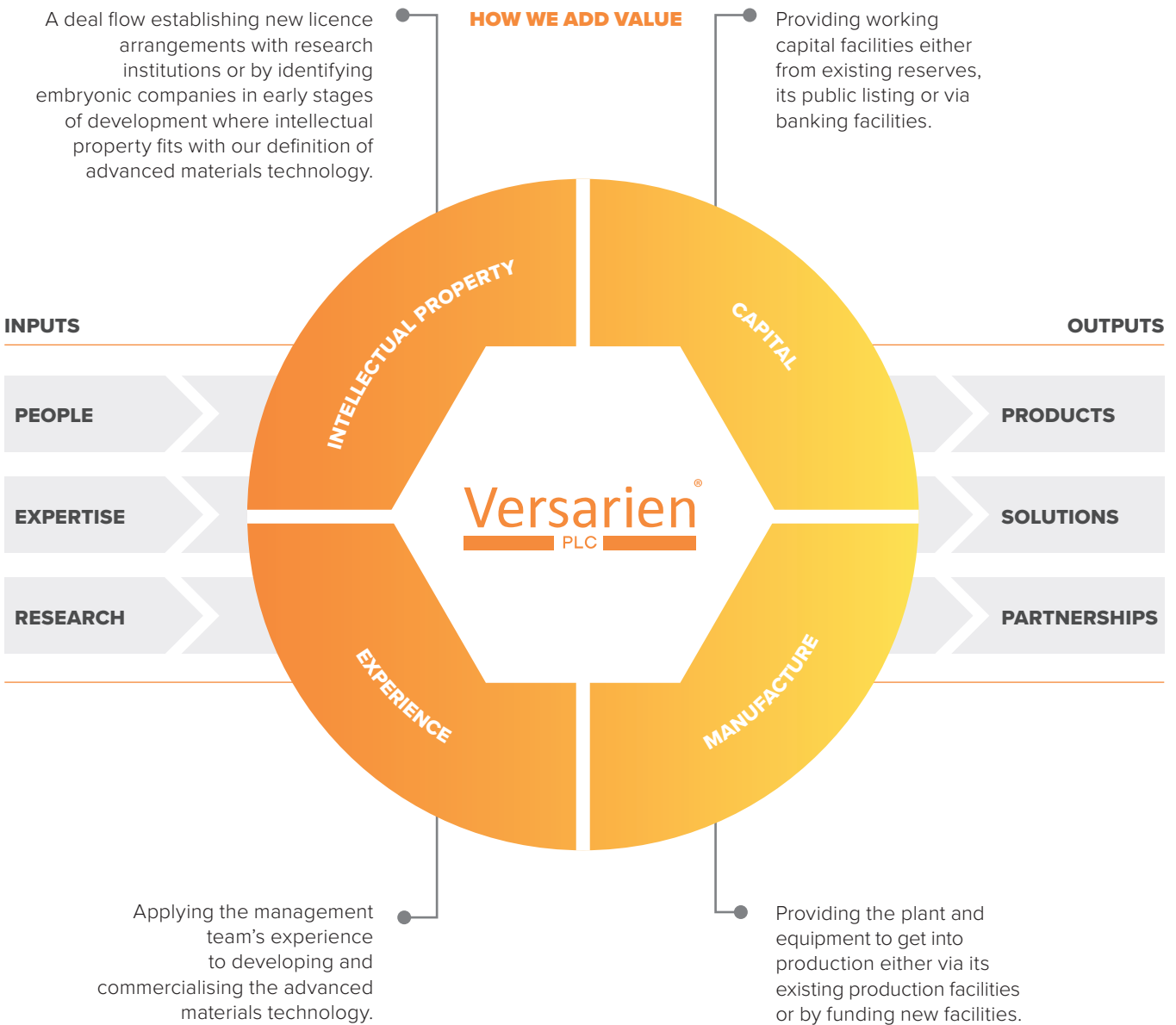
Breakthrough technology designed to cut the weight of rockets is being carried out at Westcott and Total Carbide has been working on technology to transform the throat nozzles, which provide the right amount of thrust to propel rockets and satellites.

Currently its throat nozzles are made from heavy tungsten alloys to provide sufficient strength and heat and wear resistance. The addition of Hexotene into a heat resistant ceramic will be used to provide a more lightweight solution. The project is part-funded by the Space Research and Innovation Network for Technology (SPRINT) programme which will help with testing of the new material.

Versarien Technologies' restructuring at the start of the financial year saw it reduce its less profitable business in order to create space at the Cheltenham site to support the graphene scale up that is now made possible by the award of the Innovate UK loan.

A structure to deliver

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



A strategy for commercialisation

Monetisation of our technologies is now the focus of the Board’s attention, although it will continue its stated strategy of acquiring IP should suitable opportunities arise.



IDENTIFY AND ACQUIRE MAJORITY STAKES IN COMPANIES CAPABLE OF COMMERCIALISING GRAPHENE APPLICATIONS

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

Our progress in year

- > The Covid-19 pandemic and the realignment of our China strategy has resulted in the strategic decision to concentrate on monetising existing opportunities. However we continue to appraise graphene opportunities as they arise.



SIGN APPLICATION DEVELOPMENT AGREEMENTS WITH CUSTOMERS

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

Our progress in year

- > We have segmented our collaborative projects with our primary focus being on the GSCALE project funded by the Innovate UK loan.

8

GSCALE Collaborations

6

Priority projects

5

Ongoing projects



COMMENCE COMMERCIAL SUPPLY OF GRAPHENE ENHANCED PRODUCTS

Monetising our graphene technologies in our portfolio is our focus.

Our progress in year

- > Versarien received £5 million loan from Innovate UK for a project named GSCALE (an acronym for Graphene-Seat, Concrete, Arch, Leisure, Elastomer) which will enable Versarien to significantly increase its manufacture of quality assured graphene.
- > In August 2020 Versarien launched its first graphene enhanced protective face masks which utilised Polygrene™. Pre-launch it reached sales of 120,000 units.



IDENTIFY OPPORTUNITIES FOR INTERNATIONAL EXPANSION

With the support from the UK Government we have a great opportunity to be able to seek and progress markets overseas.

Our progress in year

- > The appointment of Matt Walker from the UK government brings with it strategic direction for global expansion.
- > Work is ongoing in South Korea and in China which will be via our wholly foreign owned enterprise, Beijing Versarien Technology Limited.
- > Further opportunities are being sought in India, Japan and Singapore.

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:

	2020 £'000	2019 £'000
Group revenue	8,281	9,140
Gross margin percentage	24%	27%
Loss before interest, tax, depreciation, amortisation, exceptional costs and share-based charges	(646)	(1,134)
Cash used by Graphene and Plastic Products	(2,685)	(1,305)
Cash generated/(used) by Hard Wear and Metallic Products	608	(266)
Cash (utilised)/raised by parent (before loans to/from subsidiaries)	(558)	3,567
Net cash raised and (used)/generated by the Group	(2,635)	1,996

Managing **risks** effectively

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation.

Risk	Mitigation	Change
<p>TECHNOLOGICAL RISKS</p> <p>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.</p>	Versarien plc continually monitors the market in which it operates and has the resources to invest in new technology as appropriate.	▶▶
<p>COMPETITION RISKS</p> <p>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.</p>	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 margins.	▶▶
<p>INTELLECTUAL PROPERTY PROTECTION RISKS</p> <p>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.</p>	The Group monitors products brought to market as far as reasonably possible and will take cost-effective legal action to protect its intellectual property.	▶▶
<p>DEVELOPMENT RISK</p> <p>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.</p>	The Group mitigates this risk as far as possible by ensuring that it responds rapidly to technical changes that may be required.	▶▶
<p>ATTRACTION AND RETENTION OF KEY EMPLOYEES RISKS</p> <p>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.</p>	Risk is mitigated by providing share options to key employees, together with significant opportunities for career advancement.	▶▶

Risk	Mitigation	Change
<p>FUTURE FUNDING RISKS</p> <p>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.</p>	Risk is mitigated by maintaining relationships with more than one bank and by dialogue with its shareholders and prospective shareholders.	▶▶
<p>GENERAL ECONOMIC CONDITIONS RISKS</p> <p>Market conditions, particularly those affecting technology companies, may affect the ultimate value of the Group's share price regardless of operating performance. Market perception of technology companies may change, which could impact on the value of investors' holdings and impact on the ability of the Group to raise further funds by an issue of further shares. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Group's cost of raising and maintaining debt financing.</p>	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.	▲▲
<p>COMMODITY PRICES RISKS</p> <p>A significant amount of Versarien's purchases are metallurgical powders. Consequently, exposure to movements in underlying commodity prices affects margins.</p>	Where possible we purchase from more than one source and manage our stock levels accordingly.	▶▶
<p>BREXIT</p> <p>Versarien has relationships with the EU and the impact from Brexit could negatively affect trade regulations, people, contracts, IP and European Grants.</p>	The Company is monitoring events to determine what actions are necessary regarding its relationship with customers and the supply chain and will use its Spanish operations as necessary.	▶▶
<p>COVID-19</p> <p>The recent outbreak and global spread of Covid-19 may have a significant and prolonged impact on global economic conditions, and adversely impact our businesses.</p>	We continue to operate where possible on-site, having regard to the health and safety of our employees. Where possible, employees work from home or we use the furlough scheme. We continue to work with our partners to look at alternative ways for monetisation, such as that of the graphene mask development.	▲▲

KEY:

Decrease



No change



Increase

CURRENT TRADING AND OUTLOOK

The current financial year has seen a slow start for the mature businesses with some staff furloughed, some working from home and some working at our factory locations. With the lifting of restrictions, we are beginning to see some indication of our markets recovering, but continue to monitor costs carefully.

The future for the technology businesses looks exciting with the new product launch of the graphene enhanced masks, final testing of Gnanomat products by prospective customers and opportunities for expansion abroad.

The opportunity afforded to us by the Innovate UK loan to scale up our processes will be a main focus for the

business going forward as we seek to monetise the opportunities we have.

We remain confident of the future benefits that graphene can bring to society and our shareholders.

Neill Ricketts
Chief Executive Officer

10 September 2020



Versarien's revenue for the year ended 31 March 2020 was £8.3 million (2019: £9.1 million) with operating losses before exceptional costs, depreciation, amortisation and share-based payment charges of £0.6 million (2019: £1.1 million).

The LBITDAE is calculated as follows:

	2020 £'000	2019 £'000
Loss from operations	(4,548)	(2,763)
Amortisation	73	70
Depreciation	1,065	427
Share based payments charge	1,157	712
Exceptionals	1,607	420
LBITDAE	(646)	(1,134)

Exceptional costs were £1.6 million (2019: £0.4 million) which arose mainly through impairment of goodwill in AAC Cyroma Limited and Total Carbide Limited totalling £0.9m, principally as a result of the Covid-19 related recovery scenarios (2019: £Nil) and China expansion costs of £0.5m (2019: £0.3m). The loss before tax for the year was £4.7 million (2019: £2.8 million), after share based payment charges of £1.2 million (2019: £0.7 million).

