





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

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

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

Our product offerings are capable of having a game-changing impact in a broad variety of industry sectors.



Of most significance is the progress we have made in commercialising the production of graphene, having moved out of the laboratory into a scalable production facility in Cheltenham.”

Neill Ricketts
Chief Executive Officer



Key highlights

Operational highlights

- Pipeline of graphene enquiries expanding rapidly, including enquiries received from America, Europe, Mexico, Japan and South Korea
- First significant graphene shipment of £0.1 million
- Two graphene related acquisitions in the year, both bedding down well
- Numerous collaboration agreements signed for graphene application development
- Graphene-enhanced ABS (acrylonitrile butadiene styrene) filament for use in 3D printing launched
- Relocation of Hard Wear Products to a new factory near Aylesbury

Financial highlights

- Group revenues increased by 35% to £5.93 million (2016: £4.40 million)
- Net assets of £6.5 million (2016: £5.5 million)
- Cash at 31 March 2017 of £1.4 million (2016: £1.6 million)
- LBITDA* of £1.2 million (2016: £1.3 million)
- Loss before tax of £2.2 million (2016: £1.8 million)

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

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

Chief Executive's statement



Versarien has positioned itself to rapidly take advantage of developments in graphene.”

It has been another year of significant progress for Versarien, both organically with the progress on graphene products and inorganically with the two acquisitions completed in the period.

Organic developments

Undoubtedly, the overall focus of the year has been graphene. Versarien has positioned itself to rapidly take advantage of developments in graphene and to commercialise them. We have strengthened both our access to developments and our ability to manufacture.

The Group is working on a wide range of graphene projects and enquiries, many of which are with well-known companies. The majority of projects and enquiries fall broadly into four application categories:

- enhancing the properties of plastics;
- enhancing the properties of carbon fibre reinforced plastics;
- enhancing batteries and electronic circuits; and
- materials supplied for research and development purposes.

Inorganic developments

During the year, Versarien made two strategic acquisitions.

The first was AAC Cyroma Limited a well-established and profitable manufacturing company based in Banbury, Oxfordshire,

at a cost of £1.7 million. AAC Cyroma Limited manufactures plastic products using injection and vacuum forming processes. As part of the Versarien Group it contributed £2.5 million of sales and £0.132 million of EBITDA. AAC Cyroma Limited is building upon its existing business with new contacts, optimising its manufacturing processes, capacity and yields. In addition, it is now uniquely placed to incorporate Versarien's graphene materials into its products to offer plastic components that have enhanced properties. The acquisition was part funded by a fully subscribed placing of £1.1 million in July 2016.

The second acquisition was of an 85% holding in Cambridge Graphene Limited. This is a research and development company which has spun out of the University of Cambridge. The company is developing a range of graphene inks which have significant applications in the printing of flexible electronic circuits and sensors. The acquisition of Cambridge Graphene Limited was completed in January at a cost of £170,000 with expenses in the period of £18,000. It was followed by a successful fundraising of £1.5 million completed in March.

The Company continues to evaluate further acquisition opportunities.

Board

As announced in April, Ian Balchin, our Non-executive Chairman, left the Company on 28 June to be able to give more time to his other business interests. On behalf of the Board, I would like to thank Ian for his important contribution and wish him well for the future. It is the Board's intention to recruit an additional Non-executive Director in due course.



Of most significance is the continued interest that exists in our graphene inks and powders where we already have received multiple global enquiries.”

Following the acquisition of AAC Cyroma Limited in October 2016 and the purchase of Cambridge Graphene Limited in January 2017, Versarien now consists of two main business segments: graphene and plastics focused on delivering graphene solutions through plastics and carbon fibre composites and Thermal and Hard Wear Products focused on delivering copper, aluminium and tungsten carbide products.

Graphene and Plastic Products

Of most significance is the progress we have made in commercialising the production of graphene, having moved out of the laboratory into a scalable production facility in Cheltenham. Graphene nanoplatelets (GNPs) have been independently tested by the University of Manchester and found to be of the highest quality.

We have entered into agreements to develop graphene-enhanced PEK-type materials, which show up to a 32% improvement in modulus at 3wt% loading, a 21% improvement in UTS of the polymer matrix at 0.5wt% loading and a 17% improvement in elongation to break at 3wt% loading.

We have shipped £100,000 for graphene in the form of few layer graphene nanoplatelets (GNPs) to a European customer and launched our branded graphene product Nanene™, which is manufactured using Versarien's patent-protected, mechanised exfoliation process.

We have also launched our new graphene-enhanced ABS (acrylonitrile butadiene styrene) filament for use in 3D printing, which is designed to be suitable for most commercially available fused filament or fused deposition (FDM/FFF) 3D printers with a heated print bed and adjustable temperature settings.

Of most significance is the continued interest that exists in our graphene inks and powders where we already have received multiple global enquiries. These will take time to develop but demonstrate the importance of graphene in future global markets.

The purchase of AAC Cyroma Limited provided a further and significant opportunity to harness Versarien's existing graphene manufacturing capabilities. AAC Cyroma Limited's plastics expertise and plant and equipment will provide the Group with the ability to produce graphene-enhanced plastics products.

Thermal and Hard Wear Products

It has been a challenging year for our Hard Wear Products business as it completed its factory move from Princes Risborough to Aylesbury. It is now fully operational in a modern environment. We are seeing a gradual upturn in orders and the first two months of the year have seen it return to profitability.

Our copper foam continues to generate some interest but will require further development. Our strategy is to concentrate on the larger opportunities available in graphene whilst still ensuring that we can produce and supply copper foam as required. To this end, we have now developed our own production processes so that we no longer have to rely on the licensed technology that originally formed the basis of development.