Prior to the year end the Company entered into a £6 million subscription agreement with Lanstead, together with a related sharing agreement (the "Sharing Agreement"). 15,000,000 new ordinary shares of 1 pence each were issued at a price of 40 pence per share raising gross proceeds of £6 million.

The £6 million gross proceeds of the subscription were pledged by the Company pursuant to the Sharing Agreement with Lanstead. The Sharing Agreement entitles the Company to receive back those proceeds on a pro rata monthly basis over a period of 24 months, subject to adjustment upwards or downwards each month depending on the Company's share price at the time by reference to an average benchmark price of 53.33p.

In accordance with IFRS 13, the sharing agreement has been valued as at 31 March 2020 using the Monte Carlo (or multiple probability simulation) pricing model which has resulted in a valuation of £6,987,000. Consequently, and in accordance with IFRS 13, a gain of £987,000 has been accounted for as other gains in the Group Statement of Comprehensive Income.

The key assumptions in the valuation model, based on a 20-day average price for each month of the 24 months of the Lanstead sharing agreement were:

- > observed return volatility over 5 years of 76%;
- > annual drift factor 21.2%;
- > 50,000 simulated observations; and
- > average share price over the 24 months generated from the model of £0.62.

One strand of our strategy is to look for global expansion opportunities and our initial target had been China where, as noted above, we have spent £0.5 million including legal fees and secondment fees from the UK Government. Whilst the strategy for China expansion has changed due to a number of factors we have nevertheless made progress as

evidenced by the product launch of graphene enhanced face masks accompanied by first orders of 120,000 in volume. Adjusted LBITDA for the graphene businesses was £1.9 million (pre IFRS 16 £2.1 million) (2019: £1.1 million).

Our plastics business, AAC Cyroma has returned revenues of £3.8 million (2019: £4.7 million) and EBITDA of £0.4 million (pre IFRS 16 £0.2 million) (2019: £0.2 million).

Our mature Hard Wear and Metallic businesses have provided stability to support the development of the emerging businesses, with Total Carbide returning revenues of £3.4 million (2019: £3.2million) and EBITDA of £0.6 million (pre IFRS 16 £0.4 million) (2019: £0.5 million) and Versarien Technologies similarly returning revenues of £0.9 million (2019: £1.2 million) and adjusted LBITDA of £nil million (pre IFRS 16 £0.1 million) (2019 £0.1 million).

Group net assets at 31 March 2020 were £15.7 million (2019: £13.3 million) at the year end the Group had cash of £1.7m (2019: £4.3 million), with £1.2 million (2019: £0.6 million) drawn under the invoice finance facilities. As at period end the Company had £0.3 million of headroom in its invoice finance facilities (2019: £0.6 million). Together with the Lanstead sharing agreement and the Innovate UK loan, the Directors consider this sufficient for our current activities over the coming twelve months having made certain assumptions, further details of which are as below.

Cash outflow from operating activities was £1.5 million (2019: £1.7 million). The Group invested £nil in acquisitions (2019: £0.7 million), £0.4 million (2019: £0.4 million) in capitalised development costs, and £0.3 million (2019: £0.5 million) in plant and machinery.

GOING CONCERN

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

- > The Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities.
- > As at 31 March 2020, the Group had cash balances totalling £1.7 million with £0.3million of headroom on its invoice discounting facilities.
- > The Group was awarded a £5 million loan by Innovate UK to fund certain of its activities.
- > The Group receives monthly settlements from its sharing agreement with Lanstead, the quantum of which is dependent upon share price;

The Directors have prepared detailed projections of expected future cash flows for a period of twelve months from the date of this Annual Report.

These show that the Group is expected to have sufficient cash available to meet its obligations as they fall due for the foreseeable future (at least twelve months).

These projections contain certain assumptions about the sales performance as a result of the Covid-19 pandemic. There is therefore a risk that trading performance could be below expectations. The projections also contain certain assumptions with regards to the share price and the funds that will flow under the sharing agreement with Lanstead and there is also a risk that the share price could be below expectations. Both of these scenarios could lead to a requirement to take mitigating action.

Such actions could include raising more cash via an equity placing (there is a track record of successful placings) or, in the absence of a funding round, cost reduction in the Group. The Directors' have prepared sensitised projections for these scenarios which indicate that sufficient cash reserves would exist for the foreseeable future (at least twelve months) without any additional fundraising.

Other factors that have been taken into account in the Directors' assessment of going concern include:

- > the expectation that the placing authority for up to 15% of the existing share capital without pre-emption rights will be renewed at the Annual General Meeting;
- > the continuation and adequacy of bank facilities; and
- > that there are a number of mitigating actions the Group could implement, such as reducing the funds spent on development of its technologies and overheads to concentrate on GSCALE opportunities.

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

Christopher Leigh
Chief Financial Officer

10 September 2020

Section 172 statement

Section 172(1)(a) to (f) of the Companies Act 2006 requires Directors to act in good faith, in a way that will promote the success of the Company for the benefit of its members as a whole, as well as having regard to the specific matters below, some of which are also described in the described on pages 23 to 25 of the best practice governance report.

A. THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG-TERM

Versarien plc's stated strategy is to seek to capitalise on innovative IP, transforming it into commercially viable products that can tackle the technological challenges faced by modern manufacturers. Decisions are taken by the Board with this in mind.

B. THE INTERESTS OF THE COMPANY'S EMPLOYEES

The Board believes that its employees are key stakeholders within the Group and as such welcomes any feedback particular through the formal process of employee engagement surveys and through feedback via the head of each business unit. Throughout the Covid-19 epidemic weekly briefings have been held and employees consulted during these difficult times.

C. THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Board recognises that the success of the Company is reliant upon all stakeholders in its business. Group companies are ISO 9002 accredited which involves processes to monitor and record feedback from suppliers and customers.

D. THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND ENVIRONMENT

The Board considers environmental protection to be a high priority and has in place an environmental policy where the focus is on minimising the impact of its activities and operations on the local, regional and national environments. During the Covid-19 pandemic we continued to manufacture products within our portfolio that were essential for key workers, the NHS and general infrastructure.

E. THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

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

F. THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), release of news via LSE channels and by podcasts. Consequently, all members become privy to any price sensitive information at the same time and are treated equally in all respects. The appointment of a non-executive chairman has now resulted in their being two executive directors and three non-executive directors and has strengthened our corporate governance.



COMPLIANCE APPROACH

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

BOARD EFFECTIVENESS

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

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

The Audit Committee meets twice a year to consider the scope of the annual audit and the interim financial statements and to assess the effectiveness of the Group’s system of internal controls. It reviews the results of the external audit, its cost effectiveness and the objectives of the auditors. Given the size of the Group, the Audit Committee considers an internal audit function is not currently justified. The Audit Committee is chaired by Susan Bowen.

The Non-executive Directors are the members of the Remuneration Committee. It meets to determine Company policy on senior Executive remuneration, to make detailed recommendations to the Board regarding the remuneration packages of the Executive Directors and to consider awards under the Group’s option schemes. The Chief Executive Officer is consulted

on remuneration packages and policy but does not attend discussions regarding his own package.

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

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

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

The key elements of the system of internal control are:

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

CHANGES TO THE BOARD

The Board comprises Neill Ricketts, Christopher Leigh, Iain Gray CBE, Susan Bowen and James Stewart CBE appointed on 19 June 2020. The Board considers that there is an appropriate balance between the Executives and Non-executives and that no individual or small group will dominate the Board’s decision making. The Board’s members have a wide range of expertise and experience and it is felt that concerns may be addressed to the Non-executive Directors. The Board has delegated certain authorities to Committees, each with formal terms of reference. The whole Board acts as a Nomination Committee.

James Stewart
Non-executive Chairman

10 September 2020

Experience and drive

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



JAMES STEWART CBE
Non-executive Chairman

James is currently managing partner of Menlo Partners LLP, an investment and advisory company with a particular focus on technology companies operating in the UK and Asia. Prior to founding Menlo in 2013, he spent 25 years in the private equity sector, latterly as a partner at ECI Partners LLP (ECI), one of the UK's longest established private equity fund managers, where he was involved in a wide range of investments. James joined ECI in 1996 having formerly spent time at Arthur Andersen & Co. (Management Consultancy Division) and N M Rothschild & Co. Limited and as an investment director at Rothschild Ventures Limited.



NEILL RICKETTS
Chief Executive Officer

Neill is a graduate engineer with over 20 years of senior level experience in manufacturing and engineering companies. He has demonstrated success in introducing and commercialising new technology, including new materials and coatings for diverse sectors from aerospace to Formula One, including significant work in the oil and gas sector.

Neill sits on the advisory board of the United States National Graphene Association (NGA).



CHRISTOPHER LEIGH
Chief Financial Officer

Christopher is a chartered accountant with a significant track record in the manufacturing and engineering sector. His expertise covers corporate finance, mergers and acquisitions, post-acquisition integration, organisational restructuring and change management. He has previously held board-level positions in a variety of companies.



SUSAN BOWEN
Non-executive Director

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



IAIN GRAY CBE
Non-executive Director

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

Best practice governance

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

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

PRINCIPLE 1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

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

We do this through:

- > a deal flow either by establishing new licence arrangements with research institutions or by identifying embryonic companies in early stages of development whose intellectual property fits with our definition of advanced materials technology;

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

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

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

PRINCIPLE 2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Company is committed to open communication with its shareholders to ensure that its strategy, business model and performance are clearly understood.

We do this via podcasts, ad hoc investor meetings and by reporting news via LSE channels.

The AGM and online investor meetings are the main forum for dialogue between retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. For each AGM resolution, the proxy results are announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website/released via the Regulatory News Service.

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

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

ATTENDANCE AT MEETINGS DURING THE PERIOD

	Board	Audit Committee	Remuneration Committee
Neill Ricketts	12/12	1/1	0/0
Christopher Leigh	11/12	1/1	0/0
Iain Gray	12/12	0/1	0/0
Susan Bowen	8/12	1/1	0/0

PRINCIPLE 3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

Apart from our shareholders, our suppliers, customers and employees are considered to be our most important stakeholder groups. Group companies are ISO 9002 accredited which involves processes to monitor and record feedback from suppliers and customers. The Company has put in place Employee Engagement Surveys.

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

PRINCIPLE 4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

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

The key elements of the system of internal control are:

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

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

The Company maintains Group Company Risk Registers with business continuity plans as part of its ISO 9002 accreditation to address key risks that have an immediate impact.