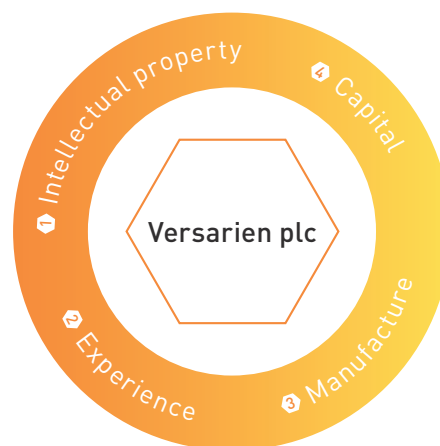
Read more about our business model and strategy **over the page**

Our business model and strategy

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

This requires a number of steps:

- ① a continual deal flow either by establishing new licence arrangements with research institutions or by identifying embryonic companies in early stages of development whose intellectual property fits with our definition of advanced materials technology;
- ② applying the management team's experience to developing and commercialising the advanced materials technology;
- ③ providing the plant and equipment to get into production either via its existing production facilities or by funding new facilities; and
- ④ providing working capital facilities either from existing reserves, its public listing or via banking facilities.



Our key performance indicators and objectives

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

Objectives

Our objectives for the current financial year are to:

- identify and acquire majority stakes in companies capable of commercialising graphene applications;
- sign application development agreements with customers;
- sign commercial production agreements with customers; and
- commence commercial production of graphene in quantity for specific applications.

Key performance indicators

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

	2017 €'000	2016 €'000
Revenue	5,928	4,401
Gross margin percentage	24%	24%
Loss before interest, tax, depreciation, amortisation, exceptional costs and share-based charges	(1,243)	(1,310)
Cash generated from/(used in) graphene and plastics businesses	55	(493)
Cash utilised by Thermal and Hard Wear businesses	(851)	(742)
Cash raised/(utilised) by parent (before loans to/from subsidiaries)	515	(648)
Net cash used by the Group	(281)	(1,883)

Principal risks and uncertainties

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

Risk	Mitigation	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>	<p>Versarien plc continually monitors the market in which it operates and has the resources to invest in new technology as appropriate.</p>	
<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>	<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 profits.</p>	
<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>	<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>	
<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>	<p>The Group mitigates this risk as far as possible by ensuring that it responds rapidly to technical changes that may be required.</p>	

Principal risks and uncertainties *continued*

Risk	Mitigation	Change
<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>	<p>Risk is mitigated by providing share options to key employees, together with significant opportunities for career advancement.</p>	<p>▶▶</p>
<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>	<p>Risk is mitigated by maintaining relationships with more than one bank and by dialogue with its institutional shareholders.</p>	<p>▶▶</p>
<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>	<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>	<p>▶▶</p>
<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 profitability.</p>	<p>Where possible we purchase from more than one source under medium to long-term contracts and manage our stock levels accordingly.</p>	<p>▶▶</p>

Current trading and outlook

The current year has started positively marketing the graphene products in Europe, Mexico, Japan and South Korea. Contacts have been established with global companies in each of these regions and work with those companies is ongoing. Developing these will require investment and continued collaboration with the University of Manchester and the University of Cambridge but are expected to be transformational for our graphene business.

We look forward with real optimism and confidence to the year ahead.

Neill Ricketts

Chief Executive Officer
27 July 2017

Chief Financial Officer's review



Overview of the year

Versarien's revenue for the year ended 31 March 2017 was £5.9 million (2016: £4.4 million) with operating losses before exceptional costs, depreciation/amortisation and share-based payment charges of £1.2 million (2016: £1.3 million).

Exceptional costs were £0.26 million (2016: £0.15 million) including £0.1 million of acquisition and potential acquisition costs (2016: £0.06 million), £0.15 million of restructuring costs (2016: £0.05 million) and £0.01 million of other costs (2016: £0.04 million). The loss before tax for the year was £2.2 million (2016: £1.8 million).

Group net assets at 31 March 2017 were £6.5 million (2016: £5.5 million) including cash of £1.37 million (2016: £1.65 million) with £0.7 million of headroom on its invoice finance facilities (2016: £0.7 million). The Directors consider this sufficient for the coming twelve months having made certain assumptions, further details of which are contained below.

Borrowings in the year increased by £1.4 million as a result of acquiring AAC Cyroma Limited, where net assets acquired included £0.3 million of borrowings and £0.7 million of those assets were leveraged to support the cash consideration payable. In addition, plant and machinery additions included in the Hard Wear Products factory move amounted to £0.4 million.

Cash outflow from operating activities was £1.3 million (2016: £1.3 million) including the positive effect of working capital

management of £0.2 million (2016: £0.2 million). The Group invested £1.3 million, net of cash, in acquisitions (2016: Nil), £0.05 million (2016: £0.6 million) in capitalised development costs and £1.0 million (2016: £0.3 million) in plant and machinery.

Going concern

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

- The Group meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities which are being increased by its bankers.
- As at 31 March 2017, the Group had bank balances totalling £1.4 million with £0.7 million of headroom on its invoice discounting facilities.
- The Directors have prepared detailed projections of expected future cash flows for a period of twelve months from the date of issue of this 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).
- The projections contain assumptions about the sales performance of its technological products and the state of the oil and gas sectors. There is therefore a risk that trading performance could be below expectation, which 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 for the foreseeable future (at least twelve months) would exist.