Our ethical policy deals with compliance with laws and regulations, fair dealing and business intelligence, improper payments, business entertaining and duty to report violations.

PRINCIPLE 5: MAINTAINING THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The Board comprises the Non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer/Company Secretary and two Non-executive Directors. The Board considers that the Non-executive Directors bring an independent judgement to bear.

The Board believes there is a suitable balance between independence on the one hand and knowledge of the Company on the other. The Board continues its practice of ensuring matters reserved for the Board are fully discussed and debated.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Group holds regular Board meetings and each Director is asked to disclose any conflicts of interest.

PRINCIPLE 6: ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience and time to perform its duties. Board members are able to attend such courses or training, as they feel appropriate, to keep up to date. Directors receive regular and timely information on the Group's operational and financial performance with information being circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget.

All Directors retire by rotation at regular intervals in accordance with the

Company's Articles of Association. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary.

PRINCIPLE 7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

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

PRINCIPLE 8: PROMOTE A CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

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

PRINCIPLE 9: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

Board programme

The Board meets at least eight times each year in accordance with its scheduled meeting calendar.

The Board sets direction for the Company through a formal schedule of matters reserved for its decision and annually sets a schedule of dates for Board meetings.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed prior to meetings taking place.

Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors.

Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

Roles of the Board, Non-executive Chairman and Chief Executive Officer

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

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

The Non-executive Chairman, together with Non-executive Directors are responsible for ensuring the maintenance of good corporate governance and challenging and discussing the strategic direction of the Company.

The Chief Executive Officer is responsible for the strategic direction of the Company and delivering against that strategy.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

Executive Team

The Executive Team consists of Neill Ricketts and Christopher Leigh with input from the divisional managers. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change with the Board as a whole being the final arbiter.

Board Committees

The Board is supported by the Audit and Remuneration Committees. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties. Board nominations are dealt with by the Board as a whole.

PRINCIPLE 10: COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Company communicates with shareholders through the financial statements, full-year and half-year announcements, the Annual General Meeting (AGM), release of news via LSE channels, regular podcasts, one-to-one meetings with large existing or potential new shareholders and online meetings with private shareholders.



MEMBERSHIP

The Board has established an Audit Committee with the appropriate Terms of Reference, which is comprised of Susan Bowen (Chair), Iain Gray and James Stewart. The Committee reports to the Board in respect of its responsibilities.

RESPONSIBILITIES

The Committee meet to discuss its ongoing responsibilities, including such matters as the existing risk management and internal control systems in place, its financial reporting obligations and external audit findings.

An outline of the key responsibilities undertaken by the Committee in the year are set out below:

- > consider the appointment of the external auditor;
- > discuss with the external auditor the nature and scope of the audit;
- > review the half year and annual financial statements;
- > discuss matters arising for the external auditors report to the Committee; and
- > review the Company’s statement on internal control.

INTERNAL CONTROLS

The Committee continues to monitor and review the Company’s financial reporting and internal control procedures. It has been concluded that a separate internal audit function is not justified at this time because of the size and scope of the Company’s business activities. However, as the company grows the need for this function will be regularly assessed.

EXTERNAL AUDIT

The Board understands the importance of engaging with the external auditors and in order to support this relationship the external auditor is invited to attend at least one meeting of the Audit Committee each year. The Committee maintains the responsibility of making recommendations to the Board in respect of the appointment, reappointment and removal of the external auditors. In the reappointment of the Committee the Board carefully considers their performance in discharging the audit, the terms of engagement, and their independence.

Susan Bowen
Chair of the Audit Committee
10 September 2020



MEMBERSHIP

The Board has established a Remuneration Committee with the appropriate Terms of Reference, which is comprised of Iain Gray (Chair), Susan Bowen and James Stewart. The Committee reports to the Board in respect of its responsibilities.

RESPONSIBILITIES

The Committee meets to:

- > determine the remuneration and rewards for executive Directors;
- > maintain surveillance over all executive benefits including pensions;
- > analyse information from external surveys; and
- > ensure that remuneration policies for senior personnel facilitate employment and motivation.

Iain Gray
Chair of the Remuneration Committee
10 September 2020

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION

The Remuneration Committee comprises the Non-executive Chairman, James Stewart, and the two Non-executive Directors, Iain Gray CBE, who chairs the Committee, and Susan Bowen. The Remuneration Committee decides the remuneration policy that applies to Executive Directors.

SALARIES AND BENEFITS

The Remuneration Committee reviews the scale and structure of the Executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements.

CONTRACTS OF SERVICE

The Executive Directors, Neill Ricketts and Christopher Leigh, each have a service agreement containing one year's notice. The Non-executive Directors, Iain Gray CBE, Susan Bowen and James Stewart CBE, have a service agreement with a three-month notice period.

DIRECTORS' INTERESTS – INTERESTS IN SHARE OPTIONS (AUDITED)

Details of options held by Directors who were in office at 31 March 2020 are set out below.

Detail of the Company's option schemes are set out in note 22 to the financial statements.

The market price of the Company's shares at 31 March 2020 was 54.00 pence. The range of market prices during the year was 25.50 pence to 136.00 pence.

DIRECTORS' INTERESTS – INTERESTS IN SHARES (AUDITED)

Directors in office at 31 March 2020 had interests in the Ordinary shares of 1 pence each in the Company as displayed in the table below.

	2020 Number	2019 Number
Neill Ricketts	15,250,000	15,250,000
Christopher Leigh	315,000	315,000

Iain Gray
Non-executive Director

10 September 2020

DIRECTORS' REMUNERATION (AUDITED)

	Salary		Benefits and bonuses		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Executive						
Neill Ricketts	190	191	26	17	216	208
Christopher Leigh	158	155	15	11	173	166
	348	346	41	28	389	374
Non-executive						
Iain Gray CBE	30	20	—	—	30	20
Susan Bowen	23	—	—	—	23	—
	53	20	—	—	53	20

DIRECTORS' INTERESTS IN SHARE OPTIONS (AUDITED)

Director	Date of grant	Number	Exercise price	Expiry date
Neill Ricketts	2 October 2014	742,790	29.00p	2 October 2024
	2 October 2017	2,626,614	15.00p	2 October 2027
	30 August 2018	2,669,616	152.00p	30 August 2028
Christopher Leigh	2 October 2014	1,050,761	29.00p	2 October 2024
	2 October 2017	2,626,614	15.00p	2 October 2027
	30 August 2018	2,669,616	152.00p	30 August 2028

Included within the share based payment charge of £1,157,000 in the Group Statement of Changes in Equity (2019: £712,000) is £485,000 (2019: £312,000) in respect of Neil Ricketts and £485,000 (2019: £312,000) in respect of Christopher Leigh.



The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and the Independent Auditors' Report, for the year ended 31 March 2020.

RESULTS AND DIVIDENDS

The Group incurred a loss after tax for the year of £4.7 million (2019: loss of £2.7 million). The Directors do not recommend the payment of a dividend (2019: £nil). The Directors are confident of the future prospects of the Group.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Strategic Report on pages 1 to 20.

RESEARCH AND DEVELOPMENT

Investing in research and development programmes delivers product innovation and manufacturing improvements within Versarien plc. Expenditure on research and development in the year amounted to £1.3 million (2019: £0.7 million), of which £0.3 million has been capitalised (2019: £0.4 million) as the Group focuses on commercialisation of its product portfolio.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 22. The Directors' Remuneration Report on page 27 gives details of salaries, benefits and interests in shares and share options.

DIRECTORS' INDEMNITIES

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

EMPLOYEES

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

RISK FACTORS

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

TREASURY ACTIVITIES AND FINANCIAL INSTRUMENTS

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

POLITICAL DONATIONS

No political contributions were made during the year (2019: £nil).

GOING CONCERN

The Directors have prepared and reviewed forecasts and projections for a period of not less than twelve months from the approval of the Annual Report. These are based upon assumptions, in particular with regard to the key risks and uncertainties, together with the level of borrowings and other facilities made available to the Group. The Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group's financial statements. Further details are provided in the Chief Financial Officer's Review on pages 18 and 19.

SIGNIFICANT SHAREHOLDINGS

In addition to the Directors' holdings disclosed in the Directors' Remuneration Report on page 27, holders of more than 3% of the issued 169,682,290 Ordinary shares of the Company at 30 June 2020 are listed below.

SIGNIFICANT SHAREHOLDINGS

	Ordinary shares	% held
Hargreaves Lansdown	38,611,722	22.76%
Interactive Investor Services Limited	16,679,802	9.83%
Lanstead Capital Investors LP	15,750,000	9.28%
Halifax Share Dealing	11,237,268	6.62%
AJ Bell Securities	8,325,194	4.91%
Barclays Stockbrokers Limited	6,347,638	3.74%
Equiniti Shareview	6,150,479	3.63%

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

AWARENESS OF RELEVANT AUDIT INFORMATION

At the date of this report and insofar as each of the Directors is aware:

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

INDEPENDENT AUDITORS

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

By order of the Board

Christopher Leigh
Company Secretary

10 September 2020

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and

Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

DIRECTORS' CONFIRMATIONS

In the case of each Director in office at the date the Directors' Report is approved:

- > so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- > they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board.

Christopher Leigh
Company Secretary

10 September 2020

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 2020 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- > have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

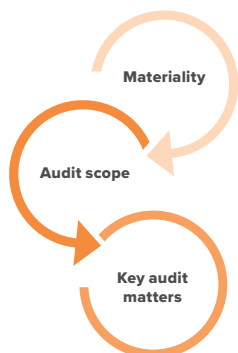
We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company statements of financial position as at 31 March 2020; the Group statement of comprehensive income, the statements of Group and Company cash flows, and the Group and Company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

BASIS FOR OPINION

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

Independence

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

OUR AUDIT APPROACH**Overview**

- > Overall Group materiality: £235,000 (2019: £141,000), based on 5% of loss before tax.
- > Overall Company materiality: £95,000 (2019: £99,000), based on 5% of loss before tax.

- > Our audit of the five significant components; Versarien plc, Total Carbide Ltd, Versarien Technologies Limited, 2-DTech Limited and AAC Cyroma Limited, as well as other specified balances addresses 72.4% of the group loss before tax and 99.6% of the group revenue.

- > Treatment of the Lanstead fundraising (Group and Company).
- > Goodwill impairment assessment (Group).
- > Intangible assets (development expenditure) impairment assessment (Group).
- > Recoverability of parent company investments in subsidiaries (Company).
- > Going Concern (Group and Company).
- > Impact of the outbreak of COVID-19 on the financial statements (Group and company).