- Other factors that have been taken into account in the Directors' assessment of going concern include:
 - the Directors expect to renew the authority to place up to 15% of the existing share capital for cash without pre-emption rights;
 - the accuracy of forecasts;
 - the continuation and adequacy of bank facilities; and
 - there are a number of mitigating actions that the Group could implement, such as reducing the funds spent on development of its technologies and overheads.

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. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Christopher Leigh
Chief Financial Officer
27 July 2017

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Board of Directors



Neill Ricketts
Chief Executive Officer

Neill is a graduate engineer with over 20 years of senior level experience in manufacturing and engineering companies, including several directorships of AIM-quoted companies. Neill has demonstrated success in introducing and commercialising new technology, including new materials and coatings for diverse sectors from aerospace to Formula One, including significant work in the oil and gas sector. Neill has successfully led several successful turnarounds and was a board-level director at Elektron Technology plc, a group which included Total Carbide Limited, which at that time sat within the Elektron Ventures division.



Christopher Leigh
Chief Financial Officer

Chris is a chartered accountant with a significant track record in the manufacturing and engineering sector. His expertise covers corporate finance, mergers and acquisitions, post-acquisition integration, organisational restructuring and change management. He was previously chief financial officer at a leading medical recruitment agency and was group finance director of AIM-listed Elektron Technology plc for 18 years between 1992 and 2010.



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 engineering 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 autonomous, independent profit centre looking to drive growth from commercial investment in new areas of technical innovation. He was recently appointed director of aerospace at Cranfield University and is a fellow of the Royal Aeronautical Society, the Royal Society of Edinburgh and the Royal Academy of Engineering.

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and the Auditor's Report, for the period ended 31 March 2017.

Results and dividends

The Group incurred a loss after tax for the year of £2.2 million (2016: £1.8 million). The Directors do not recommend the payment of a dividend (2016: £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 Chief Executive's Statement, the Strategic Report and the Chief Financial Officer's Review on pages 2 to 7.

Research and development

Investing in research and development programmes delivers product innovation and manufacturing improvements within Versarien plc. Expenditure on research and development in the year amounted to £0.3 million (2016: £0.9 million), of which £0.1 million has been capitalised (2016: £0.6 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 in the Directors' Remuneration Report on page 13, together with details of their interests in shares and share options.

Directors' indemnities

The Company has granted indemnities to each of its Directors in respect of losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association.

Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report. In addition, Directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance.

Employees

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

Risk factors

Information on the Group's principal risks and how they are mitigated 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 (2016: £nil).

Going concern

The Directors have prepared and reviewed forecasts and projections for a period of not less than twelve months from the approval of the Annual Report. These are based upon assumptions, in particular with regard to the key risks and uncertainties, together with the level of borrowings and other facilities made available to the Group. The Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group's financial statements. Further details are provided in the Chief Financial Officer's Review on page 7.

Corporate governance

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

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board. The Chief Executive Officer leads the development of business strategies within the Group's operations. Following the resignation of the Non-executive Chairman, the Board currently consists of two Executive Directors and one Non-executive Director. It is the Board's intention to appoint an additional Non-executive Director. The Board considers that there will be an appropriate balance between the Executives and Non-executives and that no individual or small group dominates the Board's decision making. The Board's members have a wide range of expertise and experience and it is felt that concerns may be addressed to the Non-executive Director(s).

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

The Non-executive Director(s) are the members of the Audit Committee. The Committee meets twice a year to consider the scope of the annual audit and the interim financial statements and to assess the effectiveness of the Group's system of internal controls. It reviews the results of the external audit, its cost effectiveness and the objectives of the auditor. Given the size of the Group, the Audit Committee considers an internal audit function is not currently justified. The Audit Committee is chaired by Iain Gray CBE.

The Non-executive Director(s) are the members of the Remuneration Committee. It meets at least once a year to determine Company policy on senior Executive remuneration, to make detailed recommendations to the Board regarding the remuneration packages of the Executive Directors and to consider awards under the

Group's option schemes. The Chief Executive Officer is consulted on remuneration packages and policy but does not attend discussions regarding his own package. The remuneration and terms and conditions of the appointment of Non-executive Directors are determined by the Board. The Remuneration Committee is currently 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 or loss.

Directors' report *continued*

Corporate governance *continued*

The key elements of the system of internal control are:

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

Significant shareholdings

In addition to the Directors' holdings disclosed in the Directors' Remuneration Report on page 13, holders of more than 3% of the 131,330,702 issued Ordinary shares of the Company at 30 June 2017 are listed below.

Awareness of relevant audit information

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

- there is no relevant audit information of which the auditor is unaware; and

- the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

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

Significant shareholdings

	Ordinary shares	% held
Lombard Odier Asset Management (Europe)	27,206,022	20.72
Miton Asset Management	13,984,168	10.65
Hargreaves Lansdown	10,139,731	7.72
William Battrick	7,488,944	5.70
Herald Investment Management	7,035,950	5.85
Barclays Stockbrokers	5,071,419	3.86

By order of the Board

Christopher Leigh

Company Secretary
27 July 2017

Directors' remuneration report

Directors' remuneration

Following the resignation of the Non-executive Chairman, the Remuneration Committee currently comprises the one Non-executive Director; Iain Gray CBE chairs the Committee. The Remuneration Committee decides the remuneration policy that applies to Executive Directors.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for Executive Directors. The remuneration packages are benchmarked annually to ensure comparability with companies of a similar size and complexity. Remuneration comprises basic salary and, for most Directors, pension contributions to the Director's personal pension scheme, and benefits in kind. In addition, certain Directors are paid a car allowance or receive a contribution to their travel expenses.