The scope of our audit

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

OUR AUDIT APPROACH CONTINUED

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

TREATMENT OF THE LANSTEAD FUNDRAISING (GROUP AND COMPANY)

We focused on this area because it was a new fundraising arrangement which took place in the year which resulted in an increase of fair value of £987,000 to give a receivable balance as at 31 March 2020 of £6,987,000.

We obtained the Lanstead fundraising agreement and evaluated the key terms, including the number of shares issued. We also evaluated the group's accounting methodology for this transaction.

We obtained management's fair value model as at 31 March 2020, challenged assumptions and engaged our valuation experts to reperform the Monte Carlo simulation.

As a result of the work performed we agree with the accounting treatment of the Lanstead fundraising arrangement and the fair value as at 31 March 2020.

GOODWILL IMPAIRMENT ASSESSMENT (GROUP)

At 31 March 2020, the Consolidated Statement of Financial Position includes £3,555,000 of goodwill (2019: £4,431,000). In accordance with the requirements of IAS 36, management has performed impairment reviews in relation to the goodwill held in the group's cash generating units (CGUs). As a result of the assessments performed using either multiple-year profitability projections based on the actual results for 2020 or estimated fair values less costs to sell by comparing valuations of comparable companies, an impairment has been incurred of £876,000. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rates employed.

We obtained the group's cash flow forecasts supporting its assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including:

- > verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board;
- > evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the CGU's performance;
- > comparing the projected growth rates used to historical information;
- > evaluating the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts;
- > we performed a range of sensitivity analyses to assess the impact of reasonably possible changes in key assumptions to those used by management; and
- > We considered the market capitalisation of the group and other comparable companies given the early stage nature of the group's graphene businesses.

Based on this work, we concur with the assessment performed and with the impairment charge recognised in respect of goodwill. We consider the carrying value of the remaining goodwill balance is materially correct and we believe that the disclosures in the financial statements are appropriate.

OUR AUDIT APPROACH CONTINUED
Key audit matters continued

Key audit matter

How our audit addressed the key audit matter

INTANGIBLE ASSETS (DEVELOPMENT EXPENDITURE) IMPAIRMENT ASSESSMENT (GROUP)

We focused on this area because of the magnitude of capitalised development expenditure within the Consolidated Statement of Financial position as at 31 March 2020 of £901,000 (2019: £600,000) and the risk that amounts may not be recoverable if adequate future sales are not generated.

We tested a sample of capitalised development costs against the criteria set out in IAS 38 'Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits and gain necessary regulatory approvals.

We updated our understanding of the purpose and status of the projects in order to gain comfort over the future economic benefit of the projects and reviewed collaboration agreements in place related to each project. Where applicable, we also obtained the grant income documentation that directly relates to these projects. We assessed individually each of the major projects for indicators of impairment, such as ongoing progress of commercialisation.

As a result of our work performed we concluded that no impairment was required.

RECOVERABILITY OF PARENT COMPANY INVESTMENTS IN SUBSIDIARIES

At 31 March 2020, the company's Statement of Financial Position included £7,034,000 of investments (2019: £7,893,000). Management has performed an analysis comparing the carrying amount of the investments with the expected value of the business. As a result of this an impairment has been noted in relation to one of the subsidiaries of £859,000. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows and the discount rate employed.

We obtained the relevant subsidiary's cash flow forecasts supporting management's assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including:

- > verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board;
- > evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the CGU's performance;
- > comparing the projected growth rates used to historical information;
- > evaluating the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts;
- > we performed a range of sensitivity analyses to assess the impact of reasonably possible changes in key assumptions to those used by management; and
- > we considered the market capitalisation of the group and other comparable companies given the early stage nature of the group's graphene businesses.

Based on this work, we concur with the assessment performed and with the impairment charge recognised. We consider the carrying value of the investment balance to be materially correct.

OUR AUDIT APPROACH CONTINUED

Key audit matters continued

Key audit matter

How our audit addressed the key audit matter

GOING CONCERN (GROUP AND COMPANY)

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Company. The Board's consideration of going concern, including the potential impacts of COVID-19, are disclosed in the summary of significant accounting policies.

That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources and ability to continue operations over a period of at least 12 months from the date of approval of the financial statements.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed

The Directors have prepared detailed projections of expected future cash flows for a period of more than twelve months from the date of this report. These show that the group is expected to have sufficient cash available to meet its obligations as they fall due for the foreseeable future (at least twelve months). These projections assume reduced sales as a result of the COVID pandemic (as further noted below) in the mature revenue generating businesses, the continued utilisation of the invoice finance facilities, as well as the impact of funding from a loan from Innovate UK (which has been agreed post the balance sheet date) and the Lanstead sharing agreement.

IMPACT OF THE OUTBREAK OF COVID-19 ON THE FINANCIAL STATEMENTS (GROUP AND COMPANY)

In March 2020 the global pandemic from the outbreak of COVID-19 became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK.

COVID-19 has had a significant impact on Versarien both operationally and further in relation to the forecasted future demand for product and consequential impact on funding and cash flow management. It has impacted the results of the Group and company for the 2021 financial year to date and is expected to continue to impact the Group and company for the remainder of 2020/21, albeit the severity of the impact is expected to reduce over time.

Disclosure of the risk to the Group and company of Covid-19 and management's conclusions on going concern and viability have been included within the relevant sections of the Annual Report.

We obtained the Directors' model supporting their going concern assumption, tested the mathematical accuracy and considered the reasonableness of the assumptions made and the available headroom throughout the twelve-month period from the date of approval of the financial statements. Our procedures included:

- › critically assessed the Directors' going concern assessment, including the reasonableness of assumptions applied and downside stress case sensitivities applied using both our underlying knowledge of the business and with regard to COVID-19 scenarios being applied across the market;
- › considered the key sensitivities applied in the cash flow model pertaining to revenue and cost base giving regard to current trading since April 2020, the continued use of the finance facilities, the Innovate UK loan, continued funding from the Lanstead agreement using differing scenarios of share price and management of the Group's and Company's cost base;
- › reviewing the underlying base year back to supporting documentation (i.e. comparison with costs in current year); and
- › assessed the completeness and accuracy of the matters covered in the going concern disclosure with reference to the Directors' going concern assessment and whether significant judgements have been appropriately disclosed.

We concur with the Director's view that it is appropriate for the accounts to be prepared on the going concern basis.

We critically assessed management's assessment of the impact of COVID-19. We considered:

- › the timing of the development of the outbreak across the world and in the UK; and
- › how the financial statements and business operations of the company might be impacted by the disruption.

In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from COVID-19. Our procedures in respect of going concern included:

- › We made enquiries of management to understand the potential impact of COVID-19 on the company's financial performance, business operations and financial position.
- › We reviewed management's going concern assessment as further noted above.

Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements, and concur with management's assessment of the impact of COVID-19 on the going concern assessment.

We also assessed the adequacy of disclosures related to Covid-19 included in the financial statements and assessed these to be appropriate.

How we tailored the audit scope

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

OUR AUDIT APPROACH CONTINUED

How we tailored the audit scope continued

The Versarien group is made up of a number of operations located throughout the United Kingdom and a number of other smaller operations located in Spain and the United States. The significant operations of the group continue to be those based in the United Kingdom with those overseas being insignificant components.

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

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£235,000 (2019: £141,000).	£95,000 (2019: £99,000).
How we determined it	5% of loss before tax.	5% of loss before tax.
Rationale for benchmark applied	Loss before tax is considered a key focus for management and the Directors of the Group.	The entity does not generate any external revenue and therefore, loss before tax is considered to be an appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £27,000 and £150,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £12,000 (Group audit) (2019: £7,000) and £5,000 (Company audit) (2019: £4,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

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

REPORTING ON OTHER INFORMATION CONTINUED

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Bristol

10 September 2020

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Continuing operations			
Revenue	3	8,281	9,140
Cost of sales		(6,334)	(6,706)
Gross profit			
Other operating income	4	5	148
Other gains		987	—
Operating expenses (including exceptional items)	5	(7,487)	(5,345)
Loss from operations before exceptional items		(2,941)	(2,343)
Exceptional items	6	(1,607)	(420)
Loss from operations			
Finance costs	7	(160)	(69)
Finance income	7	5	3
Loss before income tax			
Income tax	9	49	117
Loss for the year			
		(4,654)	(2,712)
Loss attributable to:			
– Owners of the parent company		(4,148)	(2,473)
– Non-controlling interest		(506)	(239)
		(4,654)	(2,712)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	(2.69)p	(1.64)p

There is no other comprehensive income for the year.

The other gains in the year relates to the fair value assessment of the Lanstead sharing agreement at the balance sheet date.

The accompanying notes are part of the financial statements.

GROUP STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	11	4,720	5,318
Property, plant and equipment	12	4,316	3,170
Deferred taxation	9	25	25
Trade and other receivables	13	4,295	—
		13,356	8,513
Current assets			
Inventory	15	2,252	2,253
Trade and other receivables	16	4,817	2,141
Current tax		157	106
Cash and cash equivalents		1,657	4,292
		8,883	8,792
Total assets		22,239	17,305
Equity			
Called up share capital	21	1,697	1,536
Share premium account	21	25,497	19,776
Merger reserve		1,256	1,256
Share-based payment reserve		2,056	899
Accumulated losses		(13,846)	(9,698)
Equity attributable to owners of the parent company		16,660	13,769
Non-controlling interest		(999)	(493)
Total equity		15,661	13,276
Liabilities			
Non-current liabilities			
Trade and other payables	19	1,192	328
Deferred tax liabilities	9	67	69
Long-term borrowings	20	516	708
		1,775	1,105
Current liabilities			
Trade and other payables	17	2,928	1,528
Provisions	18	97	174
Current tax		290	257
Invoice discounting advances	20	1,156	603
Current portion of long-term borrowings	20	332	362
		4,803	2,924
Total liabilities		6,578	4,029
Total equity and liabilities		22,239	17,305

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

The financial statements on pages 36 to 64 were approved by the Board of Directors on 10 September 2020 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 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investment in subsidiaries	14	7,034	7,893
Intangible assets		73	38
Property, plant and equipment	12	97	119
Trade and other receivables	13	4,295	—
		11,499	8,050
Current assets			
Trade and other receivables	16	8,629	4,234
Cash and cash equivalents		929	3,226
		9,558	7,460
Total assets		21,057	15,510
Equity			
Called up share capital	21	1,697	1,536
Share premium account	21	25,497	19,776
Merger relief reserve		1,203	1,203
Other reserve		(431)	(431)
Share-based payment reserve		2,056	899
Accumulated losses		(10,480)	(8,582)
Total equity		19,542	14,401
Liabilities			
Non-current liabilities			
Long-term borrowings	20	74	85
Current liabilities			
Trade and other payables	17	1,291	819
Provisions	18	97	174
Current portion of long-term borrowings	20	11	11
Current tax		42	20
Total liabilities		1,515	1,109
Total equity and liabilities		21,057	15,510

The accompanying notes are an integral part of these financial statements. The Company has elected to take the exemption under Section 408 of the Companies Act to not present the Company Income Statement. The loss of the Company for the year was £1,898,000 (2019: £1,975,000).