Directors' remuneration (audited)

	Salary		Benefits and bonuses		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Executive						
Neill Ricketts	128	109	61	11	189	120
Christopher Leigh	113	109	61	11	174	120
William Battrick (resigned 10 March 2016)	—	52	—	9	—	61
	241	270	122	31	363	301
Non-executive						
Ian Balchin (resigned 29 June 2017)	26	33	—	—	26	33
Iain Gray CBE (appointed 1 February 2016)	20	3	—	—	20	3
David Veasey (resigned 1 February 2016)	—	11	—	—	—	11
	46	47	—	—	46	47

Mr Battrick received a payment of £15,000 upon his resignation from office.

Directors' interests in share options (audited)

Director	Date of grant	Number	Exercise price	Expiry date
Neill Ricketts	12 June 2013	528,720	12.25p	12 June 2023
	2 October 2014	1,050,761	29.00p	2 October 2024
Christopher Leigh	30 September 2013	528,720	15.50p	30 September 2023
	2 October 2014	1,050,761	29.00p	2 October 2024

Remuneration also includes share options and carried interest as detailed below.

Contracts of service

The Executive Directors, Neill Ricketts and Christopher Leigh, each have a service agreement containing one year's notice. The Non-executive Director, Iain Gray CBE, has 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 2017 are set out below. One-third of the options granted are exercisable annually from the date of grant. No options were exercised by Directors during the year. Details of the Company's option schemes are set out in note 21 to the financial statements.

The market price of the Company's shares at 31 March 2017 was 22.00 pence. The range of market prices during the year was 9.63 pence to 23.38 pence.

Directors' interests – interests in shares (audited)

Directors in office at 31 March 2017 had interests in the Ordinary shares of 1 pence each in the Company as displayed in the table below.

	2017 Number	2016 Number
Neill Ricketts	15,375,000	15,375,000
Ian Balchin	1,149,633	1,149,633
Christopher Leigh	165,000	165,000

Iain Gray CBE

Non-executive Director
27 July 2017

Statement of Directors' responsibilities

in respect of the financial statements

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

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 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 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors, confirms that to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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 auditor is 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 auditor is aware of that information.

Independent auditor's report

To the members of Versarien plc

Report on the financial statements

Our opinion

In our opinion:

- Versarien plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2017 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Group statement of financial position and the Company statement of financial position as at 31 March 2017;
- the Group statement of comprehensive income for the year then ended;
- the Statement of Group and Company Cash Flows for the year then ended;
- the Group statement of changes in equity and the Company statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Independent auditor's report *continued*

To the members of Versarien plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Colin Bates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

27 July 2017

Group statement of comprehensive income

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	3	5,928	4,401
Cost of sales		(4,531)	(3,340)
Gross profit		1,397	1,061
Other operating income	4	180	57
Operating expenses (including exceptional items)	5	(3,769)	(2,932)
Loss from operations before exceptional items		(1,929)	(1,666)
Exceptional items	6	(263)	(148)
Loss from operations		(2,192)	(1,814)
Net finance charge	7	(10)	(7)
Loss before income tax		(2,202)	(1,821)
Income tax	9	—	31
Loss for the year		(2,202)	(1,790)
Loss attributable to:			
– Owners of the parent company		(2,132)	(1,745)
– Non-controlling interest		(70)	(45)
		(2,202)	(1,790)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	(1.85)p	(1.65)p

There were no other gains or losses in the year other than those included in the Group Statement of Comprehensive Income. The accompanying notes are an integral part of these financial statements. The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Company Income Statement.

Group statement of financial position

At 31 March 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets	11	2,923	1,910
Property, plant and equipment	12	3,106	1,487
Deferred taxation	9	25	25
		6,054	3,422
Current assets			
Inventory	14	1,888	1,472
Trade and other receivables	15	1,945	816
Cash and cash equivalents		1,367	1,648
		5,200	3,936
Total assets		11,254	7,358
Equity			
Called up share capital	20	1,313	1,056
Share premium account	20	9,762	7,163
Merger reserve		1,256	1,017
Share-based payment reserve		115	91
Accumulated losses		(5,844)	(3,712)
Equity attributable to owners of the parent company		6,602	5,615
Non-controlling interest		(137)	(67)
Total equity		6,465	5,548
Liabilities			
Non-current liabilities			
Trade and other payables	17	271	376
Provisions	18	80	—
Deferred taxation	9	64	—
Long-term borrowings	19	657	58
		1,072	434
Current liabilities			
Trade and other payables	16	2,726	1,005
Provisions	18	—	208
Invoice discounting advances	19	735	116
Current portion of long-term borrowings	19	256	47
		3,717	1,376
Total liabilities		4,789	1,810
Total equity and liabilities		11,254	7,358

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

The financial statements were approved by the Board of Directors and authorised for issue on 27 July 2017 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 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investment in subsidiaries	13	4,875	3,691
Property, plant and equipment	12	8	6
		4,883	3,697
Current assets			
Trade and other receivables	15	1,264	550
Cash and cash equivalents		950	794
		2,214	1,344
Total assets		7,097	5,041
Equity			
Called up share capital	20	1,313	1,056
Share premium account	20	9,762	7,163
Merger relief reserve		1,203	964
Other reserve		(431)	(431)
Share-based payment reserve		115	91
Accumulated losses		(5,905)	(4,069)
Total equity		6,057	4,774
Liabilities			
Non-current liabilities			
Provisions	18	80	—
Current liabilities			
Trade and other payables	16	960	59
Provisions	18	—	208
Total liabilities		1,040	267
Total equity and liabilities		7,097	5,041

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

The financial statements were approved by the Board of Directors and authorised for issue on 27 July 2017 and were signed on its behalf by:

Neill Ricketts
Chief Executive Officer

Christopher Leigh
Chief Financial Officer

Registered number 8418328

Group statement of changes in equity

For the year ended 31 March 2017

	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 2015	1,055	7,150	1,017	94	(1,967)	(22)	7,327
Loss for the year and total comprehensive income	—	—	—	—	(1,745)	(45)	(1,790)
Issue of shares (note 20)	1	13	—	—	—	—	14
Share-based payments (note 21)	—	—	—	(3)	—	—	(3)
At 31 March 2016	1,056	7,163	1,017	91	(3,712)	(67)	5,548
Loss for the year and total comprehensive income	—	—	—	—	(2,132)	(70)	(2,202)
Issue of shares (note 20)	257	2,599	239	—	—	—	3,095
Share-based payments (note 21)	—	—	—	24	—	—	24
At 31 March 2017	1,313	9,762	1,256	115	(5,844)	(137)	6,465

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 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2015	1,055	7,150	964	(431)	94	(1,115)	7,717
Loss for the year and total comprehensive income	—	—	—	—	—	(2,954)	(2,954)
Issue of shares (note 20)	1	13	—	—	—	—	14
Share-based payments (note 21)	—	—	—	—	(3)	—	(3)
At 31 March 2016	1,056	7,163	964	(431)	91	(4,069)	4,774
Loss for the year and total comprehensive income	—	—	—	—	—	(1,836)	(1,836)
Issue of shares (note 20)	257	2,599	239	—	—	—	3,095
Share-based payments (note 21)	—	—	—	—	24	—	24
At 31 March 2017	1,313	9,762	1,203	(431)	115	(5,905)	6,057

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 2017

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities					
Cash used in operations	24	(1,250)	(1,253)	(609)	(666)
Interest (paid)/received		(10)	(7)	(1)	5
Net cash used in operating activities		(1,260)	(1,260)	(610)	(661)
Cash flows from investing activities					
Acquisition of subsidiaries (net of cash acquired)		(1,324)	—	(1,364)	—
Loans to subsidiaries		—	—	(359)	(1,314)
Purchase of intangible assets		(52)	(553)	—	—
Purchase of property, plant and equipment		(977)	(269)	(4)	(3)
Net cash used in investing activities		(2,353)	(822)	(1,727)	(1,317)
Cash flows from financing activities					
Share issue		2,560	14	2,560	14
Share issue costs		(67)	—	(67)	—
Finance leases (net of repayments)		776	69	—	—
Invoice discounting loan proceeds		63	116	—	—
Net cash generated from financing activities		3,332	199	2,493	14
(Decrease)/increase in cash and cash equivalents		(281)	(1,883)	156	(1,964)
Cash and cash equivalents at beginning of year		1,648	3,531	794	2,758
Cash and cash equivalents at end of year		1,367	1,648	950	794

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

Accounting policies

For the year ended 31 March 2017

General information

Versarien plc is a public limited liability company incorporated in England and Wales and domiciled in the UK. The address of its registered office is 2 Chosen View Road, Cheltenham, Gloucestershire GL51 9LT. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 10 to 12.

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

Summary of significant accounting policies

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

Basis of accounting

The financial statements have been prepared on a going concern basis. The business model of the Group, together with the principal risks and uncertainties, is set out in the Strategic Report and the Group's financial risk management is covered in note 1. The progress of the Group since the balance sheet date is described in the Chief Executive's Statement and the Strategic Report. Having reviewed cash flow projections, the Directors believe that the Company has adequate resources to continue in operation for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements as described in the Chief Financial Officer's review on page 7.

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

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

There have been no new standards or amendments which became effective for the current reporting period that have had a material effect on the Group.

Certain changes to IFRSs will be applicable to the consolidated financial statements in future years. IFRS 15 "Revenue from Contracts with Customers" is effective for the Group for its 2019 financial statements and is not expected to have a material impact on Group financial statements.

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Versarien plc and its subsidiary undertakings. The Company acquired the entire share capital of Versarien Technologies Limited in a share-for-share exchange on 21 March 2013. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in 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.

The Company acquired 100% of the issued share capital of The Breakfast Club 200 Limited and AAC Cyroma Limited on 1 October 2016 and accounted for it using the purchase method. The consideration was measured at the fair value of equity instruments issued and cash paid by the Company in exchange for control of the acquiree.

The Company acquired 85% of the issued share capital of Cambridge Graphene Limited on 19 January 2017 and accounted for it using the purchase method. The consideration was measured at the fair value of equity instruments issued and cash paid by the Company in exchange for control of the acquiree.

Acquisition related costs are expensed in the Group Statement of Comprehensive Income. The acquiree's identifiable assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

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.

Accounting policies *continued*

For the year ended 31 March 2017

Segmental reporting

The Directors regard the Group's reportable segments of the business to be the manufacture of thermal copper/aluminium, other aluminium and tungsten carbide hard wear products ("Thermal and Hard Wear 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 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 Chief Executive's Statement, Operational Review and Strategic Report.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 Company's policy to recognise an intangible asset for development of its product once the criteria have been met. Otherwise all costs in the research phase will be recognised in the 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 Company intends to complete the intangible asset and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

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

Licence accounting

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

- (a) a financial instrument is deemed separable from the entity 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 VersarienCu technology licence and 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 and equipment

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

Depreciation

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

Leasehold improvements	over the term of the lease
Plant and equipment	one to 15 years

Financial instruments

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

Inventories

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

Trade and other receivables

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

Cash

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

Trade payables

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

Equity instruments

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

Accounting policies *continued*

For the year ended 31 March 2017

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.

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

Revenue recognition

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

Grant income recognition

Grant income is recognised in the 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 profit or loss and other comprehensive income. Capital grants are recognised over the useful life of the funded asset.

Foreign currencies

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

Operating leases

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

Finance leases

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

Impairment

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

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

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

Exceptional items

Exceptional items are defined as items of income and expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that, in order to give a full understanding of the Group's underlying financial performance, they require separate disclosure on the face of the 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 2017

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Chief Executive's Statement, Operational Review and the Strategic Report on pages 2 to 6. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them.

(a) Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares. There were no changes in the Group's approach to capital management during the year.

(b) Foreign currency risk

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

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

(c) Interest rate risk

The Group currently uses invoice discounting advances to fund working capital requirements, 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 2016 and 31 March 2017, all amounts shown in the Group Statement of Financial Position under current assets and current liabilities mature for payment within one year.

2. Significant accounting estimates and judgements

Sources of estimation uncertainty

The preparation of the financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually made and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

2. Significant accounting estimates and judgements *continued*

Critical accounting estimates and judgements *continued*

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.

3. Segmental information – business and geographical segments

At 31 March 2017, 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/plastic products and thermal/hardware 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 period ended 31 March 2017 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Thermal and Hard Wear Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	—	2,628	3,300	—	5,928
Gross (loss)/profit	—	685	712	—	1,397
Other operating income	—	123	57	—	180
Operating expenses	(712)	(1,360)	(1,672)	(25)	(3,769)
(Loss)/profit from operations	(712)	(552)	(903)	(25)	(2,192)
Finance income/(charge)	1	(9)	(2)	—	(10)
(Loss)/profit before tax	(711)	(561)	(905)	(25)	(2,202)
Total assets	7,107	3,907	5,253	(5,013)	11,254
Total liabilities	(1,058)	(4,058)	(4,620)	4,947	(4,789)
Net assets/(liabilities)	6,049	(151)	633	(66)	6,465
Capital expenditure	4	130	947	—	1,081
Depreciation/amortisation	1	274	362	25	662

Notes to the financial statements *continued*

For the year ended 31 March 2017

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

The segment analysis for the period ended 31 March 2016 is as follows:

	Central £'000	Graphene and Plastic Products £'000	Thermal and Hard Wear Products £'000	Intra-group adjustments £'000	Total £'000
Revenue	—	16	4,389	(4)	4,401
Gross (loss)/profit	—	(4)	1,065	—	1,061
Other operating income	—	31	26	—	57
Operating expenses	(600)	(364)	(1,943)	(25)	(2,932)
Loss from operations	(600)	(337)	(852)	(25)	(1,814)
Finance income/(charge)	5	(2)	(10)	—	(7)
Loss before tax	(595)	(339)	(862)	(25)	(1,821)
Total assets	7,424	637	4,998	(5,701)	7,358
Total liabilities	(331)	(1,084)	(3,460)	3,065	(1,810)
Net assets/(liabilities)	7,093	(447)	1,538	(2,636)	5,548
Capital expenditure	3	46	220	—	269
Depreciation/amortisation	—	13	321	25	359

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
United Kingdom	4,823	3,176	5,588	3,422
Rest of Europe	763	877	—	—
North America	11	10	—	—
Other	331	338	—	—
	5,928	4,401	5,588	3,422

4. Other operating income

	2017 £'000	2016 £'000
Grant income	180	57

5. Expenses by nature

Expenses included in operating expenses are analysed below:

	2017 £'000	2016 £'000
Operating expenses		
Employee costs (salaries, national insurance and pension)	2,781	2,610
Share-based payments	24	(3)
Research and development	273	268
Depreciation	300	204
Profit on foreign currency translation	(8)	(4)
Amortisation	362	155
Operating lease rentals:		
– machinery, equipment and vehicles	11	18
– land and buildings	384	251
Audit services:		
– fees payable to Company auditor for the audit of the parent company and consolidated financial statements	22	17
– the audit of the Company's subsidiaries pursuant to legislation	64	38
Non-audit services:		
– audit related assurance services	—	2

6. Exceptional items

	2017 £'000	2016 £'000
Relocation and restructuring costs	154	52
Acquisition costs	105	60
Other	4	36
	263	148

The relocation and restructuring costs relate mainly to the relocation of the Hard Wear Products manufacturing facility following the termination of its factory lease in October 2016.

7. Net finance charge

	2017 £'000	2016 £'000
Finance costs		
Bank and lease interest charges	13	3
Licence interest charges	(2)	10
Finance income		
Bank deposit income	(1)	(6)
Net finance charge	10	7

Notes to the financial statements *continued*

For the year ended 31 March 2017

8. Directors and employees

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

	2017 Number	2016 Number
Manufacturing	52	42
Sales, technical and administration	26	32
	78	74

The aggregate remuneration was as follows:

	2017 €'000	2016 €'000
Wages and salaries	2,515	2,368
Social security costs	255	238
Other pension costs	11	4
Share-based payment charge – equity settled	24	(3)
	2,805	2,607

Included within wages and salaries is £nil (2016: £41,000) relating to severance payments. Details of Directors' remuneration are included in the Directors' Remuneration Report on page 13.