The financial statements on pages 36 to 64 were approved by the Board of Directors on 10 September 2020 and signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Non-controlling interest £'000	Total equity £'000
At 1 April 2018	1,486	12,529	1,256	187	(7,225)	(254)	7,979
Issue of shares	50	7,247	—	—	—	—	7,297
Loss for the year	—	—	—	—	(2,473)	(239)	(2,712)
Share-based payments (note 22)	—	—	—	712	—	—	712
At 31 March 2019	1,536	19,776	1,256	899	(9,698)	(493)	13,276
Issue of shares	161	5,721	—	—	—	—	5,882
Loss for the year	—	—	—	—	(4,148)	(506)	(4,654)
Share-based payments (note 22)	—	—	—	1,157	—	—	1,157
At 31 March 2020	1,697	25,497	1,256	2,056	(13,846)	(999)	15,661

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Other reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2018	1,486	12,529	1,203	(431)	187	(6,607)	8,367
Loss for the year and total comprehensive expense	—	—	—	—	—	(1,975)	(1,975)
Issue of shares (note 21)	50	7,247	—	—	—	—	7,297
Share-based payments (note 22)	—	—	—	—	712	—	712
At 31 March 2019 and 1 April 2019	1,536	19,776	1,203	(431)	899	(8,582)	14,401
Loss for the year and total comprehensive expense	—	—	—	—	—	(1,898)	(1,898)
Issue of shares (note 21)	161	5,721	—	—	—	—	5,882
Share-based payments (note 22)	—	—	—	—	1,157	—	1,157
At 31 March 2020	1,697	25,497	1,203	(431)	2,056	(10,480)	19,542

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 2020

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash flows from operating activities					
Cash used in operations	25	(1,487)	(1,737)	(390)	(765)
Interest paid		(155)	(66)	1	3
Net cash used in operating activities		(1,642)	(1,803)	(389)	(762)
Cash flows from investing activities					
Acquisition of subsidiaries		—	(673)	—	(673)
Loans to subsidiaries		—	—	(1,744)	(1,941)
Purchase of intangible assets		(351)	(434)	(35)	(38)
Purchase of property, plant and equipment		(286)	(541)	—	(127)
Net cash used in investing activities		(637)	(1,648)	(1,779)	(2,779)
Cash flows from financing activities					
Share issue (net of funds deferred per sharing agreement)*		123	5,155	123	5,155
Share issue costs		(241)	(200)	(241)	(200)
Finance leases (net of repayments)		—	156	—	96
Principal payment of leases under IFRS 16		(791)	—	(11)	—
Invoice discounting loan proceeds/(repayments)		553	(514)	—	—
Net cash (used in)/generated from financing activities		(356)	4,597	(129)	5,051
(Decrease)/increase in cash and cash equivalents		(2,635)	1,146	(2,297)	1,510
Cash acquired on acquisition of subsidiary		—	850	—	—
Cash and cash equivalents at beginning of year		4,292	2,296	3,226	1,716
Cash and cash equivalents at end of year		1,657	4,292	929	3,226

* As disclosed further in note 13, during the year 15,000,000 shares were issued for cash raising gross proceeds of £6 million which were pledged via a sharing agreement entitling the Company to receive back those proceeds over a period of 24 months adjusted for the benchmark share price.

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

GENERAL INFORMATION

Versarien plc is a public limited company by shares and is incorporated and domiciled in the United Kingdom. The Company is registered in England and the address of its registered office is 2 Chosen View Road, Cheltenham, Gloucestershire GL51 9LT. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 20.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, other than IFRS 16 which was adopted in the year.

BASIS OF ACCOUNTING**Going concern**

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

- › The Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities.
- › As at 31 March 2020, the Group had cash balances totalling £1.7 million with £0.3million of headroom on its invoice discounting facilities.
- › The Group was awarded a £5 million loan by Innovate UK to fund certain of its activities.
- › The Group receives monthly settlements from its sharing agreement with Lanstead, the quantum of which is dependent upon share price.

The Directors have prepared detailed projections of expected future cash flows for a period of twelve months from the date of issue of this preliminary statement. These show that the Group is expected to have sufficient cash available to meet its obligations as they fall due for the foreseeable future (at least twelve months).

These projections contain certain assumptions about the sales performance as a result of the Covid-19 pandemic. There is therefore a risk that trading performance could be below expectations. The projections also contain certain assumptions with regards to the share price and the funds that will flow under the sharing agreement with Lanstead and there is also a risk that the share price could be below expectations. Both of these scenarios could lead to a requirement to take mitigating action.

Such actions could include raising more cash via an equity placing (there is a track record of successful placings) or, in the absence of a funding round, cost reduction in the Group. The Directors' have prepared sensitised projections for these scenarios which indicate that sufficient cash reserves would exist for the foreseeable future (at least twelve months) without any additional fundraising.

Other factors that have been taken into account in the Directors' assessment of going concern include:

- › the expectation that the placing authority for up to 15% of the existing share capital without pre-emption rights will be renewed at the Annual General Meeting;
- › the continuation and adequacy of bank facilities; and
- › that there are a number of mitigating actions the Group could implement, such as reducing the funds spent on development of its technologies and overheads to concentrate on GSCALE opportunities.

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

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

The financial statements have been prepared on the historical cost basis, except where IFRSs require an alternative treatment. The principal variations from historical cost relate to financial instruments (IFRS 9 and IFRS 13).

New standards, amendments and interpretations

The Group has adopted IFRS 16, 'Leases' using the modified retrospective approach from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed below, and in note 24.

BASIS OF ACCOUNTING CONTINUED

New standards, amendments and interpretations continued

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5%.

For leases previously classified as operating leases the Company recognised the carrying amount of the lease asset and lease liability as at 1 April 2019 as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The measurement principles of IFRS 16 are only applied after that date. There is no measurement adjustment for variable lease payments related to revenue or payment increases based on an index or rate.

(I) PRACTICAL EXPEDIENTS APPLIED

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- > applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- > excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

(II) MEASUREMENT OF LEASE LIABILITIES

	£'000
Operating lease commitments disclosed as at 31 March 2019	1,772
Increase to lease commitments based on updated leases	360
Updated commitments	2,132
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,924
Lease liability recognised as at 1 April 2019	1,924
Of which are:	£
Current lease liabilities	605
Non-current lease liabilities	1,319
	1,924

The net impact on retained earnings on 1 April 2019 was £nil.

The change in accounting policies affected the following items in the statement of the financial position on 1 April 2019:

	£'000
Additional recognition of right-of-use asset:	
Buildings – increase by	1,913
Plant and equipment – increase by	11
	1,924
Lease liabilities – increase by	1,924
Transfer of finance lease under IAS 17 to right-of-use asset:	
Plant and equipment cost	4,453
Plant and equipment depreciation	(2,567)
	1,886

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

BASIS OF CONSOLIDATION

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

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

SEGMENTAL REPORTING

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

BORROWINGS

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

PROVISIONS

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

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

INTANGIBLE ASSETS**Goodwill**

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

Acquired intangible assets

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

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

RESEARCH AND DEVELOPMENT

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

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

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

LICENCE ACCOUNTING

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

- (a) a financial instrument is deemed separable from the entity and can be sold, transferred, licensed, rented or exchanged;
- (b) a financial instrument arises from a contractual or other legal right;
- (c) future economic benefits are expected from the financial instrument; and
- (d) the cost of the asset can be measured reliably.

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

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

- > Licence – straight line over five years

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

PROPERTY, PLANT AND EQUIPMENT

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

DEPRECIATION

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

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

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL') are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

Financial assets

Financial assets are classified into 'financial assets at FVTPL' and 'financial assets at amortised cost'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

FINANCIAL INSTRUMENTS CONTINUED**Financial assets at FVTPL**

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Financial assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'liabilities at amortised cost'. Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest. Financial liabilities at amortised cost, including borrowings, trade and other payables, excluding deferred income and lease liabilities (after the adoption of IFRS 16 on 1 April 2019), and are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition. Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis. In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognised immediately in the income statement at the date of the modification of a financial liability.

INVENTORIES

Inventory is valued at the lower of cost and net realisable value. Cost comprises all direct expenditure and production overheads based on a normal level of activity. Provision is made for obsolete, slow-moving and defective inventory. Cost is calculated on a first-in, first-out basis and net realisable value represents the estimated sales value less costs to completion.

TRADE AND OTHER RECEIVABLES

Trade and other receivables include assets held under amortised cost and financial assets held at fair value through profit and loss (FVTPL). Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instruments for all trade and other receivables.

CASH

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

TRADE PAYABLES

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

EQUITY INSTRUMENTS

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

CURRENT AND DEFERRED TAX

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

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

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

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

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to the Group Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest.

Employer's National Insurance in the United Kingdom and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the fair value of the Company's shares at the balance sheet date and pro-rated over the vesting period of the options.

Fair value is measured using either the Black-Scholes or Monte Carlo pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

REVENUE RECOGNITION

The revenue recognised in any reporting period are based on the contracted delivery of performance obligations and an assessment of when control is transferred to the customer. To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

The Group's customer arrangements take a variety of forms, with typical contractual frameworks comprising: master terms and purchase orders.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities and is shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised when the performance obligation in the contract has been performed and control has been passed (so 'point in time' recognition). The customer gains the right of control at the time the product has been delivered.

GRANT INCOME RECOGNITION

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

Grant income is deferred until revenue is generated as a direct result of the research and development costs that have been capitalised. The deferred grant income is subsequently recognised as income in the Statement of Comprehensive Income over five years.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

LEASES

As explained above, the Company has changed its accounting policy for leases where the Company or any of its subsidiaries is the lessee. The new policy is described in note 24. Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payment made under operating leases were charged to profit and loss on a straight-line basis over the period of the lease. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019.

Tangible fixed assets which were acquired under finance leases and hire purchase agreements have been reclassified on adoption of IFRS 16 which has resulted in an increase to property, plant and equipment and liabilities.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

EXCEPTIONAL ITEMS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(A) CAPITAL RISK MANAGEMENT

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

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

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

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

	2020 £'000	2019 £'000
Total borrowings	(2,004)	(1,673)
Cash and cash equivalents	1,657	4,292
Group net (debt)/cash	(347)	2,619

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

(B) FOREIGN CURRENCY RISK

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

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

(C) INTEREST RATE RISK

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

(D) CREDIT RISK

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

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

(E) LIQUIDITY RISK

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

At 31 March 2019 and 31 March 2020, all amounts shown in the Group Statement of Financial Position under current assets and current liabilities mature for payment within one year.