9. Taxation

	2017 €'000	2016 €'000
UK corporation tax on profits for the year	—	71
Deferred tax	—	(40)
Tax on loss on ordinary activities	—	31

The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 €'000	2016 €'000
Loss before tax	(2,202)	(1,821)
Loss before tax at the effective rate of corporation tax in the UK of 20% (2016: 20%)	(440)	(364)
Effects of:		
Expenses not deductible for tax purposes	17	23
Capital allowances in excess of depreciation and other timing differences	(10)	(90)
Unrelieved losses arising in the year	433	391
Research and development tax credits	—	71
Tax charge for the year	—	31

In the financial period under review, the Group incurred a trading loss. The trading loss to be carried forward against future trading profits for corporation tax purposes was £7,443,000 (2016: £5,157,000). These losses will reduce the tax charge of future years until they are utilised. No deferred tax asset has been recognised, as there is currently insufficient certainty as to the precise timing of when the asset would be recovered. The unrecognised asset amounts to £1,101,000 (2016: £821,000), being £1,265,000 (2016: £928,000) of trading losses net against a capital allowances liability of £164,000 (2016: £107,000), leaving the remaining asset as unrecognised.

In accordance with IAS 12, a deferred tax asset of £25,000 (2016: £25,000) has been recognised in relation to the fair valuation of net assets acquired on the acquisition of Total Carbide Limited.

10. Loss per share

The calculation of the basic loss per share for the years ended 31 March 2017 and 31 March 2016 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 earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS 33 "Earnings per Share", potential Ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share. As at 31 March 2017, there were 3,819,862 (2016: 3,819,862) potential Ordinary shares, which have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at that date.

	Loss attributable to owners of parent company £'000	Weighted average number of shares '000	Basic loss per share pence
Year ended 31 March 2017	2,132	115,292	(1.85)
Year ended 31 March 2016	1,745	105,588	(1.65)

11. Intangible assets

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 April 2015	1,013	611	1,624
Acquisitions	10	—	10
Additions	—	553	553
At 1 April 2016	1,023	1,164	2,187
Acquisitions	1,144	179	1,323
Additions	—	52	52
At 31 March 2017	2,167	1,395	3,562
Accumulated amortisation and impairment			
At 1 April 2015	—	122	122
Amortisation charge	—	155	155
At 1 April 2016	—	277	277
Amortisation charge	—	362	362
At 31 March 2017	—	639	639
Carrying value			
At 31 March 2017	2,167	756	2,923
At 31 March 2016	1,023	887	1,910

Notes to the financial statements *continued*

For the year ended 31 March 2017

11. Intangible assets *continued*

Impairment

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

	Opening £'000	Additions £'000	Closing £'000
Thermal and Hard Wear Products	364	—	364
Graphene and Plastic Products	659	1,144	1,803
	1,023	1,144	2,167

The recoverable amount of all cash-generating units has been determined based on value-in-use calculations using pre-tax cash flow projections based on financial projections approved by management covering a five-year period. The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, forecast revenue and growth rates. The rate used to discount forecast cash flow is 11%. The five-year growth rates for Hard Wear products on 2018 budget revenue is assumed to be 5% and for graphene products is 75% on 2018 budget revenue. Any shortfall in the revenue growth rates or increase in the discount rate would lead to an impairment.

Other intangible assets

	31 March 2017 £'000	31 March 2016 £'000
Customer relationships/order books	167	68
Development costs	410	647
Licence	42	13
Intellectual property	137	159
Total	756	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.

On 1 October 2016, the Company completed the acquisition of AAC Cyroma Limited for an initial cash consideration of £1,339,000 and £266,000 in new Versarien shares at a price of 10 pence per share. Up to an additional £200,000 of deferred consideration will be payable based upon AAC Cyroma Limited achieving pre-tax profit targets for the years ending 31 December 2017 and 2018. The transaction involved Versarien purchasing the entire share capital of The Breakfast Club 2000 Ltd, a non-trading holding company owning 85% of the shares of AAC Cyroma Limited and 15% of the shares of AAC Cyroma Limited from an individual to give Versarien 100% ownership of AAC Cyroma Limited. The purchase of AAC Cyroma Limited and associated goodwill provides the Group with the opportunity to include graphene in plastic products. Revenues and results of AAC Cyroma Limited are included within the segmental analysis in note 3 under "Graphene and Plastic Products".

On 19 January 2017, the Company completed the acquisition of Cambridge Graphene Limited for £25,000 in cash and £145,000 in shares at a price of 10 pence per share.

11. Intangible assets *continued*

Other intangible assets *continued*

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

	AAC Cyroma Limited £'000	Cambridge Graphene Limited £'000	Total £'000
Non-current assets			
Intangible assets	135	44	179
Property, plant and equipment	952	—	952
	1,087	44	1,131
Current assets			
Inventories	353	—	353
Trade and other receivables	997	1	998
Cash and cash equivalents	36	4	40
	1,386	5	1,391
Total assets	2,473	49	2,522
Current liabilities			
Trade and other payables	1,344	88	1,432
Obligations under finance leases	17	—	17
Invoice finance	255	—	255
Deferred taxation	107	—	107
Total current liabilities	1,723	88	1,811
Net assets/(liabilities) acquired	750	(39)	711
Goodwill	935	209	1,144
Consideration	1,685	170	1,855
Consideration satisfied by:			
Shares issued	266	145	411
Cash	1,339	25	1,364
Deferred consideration	80	—	80
	1,685	170	1,855

Notes to the financial statements *continued*

For the year ended 31 March 2017

12. Property, plant and equipment

Group	Plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 April 2015	6,004	—	6,004
Additions	253	16	269
Disposals	(14)	—	(14)
At 1 April 2016	6,243	16	6,259
Additions	573	456	1,029
Acquisitions	2,891	16	2,907
Disposals	(683)	—	(683)
At 31 March 2017	9,024	488	9,512
Accumulated depreciation			
At 1 April 2015	4,581	—	4,581
Charge for the year	202	2	204
Disposals	(13)	—	(13)
At 1 April 2016	4,770	2	4,772
Acquisitions	1,948	6	1,954
Charge for the year	288	12	300
Disposals	(620)	—	(620)
At 31 March 2017	6,386	20	6,406
Net book value			
At 31 March 2017	2,638	468	3,106
At 31 March 2016	1,473	14	1,487