(F) MARKET RISK

Market risk arises from the Group's use of financial instruments through an asset hold at FVTPL with the risk being associated to fluctuating share prices.

As at 31 March 2020 the Group is only exposed to its own share price changes which could affect future cash receipts on the Lanstead agreement.

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 historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The Directors believe the following to be the key areas of estimation and judgement:

(I) GOODWILL IMPAIRMENT

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

(II) FAIR VALUE OF IDENTIFIABLE NET ASSETS ACQUIRED

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

(III) USEFUL ECONOMIC LIVES OF INTANGIBLE AND TANGIBLE ASSETS

In relation to the Group's finite life, intangible assets and property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets.

(IV) DEVELOPMENT COSTS

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

(V) ASSET HELD AT FVTPL

The Group and the Company has placed shares with Lanstead and at the same time entered into a Sharing Agreement. The amount receivable under the Sharing Agreement each month, over a 24 month period will be dependent on the Company's share price performance. The nature of the Sharing Agreement with Lanstead requires the calculation of the fair value as at the end of the accounting period and it is based on the estimation of the Company's share price and discount rate.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- > Level 1: Quoted prices in active markets for identical items (unadjusted).
- > Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- > Level 3: Unobservable inputs (i.e. not derived from market data). The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair value measurement, the Company's share price has been assessed under the fair value hierarchy as Level 2 input. At each period end the amount receivable is restated to fair value. Any change in the fair value of the financial asset is reflected in the Statement of Comprehensive Income. The financial asset was initially recognised at the date the Sharing Agreement was entered into and was subsequently re-measured to its fair value at the reporting date. The resulting gain or loss was recognised in other gains within the Statement of Comprehensive Income. As at 31 March 2020, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance gain of £987,000 (2019: £nil). At the reporting date, the agreement had a positive fair value and therefore is recognised as a financial asset. The financial asset is presented as both current asset and non current asset.

3. SEGMENTAL INFORMATION – BUSINESS AND GEOGRAPHICAL SEGMENTS

At 31 March 2020, the Group is organised into two business segments. Central costs are reported separately.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the two principal business segments of Graphene and Plastic Products and Hard Wear and Metallic Products, and, accordingly, the Group's reportable segments under IFRS 8 are based on these activities.

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

The segment analysis for the year ended 31 March 2020 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Hard Wear and Metallic Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	—	3,942	4,342	(3)	8,281
Gross profit	—	727	1,220	—	1,947
Other operating income	—	—	5	—	5
Other income and gains	987	—	—	—	987
Operating expenses	(2,032)	(3,449)	(1,126)	(4)	(6,611)
Impairment of goodwill	—	(522)	(354)	—	(876)
Loss from operations	(1,045)	(3,244)	(255)	(4)	(4,548)
Finance charge	(1)	(97)	(57)	—	(155)
Loss before tax	(1,046)	(3,341)	(312)	(4)	(4,703)
Total assets	21,917	6,906	5,509	(12,093)	22,239
Total liabilities	(1,523)	(11,090)	(4,753)	10,788	(6,578)
Net assets/(liabilities)	20,394	(4,184)	756	(1,305)	15,661
Capital expenditure	34	324	279	—	637
Depreciation/amortisation	23	628	458	29	1,138

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

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

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
United Kingdom	6,920	7,577	11,040	6,203
Rest of Europe	831	1,065	2,316	2,310
North America	273	306	—	—
Other	257	192	—	—
	8,281	9,140	13,356	8,513

4. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Grant income	—	148
Other income	5	—
	5	148

5. EXPENSES BY NATURE

Expenses included in operating expenses are analysed below:

	2020 £'000	2019 £'000
Operating expenses		
Employee costs (salaries, National Insurance and pension)	3,609	3,216
Share-based payments	1,157	712
Research and development	1,024	336
Depreciation	1,065	427
Profit/(loss) on foreign currency translation	28	(33)
Amortisation	73	70
Operating lease rentals:		
– Machinery, equipment and vehicles	—	21
– Land and buildings	—	694
Audit services:		
– Fees payable to the Company auditors for the audit of the parent company and consolidated financial statements	33	35
– The audit of the Company's subsidiaries pursuant to legislation	69	56
Non-audit services:		
– Fees payable to the Company auditors for non-audit services	—	28

6. EXCEPTIONAL ITEMS

	2020 £'000	2019 £'000
Relocation and restructuring costs	139	59
Costs relating to expansion in China	531	271
Costs relating to setting up of the US subsidiary	—	28
Acquisition costs	32	29
Impairment of goodwill relating to subsidiaries (see note 11)	876	—
Other	29	33
	1,607	420

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

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

7. FINANCE COSTS AND INCOME

	2020 £'000	2019 £'000
Finance costs		
Lease interest charges	90	—
Bank charges	67	66
Licence interest charges	3	3
Finance income		
Bank deposit income	5	3
Net finance charge	155	66

8. DIRECTORS AND EMPLOYEES

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

	Group 2020 Number	Company 2020 Number	Group 2019 Number	Company 2019 Number
Manufacturing	43	—	52	—
Sales, technical and administration	50	6	48	4
	93	6	100	4

The aggregate remuneration was as follows:

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Wages and salaries	3,185	479	2,874	456
Social security costs	365	62	303	57
Other pension costs	59	4	54	2
Share-based payment charge – equity settled	1,157	1,157	712	712
	4,766	1,702	3,943	1,227

Details of Directors' remuneration are included in the Directors' Remuneration Report on page 27. The total remuneration of Directors' was £442,000 (2019: £394,000) and the highest paid Director earned £216,000 (2019: £208,000) had pension contributions of £1,000 (2019: £1,000), and exercised share options during the year ended 31 March 2020.

9. INCOME TAX

	2020 £'000	2019 £'000
UK corporation tax on loss for the year	—	—
Research and development tax credits	49	117
Tax on loss on ordinary activities	49	117

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £'000	2019 £'000
Loss before tax	(4,703)	(2,829)
Loss before tax at the effective rate of corporation tax in the UK of 19% (2019: 19%)	(894)	(538)
Effects of:		
Expenses not deductible for tax purposes	227	148
Capital allowances in excess of depreciation and other timing differences	(15)	(35)
Unrelieved losses arising in the year	682	425
Research and development tax credits	49	117
Tax credit for the year	49	117

In the financial year under review, the Group incurred a trading loss. The trading loss to be carried forward against future trading profits for corporation tax purposes is £14,665,000 (2019: £11,379,000). These losses will reduce the tax charge of future years until they are utilised provided future taxable profits are made. No deferred tax asset has been recognised, as there is currently insufficient certainty as to the precise timing of when the asset would be recovered. The unrecognised asset amounts to £2,449,000 (2019: £1,690,000), being £2,786,000 (2019: £1,934,000) of trading losses net against a capital allowances liability of £337,000 (2019: £244,000), leaving the remaining asset as unrecognised.

Deferred tax

In accordance with IAS 12, a deferred tax asset of £25,000 (2019: £25,000) has been recognised in relation to the fair valuation of net assets acquired on the acquisition of Total Carbide Limited and a deferred tax liability of £67,000 (2019: £69,000) in relation to the fair valuation of net assets acquired on the acquisition of AAC Cyroma Limited, with £5,000 (2019: £5,000) relating to Gnanomat S.L.

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic loss per share for the years ended 31 March 2020 and 31 March 2019 is based on the losses attributable to the shareholders of the Versarien plc Group divided by the weighted average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS 33 "Earnings per Share", potential Ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 31 March 2020, there were 14,677,130 (2019: 14,985,100) potential Ordinary shares, which have been disregarded in the calculation of diluted loss per share as they were considered non-dilutive at that date.

	Loss attributable to owners of parent company £'000	Weighted average number of shares '000	Basic loss per share pence
Year ended 31 March 2020	(4,148)	153,956	(2.69)
Year ended 31 March 2019	(2,473)	151,129	(1.64)

11. INTANGIBLE ASSETS

Group	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 April 2018	2,167	1,543	3,710
Acquisitions	2,264	20	2,284
Additions	—	434	434
Disposals	—	(21)	(21)
At 1 April 2019	4,431	1,976	6,407
Additions	—	351	351
At 31 March 2020	4,431	2,327	6,758
Accumulated amortisation and impairment			
At 1 April 2018	—	1,032	1,032
Disposals	—	(13)	(13)
Amortisation charge	—	70	70
At 1 April 2019	—	1,089	1,089
Amortisation charge	—	73	73
Impairment	876	—	876
At 31 March 2020	876	1,162	2,038
Carrying value			
At 31 March 2020	3,555	1,165	4,720
At 31 March 2019	4,431	887	5,318

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

The impairment of goodwill in 2020 relates to AAC Cyroma Limited and Total Carbide Limited as per exceptional items, note 6.

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment. Intangibles assets are amortised over their useful economic life, which range from 1 to 5 years.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration for an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition and is reviewed annually for impairment. Goodwill acquired in a business combination is allocated, at acquisition, to the business segments ("cash-generating units") detailed in note 3 "Segmental information" as follows:

	Opening £'000	Impairment £'000	Closing £'000
Hard Wear and Metallic Products	364	(354)	10
Graphene and Plastic Products	4,067	(522)	3,545
	4,431	(876)	3,555

11. INTANGIBLE ASSETS CONTINUED**Impairment**

At the year end, the carrying value of goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. For the purposes of this impairment review, goodwill in Hard Wear Products (Total Carbide Limited) has been tested for impairment on a value in use basis assessed on the discounted future cash flows expected to be generated and goodwill in Graphene and Plastic Products has been tested for impairment on a value in use basis (Plastic products – AAC Cyroma Limited) and fair value less costs to sell basis (Graphene products).

For the value in use basis the Group prepares cash flow forecasts based on financial projections approved by management covering a five-year period which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long-term growth rates which do not exceed the long-term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from the risk-free rate for government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities.

The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, forecast revenue and growth rates. The pre tax discount rate used to discount forecast cash flow ranges from 12.0% - 12.5% (2019: post tax 11%). The five-year revenue forecast for both Hard Wear and Plastic Products includes a decrease on sales arising from the Covid-19 pandemic followed by a slow recovery to pre-Covid levels by 2023/24 with up to 1.5% growth rate thereafter to perpetuity.

As a consequence of the above, goodwill has been impaired by £354,000 and £522,000 between Hard Wear and Plastic Products respectively.

Sensitivity analysis has been undertaken to assess the impact of a combination of reasonable changes in the principal assumptions and whether a further impairment may be required:

- Hard Wear and Metallic Products: A minor adjustment in either the discount rate, forecast revenue and growth rates could result in the remaining allocated goodwill being fully written off.
- Graphene and Plastic Products: Reducing the long-term growth rates to 1% and using a discount rate of 13% would lead to a further impairment of £177,000.

The impairment assessment for graphene products is determined by using the fair value less costs to sell method by using level 2 inputs of the fair value hierarchy, with reference to similar quoted businesses. No impairment was noted on this assessment.

Other intangible assets

	31 March 2020 £'000	31 March 2019 £'000
Customer relationships/order books	54	81
Development costs	901	600
Licence	28	48
Intellectual property	182	158
Total	1,165	887

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

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

12. PROPERTY, PLANT AND EQUIPMENT

Group	ROU asset £'000	Plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 April 2018	—	9,247	518	9,765
Additions	—	541	—	541
Acquisitions	—	76	—	76
Disposals	—	(2)	—	(2)
At 1 April 2019	—	9,862	518	10,380
Adjustment on transition to IFRS 16	6,377	(4,453)	—	1,924
Additions	160	127	—	287
Disposals	—	(132)	—	(132)
At 31 March 2020	6,537	5,404	518	12,459
Accumulated depreciation				
At 1 April 2018	—	6,735	50	6,785
Charge for the year	—	393	34	427
Disposals	—	(2)	—	(2)
At 1 April 2019	—	7,126	84	7,210
Adjustment on transition to IFRS 16	2,567	(2,567)	—	—
Charge for the year	820	218	27	1,065
Disposals	—	(132)	—	(132)
At 31 March 2020	3,387	4,645	111	8,143
Net book value				
At 31 March 2020	3,150	759	407	4,316
At 31 March 2019	—	2,736	434	3,170

Under IFRS 16 the right of use assets for the Group are as follows:

	Plant and equipment £'000	Buildings £'000	Total £'000
Cost	4,613	1,924	6,537
Accumulated depreciation	(2,788)	(599)	(3,387)
Net book value	1,825	1,325	3,150

In the prior year, leases under HP were classified as plant and equipment; however, under IFRS 16 they have now been classified as ROU asset with other leases.

Company	Plant and equipment £'000
Cost	
At 1 April 2019	141
Additions	—
At 31 March 2020	141
Accumulated depreciation	
At 1 April 2019	22
Charge for the year	22
At 31 March 2020	44
Net book value	
At 31 March 2020	97
At 31 March 2019	119

13. TRADE AND OTHER RECEIVABLES – ASSET HELD AT FVTPL

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Value of asset at inception	6,000	—	6,000	—
Gains recognised through income statement	987	—	987	—
	6,987	—	6,987	—

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Due within one year	2,692	—	2,692	—
Due after one year	4,295	—	4,295	—
At 31 March 2020	6,987	—	6,987	—

As part of the placement completed in March 2020, the Company issued 15,000,000 new ordinary shares to Lanstead Capital Investors L.P. ("Lanstead") at a price of 40p per share for an aggregate subscription price of £6 million before expenses. The Subscription proceeds were pledged under a Sharing Agreement under which Lanstead made and will continue to make, subject to the terms and conditions of that Sharing Agreement, monthly settlements to the Company that are subject to adjustment upwards or downwards depending on the Company's share price performance over a period of 24 months.

At the end of the accounting period the amount receivable is restated to fair value based upon the share price of the Company at that date. Any change in the fair value of the financial asset is reflected in the income statement. As at 31 March 2020, the Company completed a calculation of fair value of the financial asset that resulted in a finance gain of £987,000, which was recorded in the income statement. The restatement to fair value will be calculated at the end of each accounting period during the course of the Sharing Agreement and will vary according to the Company's share price performance.

14. INVESTMENT IN SUBSIDIARIES

	Company 2020 £'000	Company 2019 £'000
Net book value		
At the start of the year	7,893	4,875
Investment in the year	—	3,018
Impairment	(859)	—
At the year end	7,034	7,893

At the year end, the carrying value of investments in subsidiaries were reviewed for impairment. The basis of this testing was using a value in use basis assessed on the discounted future cash flows expected to be generated on a fair value less costs to sell basis.

For the value in use basis the company prepares cash flow forecasts based on financial projections approved by management covering a five-year period which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long term growth rates which do not exceed the long term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from the risk-free rate for government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities.

The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, forecast revenue and growth rates. The pre tax discount rate used to discount forecast cash flow ranges from 12.0% - 12.5% (2019: post tax 11%). The five-year revenue forecast for the investments includes a decrease on sales arising from the Covid-19 pandemic followed by a slow recovery to pre-Covid levels by 2023/24 with up to 1.5% growth rate thereafter to perpetuity.

As a consequence of the above, investments has been impaired by £859,000.

Management have performed sensitivity analysis to assess the impact that a combination of reasonably possible changes in the principal assumptions could have and whether a further impairment may be possible. It is noted that reducing the long-term growth rates to 1% and using a discount rate of 13% would lead to a further impairment of £151,000.

The impairment assessment for investments determined by using the fair value less costs to sell had no impairment noted. The fair value method used level 2 inputs of the fair value hierarchy, with reference to similar quoted businesses.

14. INVESTMENT IN SUBSIDIARIES CONTINUED

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

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

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

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

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

The registered address of Versarien Graphene (Hong Kong) Limited is 18th Floor, United Centre, 95 Queensway, Hong Kong. The registered address of Beijing Versarien Technology Limited is A201- 9, Block A, No.6, Dongyi Xiang, South Yanshangang Road, Fangshan District, Beijing.

15. INVENTORY

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Raw materials	1,227	1,023	—	—
Work in progress	477	646	—	—
Finished goods	548	584	—	—
	2,252	2,253	—	—

Stock recognised in cost of sales during the year as an expense was £2,812,000 (2019: £3,078,000).

16. TRADE AND OTHER RECEIVABLES

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables	1,765	1,634	—	—
Due from Group undertakings (net of provisions)	—	—	5,798	4,035
NIC receivable on share-based payments	97	174	97	174
Other debtors	18	118	15	—
Financial assets at FVTPL (note 13)	2,692	—	2,692	—
Prepayments and accrued income	245	215	27	25
	4,817	2,141	8,629	4,234

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables not past due	1,778	1,639	—	—
Trade receivables past due but not impaired	—	(3)	—	—
Gross trade receivables at 31 March	1,778	1,636	—	—
Provision for bad debt at 1 April	(2)	(2)	—	—
Debt provisions recognised in the year	(11)	—	—	—
Provision for bad debt at 31 March	(13)	(2)	—	—
Net trade receivables at 31 March	1,765	1,634	—	—

16. TRADE AND OTHER RECEIVABLES CONTINUED

The Directors consider that the carrying amount of trade receivables approximates to their fair value due to the short-term nature of the current receivables. Debts provided for and written off are determined on an individual basis and included in operating expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented in the foregoing table.

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Sterling	4,770	2,080	8,629	4,234
Euro	46	53	—	—
Other	1	8	—	—
	4,817	2,141	8,629	4,234

17. TRADE AND OTHER PAYABLES

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	1,514	976	298	46
Lease liability	605	68	—	35
Payables to Group undertakings	—	—	689	671
Accruals and deferred income	809	484	304	67
	2,928	1,528	1,291	819

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

18. CURRENT LIABILITIES – PROVISIONS

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
NIC due on share-based payments	97	174	97	174

19. NON-CURRENT TRADE AND OTHER PAYABLES

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Deferred grant income	414	303	—	—
Deferred licence cost	9	8	—	—
Other	18	17	—	—
Lease liability	751	—	—	—
	1,192	328	—	—

20. BORROWINGS

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Invoice discounting facilities	1,156	603	—	—
Obligations under hire purchase contracts and similar arrangements	848	1,070	85	96
	2,004	1,673	85	96
	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Short-term borrowings	1,156	603	—	—
Current portion of long-term borrowings	332	362	11	11
Long-term borrowings	516	708	74	85
	2,004	1,673	85	96

20. BORROWINGS CONTINUED

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Analysis of repayments				
Invoice discounting facilities – within one year	1,156	603	—	—
Finance leases and hire purchase contracts:				
Within one year	332	362	11	11
In two to five years	516	708	74	85
	2,004	1,673	85	96

Invoice discounting facilities of £1,156,000 (2019: £603,000) 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 £848,000 (2019: £1,070,000) attract interest at 3.5% above the base rate.

Due to the short-term nature of the invoice discounting facilities, the carrying amounts are assumed to be the same as their fair values. The hire purchase agreements are disclosed at fair value. Due to the comparable discount rate used in the measurement of fair value, this is categorised as level 2 within the fair value hierarchy.

21. 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 2018	148,665	1,486	12,529	14,015
Issue of shares	4,959	50	7,247	7,297
At 1 April 2019	153,624	1,536	19,776	21,312
Issue of shares	16,058	161	5,721	5,882
At 31 March 2020	169,682	1,697	25,497	27,194

The called up share capital in the table above represents the total number of authorised, issued and fully paid ordinary shares with a nominal value of £0.01 per share.

During the year the Company issued:

- > 15,000,000 Ordinary shares raising £6,000,000 (before expenses) in a subscription agreement with Lanstead Capital Investors LP at 40 pence per share (note 13) with 750,000 ordinary shares issued in connection with entering into the Sharing Agreement; and
- > 307,970 Ordinary shares raising £89,000 in an exercise of share options at 29 pence per share.

22. SHARE OPTIONS

The Company has an option scheme for Executive Directors and employees, the Versarien plc Share Option Plan, created on 12 June 2013. All options are granted at the market value of the shares at the date of grant. The share option scheme runs for a period of ten years. Employees are eligible to participate in the scheme at the invitation of the Board. No payment is required from option holders on the grant of an option. Performance conditions or market conditions are attached to 1,794,000 options issued in the year ended 31 March 2015, 5,253,000 options issued in the year ended 31 March 2018 and 6,850,000 options issued in the year ended 31 March 2019.

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

	2020 Weighted average exercise price in pence per share	Options '000	2019 Weighted average exercise price in pence per share	Options '000
At 1 April 2019	79.23	14,985	22.36	8,223
Granted	—	—	146.98	6,850
Exercised	(29.00)	(308)	(39.00)	(88)
At 31 March 2020	80.28	14,677	79.23	14,985

Of the 14,677,000 outstanding options (2019: 14,985,000), 1,604,000 had vested at 31 March 2020 (2019: 1,604,000).

22. SHARE OPTIONS CONTINUED

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

Year of grant	Exercise period	Exercise price in pence per share	2020 Number '000	2019 Number '000
2013	2014–2023	12.25	199	199
2014	2015–2027	29.00	2,124	2,432
2017	2018–2027	39.00	176	176
2017	2018–2027	21.25	75	75
2017	2020–2027	15.00	5,253	5,253
2018	2021–2028	152.0	5,339	5,339
2018	2020–2028	119.5	209	209
2018	2020–2028	157.5	319	319
2018	2020–2028	117.0	454	454
2019	2020–2023	126.5	529	529
			14,677	14,985

The weighted average fair value of options granted to Executive Directors and employees is determined using the Black-Scholes or Monte Carlo valuation model. The significant inputs into the model were the exercise prices shown above, volatility of 41% to 61% depending upon date of grant, dividend yield of 0%, expected option life of three to five years and annual risk-free interest rate of 1.1% to 1.57%. Future volatility has been estimated based on comparable information rather than historical data.

23. 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 2019 and 2020 is set out in the Group Statement of Changes in Equity.

24. LEASING

In 2019, prior to implementation of IFRS16, the group's commitments for property leases and some plant, equipment and vehicles were accounted for as non-cancellable operating leases. All payments made for these commitments were credited to the profit and loss account as they became due. Disclosure of the minimum lease commitments payable each year under those leases was disclosed by way of a note as below:

	2020		2019	
	Plant, equipment and vehicles £'000	Land and buildings £'000	Plant, equipment and vehicles £'000	Land and buildings £'000
Group				
Due before one year	—	—	8	564
Due between one to five years	—	—	7	1,193

From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability.

The Group leases land and buildings on which the factories they operate are located, and assets acquired under hire purchase which have now been reclassified under IFRS16. Land and buildings lease contracts are typically for standard lease commercial periods.

Leases typically include a monthly payment. As at 1st April 2019 the Group has recognised a right to use asset and a leasing liability based on these payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received. The Group had a range of borrowing rates from 4% to 6%. The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the Income Statement to be materially different.

24. LEASING CONTINUED

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the lease term on a straight line basis.

The total cash outflow for leases in 2020 was £748,000.

The right of use asset recognised includes leases and hire purchase agreements. The leasing liabilities are included as follows in the statement of financial position:

Group	2020 £
Trade and other payables	
Lease liability – non-current	605
Lease liability – current	751
Borrowings – obligations under hire purchase contracts	
Current portion of long-term borrowings	332
Long-term borrowings	516
	2,204

The amounts below represent the minimum future lease payments:

Group	2020 £	2019 £
Net obligations repayable:		
Within one year	937	—
Between one and five years	1,267	—
	2,204	—

25. CASH USED IN OPERATIONS

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loss before tax	(4,703)	(2,829)	(1,898)	(1,975)
Adjustments for:				
Share-based payments	1,157	712	1,157	712
Depreciation	1,065	427	22	13
Amortisation	73	70	—	—
Impairment of goodwill	876	—	—	—
Impairment of investment in subsidiary	—	—	859	—
Disposal of non-current assets	—	8	—	—
Finance cost/(income)	155	66	(1)	(3)
Gain on FV movement of share agreement	(987)	—	(987)	—
R&D tax credit repayment	49	117	—	—
(Increase)/decrease in trade and other receivables and investments	(35)	424	58	433
Decrease/(increase) in inventories	1	(292)	—	—
Increase/(decrease) in trade and other payables	862	(440)	400	55
Cash flows from operating activities	(1,487)	(1,737)	(390)	(765)

26. RELATED PARTY TRANSACTIONS

	Company	
	2020 £'000	2019 £'000
Net service transactions with subsidiaries	240	294
Net loans to subsidiaries	1,174	2,057
Year-end balance due from subsidiaries	5,109	3,364

27. FINANCIAL INSTRUMENTS

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as “amortised cost”. Borrowings and trade and other payables are classified as “other financial liabilities at amortised cost”. Both categories are initially measured at fair value and subsequently held at amortised cost.

The categories of financial instruments are as follows:

Financial assets	Assets at amortised cost £'000	Assets at FVTPL £'000	Total £'000
Cash and cash equivalents	1,657	—	1,657
Financial assets at FVTPL	—	6,987	6,987
Trade and other receivables excluding prepayments	1,880	—	1,880
Total at 31 March 2020	3,537	6,987	10,524

Financial liabilities	Assets at amortised cost £'000	Assets at FVTPL £'000	Total £'000
Trade and other payables excluding deferred income	2,350	—	2,350
Borrowings	2,004	—	2,004
Lease liabilities	1,356	—	1,356
Total at 31 March 2020	5,710	—	5,710

Contracted maturities of financial liabilities

Financial liabilities	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Trade and other payables excluding deferred income	2,323	27	—	2,350
Borrowings	1,488	332	184	2,004
Lease liabilities	605	521	230	1,356
Total at 31 March 2020	4,416	880	414	5,710

NOTICE OF GENERAL MEETING AND EXPLANATORY NOTE

Notice is hereby given that a General Meeting (“GM”) of Versarien plc (the “Company”) will be held at the Company’s offices at 2 Chosen View Road, Cheltenham, Gloucestershire GL51 9LT, on 21 October 2020 at 11.00am.

IMPORTANT NOTICE RE COVID-19 MEASURES

The Company has noted the provisions of the newly enacted Corporate Insolvency and Governance Act 2020 (“CIGA”) as well as the Government’s advice that non-essential travel and gatherings should be avoided. Under the provisions of CIGA the requirements for a physical quorum to be present at the GM and for the GM to be held in a particular place have been suspended.

Shareholders should note that only the usual and formal business set out in this notice of GM will be considered at the GM. The meeting will be conducted swiftly, with no presentation by the directors, no question and answer session and no refreshments and will end immediately following the conclusion of such usual and formal business. Any Board members in attendance will not meet with shareholders individually who attempt to attend the GM. Social distancing measures will be in place and strict hygiene arrangements in force. Any shareholders that do attempt to attend will not be allowed entry.

In the light of the above, and in order to ensure the safety of its shareholders, officers and employees, the Board requests that no shareholders should attend the meeting. The Company does value shareholder participation and values the votes of shareholders, so it encourages all shareholders to exercise their voting rights by completing and submitting a proxy form.

Shareholders who have received a proxy form with this Notice of GM should complete and return it in accordance with the instructions thereon to the Company’s registrars as soon as possible. The Company’s registrars, Share Registrars Limited, must receive it by no later than 11.00a.m. on 19 October 2020. Alternatively, shareholders may register their proxy appointment or voting instructions by scanning and emailing their completed proxy to Share Registrars Limited at voting@shareregistrars.uk.com or, if they are a member of CREST, by using the CREST electronic appointment service. Shareholders viewing this letter via the Company’s website who wish to receive a hard copy proxy form, should contact the Company’s registrars, Share Registrars Limited on 01252 821390. Please note that due to restricted attendance, the chairman of the meeting will be appointed as each shareholder’s proxy. **The appointment of anyone other than the chairman of the meeting as a shareholder’s proxy will not be valid and will be deemed to be an appointment of the chairman of the meeting as that shareholder’s proxy.**

Any shareholder who has a question that they would otherwise have raised at the GM is invited to contact the Company Secretary by email to versarien@yellowjerseypr.com by 12 October 2020 and the Company will post any answers on its website at www.versarien.com after 5.00pm (BST) on 15 October 2020.

The GM will be held to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

To receive the Directors’ Report and the audited financial statements for the year ended 31 March 2020 together with the Independent Auditors’ Report thereon*.

By order of the Board

Christopher Leigh
Company Secretary

10 September 2020

* The resolution is proposed as an ordinary resolution. This means that for it to be passed, more than half of the votes cast must be in favour of the resolution.

The Directors of the Company must present the Directors’ Report, the audited financial statements and the Independent Auditors’ Report on those financial statements before shareholders each year at a general meeting. Those to be presented at the GM are in respect of the period ended 31 March 2020.

PLEASE NOTE THAT THE NOTES BELOW SET OUT THE NORMAL MEETING ATTENDANCE AND PROXY APPOINTMENT RIGHTS OF MEMBERS AS SET OUT IN THE ACT OR THE COMPANY'S ARTICLES OF ASSOCIATION AND THE COMPANY IS NOT PROPOSING THAT THESE BE ALTERED. HOWEVER, GIVEN THE PROVISIONS OF CIGA, DIFFERENT MEETING ATTENDANCE AND PROXY APPOINTMENT RIGHTS OF MEMBERS ("REVISED RIGHTS") WILL APPLY IN RESPECT OF THIS GM AS SET OUT ABOVE. TO THE EXTENT THAT THERE IS ANY CONFLICT BETWEEN THE REVISED RIGHTS AND THE WORDING IN THE NOTES BELOW, THE REVISED RIGHTS WILL PREVAIL. WE ADVISE THAT YOU NOTE THAT ONLY THE CHAIRMAN CAN BE APPOINTED AS YOUR PROXY FOR THIS PARTICULAR MEETING AND IN ADDITION SHAREHOLDERS CANNOT ATTEND THIS MEETING IN PERSON.

ENTITLEMENT TO ATTEND AND VOTE

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

APPOINTMENT OF PROXIES

2. If you are a member of the Company at the time set out in note 1, above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the GM and you should have received a proxy form with this notice of GM. 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 GM 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 GM, 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 GM.

Appointment of proxy using hard-copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To be valid, the proxy form, and any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority), must be duly completed, executed and deposited with the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, or by scan and email to Share Registrars Limited at voting@shareregistrars.uk.com and in each case not less than 48 hours before the time appointed for the GM (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 GM 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 GM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

APPOINTMENT OF PROXIES CONTINUED

Appointment of proxies through CREST continued

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

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

APPOINTMENT OF PROXY BY JOINT MEMBERS

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

CHANGING PROXY INSTRUCTIONS

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

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

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

TERMINATION OF PROXY APPOINTMENTS

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

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

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 GM and voting in person. If you have appointed a proxy and attend the GM in person, your proxy appointment will automatically be terminated.

ISSUED SHARES AND TOTAL VOTING RIGHTS

12. As at close of business on 9 September 2020 (being the latest practicable date prior to the publication of this document), the Company's issued share capital comprised 169,682,290 Ordinary shares of 1 pence each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business on 9 September 2020 is 169,682,290.

NOMINATED PERSONS

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

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

COMMUNICATION

14. You may not use any electronic address provided either in:

- > this notice of General Meeting; or
- > any related documents (including the Chairman’s letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

ADVISERS

REGISTRARS

Share Registrars Limited

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GU9 7DR

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EC1A 4AB

SECRETARY AND REGISTERED OFFICE

Christopher Leigh

2 Chosen View Road
Cheltenham
Gloucestershire
GL51 9LT

Company registration number

8418328



Versarien plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Amadeus Silk, an FSC® certified material.

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