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

	Group 2017 £'000	Group 2016 £'000
Cost	3,530	232
Accumulated depreciation	(2,089)	(50)
Net book value	1,441	182

12. Property, plant and equipment *continued*

Company	Plant and equipment £'000
Cost	
At 1 April 2016	8
Additions	4
At 31 March 2017	12
Accumulated depreciation	
At 1 April 2016	2
Charge for the year	2
At 31 March 2017	4
Net book value	
At 31 March 2017	8
At 31 March 2016	6

13. Investment in subsidiaries

	Company 2017 £'000	Company 2016 £'000
Cost		
At the start of the year	3,691	3,691
Investment in the year	1,855	—
Provision for diminution	(671)	—
At the year end	4,875	3,691

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

	Country of incorporation	Class of capital	%
Versarien Technologies Limited – principal activity is the engineering of versatile materials	England	Ordinary	100.0
Total Carbide Limited – principal activity is the manufacture of tungsten carbide parts	England	Ordinary	100.0
2-DTech Limited – principal activity is the development and supply of early stage graphene products	England	Ordinary	85.0
AAC Cyroma Limited	England	Ordinary	100.0
Cambridge Graphene Limited	England	Ordinary	85.0

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

Breakfast Club 2000 Limited is exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006.

Notes to the financial statements *continued*

For the year ended 31 March 2017

14. Inventory

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Raw materials	970	741	—	—
Work in progress	450	431	—	—
Finished goods	468	300	—	—
	1,888	1,472	—	—

15. Trade and other receivables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade receivables	1,745	679	—	—
Due from Group undertakings (net of provisions)	—	—	1,259	542
Social security and other taxes	39	12	1	—
Other debtors	22	—	—	—
Prepayments and accrued income	139	125	4	8
	1,945	816	1,264	550

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade receivables not past due	1,633	692	—	—
Trade receivables past due but not impaired	140	15	—	—
Gross trade receivables at 31 March	1,773	707	—	—
Provision for bad debt at 1 April	(28)	(25)	—	—
Debt provisions provided for in the year	—	(3)	—	—
Provision for bad debt at 31 March	(28)	(28)	—	—
Net trade receivables at 31 March	1,745	679	—	—

The Directors consider that the carrying amount of trade receivables approximates to their fair value due to the short-term nature of the current receivables. They are considered to be level 1 within the fair value hierarchy. Debts provided for and written off are determined on an individual basis and included in operating expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented above.

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Sterling	1,878	728	1,264	550
Euro	46	41	—	—
Other	21	47	—	—
	1,945	816	1,264	550

16. Trade and other payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	1,404	491	—	—
Other payables	475	58	—	—
Payables to Group undertakings	—	—	730	—
Social security and other taxes	363	114	28	14
Accruals and deferred income	484	342	202	45
	2,726	1,005	960	59

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

17. Non-current trade and other payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Deferred grant income	239	376	—	—
Deferred licence cost	32	—	—	—
	271	376	—	—

18. Provisions

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Deferred consideration on the acquisition of AAC Cyroma Limited	80	—	80	—
Deferred consideration on the acquisition of 2-DTech Limited	—	208	—	208
	80	208	80	208

The deferred consideration in respect of 2-DTech Limited relates to obligations to fund two projects with the University of Manchester which was settled during the year. The deferred consideration in respect of AAC Cyroma Limited relates to payments due if certain profit targets are met and represents management's best estimate of those potential payments at the balance sheet date.

19. Borrowings

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Invoice discounting facilities	735	116	—	—
Obligations under finance leases, hire purchase contracts and similar arrangements	913	105	—	—
	1,648	221	—	—
	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Short-term borrowings	735	116	—	—
Current portion of long-term borrowings	256	47	—	—
Long-term borrowings	657	58	—	—
	1,648	221	—	—

Notes to the financial statements *continued*

For the year ended 31 March 2017

19. Borrowings *continued*

Analysis of repayments	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Invoice discounting facilities – within one year	735	116	—	—
Finance leases and hire purchase contracts:				
Within one year	256	47	—	—
In two to five years	657	58	—	—
	1,648	221	—	—

Invoice discounting facilities of £735,000 (2016: £116,000) 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 £913,000 (2016: £105,000) attract interest at 3.5% above base rate.

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

20. Called up share capital and share premium Group and Company

	Number of shares '000	Called up share capital £'000	Share premium £'000	Total £'000
At 1 April 2015	105,521	1,055	7,150	8,205
Issue of shares	110	1	13	14
At 1 April 2016	105,631	1,056	7,163	8,219
Issue of shares	25,700	257	2,599	2,856
At 31 March 2017	131,331	1,313	9,762	11,075

During the year the Company issued:

- 10,552,100 Ordinary shares raising £1,055,000 (before expenses) in a placing at 10 pence per share;
- 1,000,839 Ordinary shares raising £191,000 in a debt for equity swap at 19.14 pence per share;
- 10,036,699 Ordinary shares raising £1,505,000 (before expenses) in a placing at 15 pence per share;
- 1,450,000 Ordinary shares as part of the consideration for the acquisition of Cambridge Graphene Limited at 10 pence per share; and
- 2,660,000 Ordinary shares as part of the acquisition of AAC Cyroma Limited at 10 per share.

21. Share options

The Company has an option scheme for Executive Directors and employees, the Versarien plc Share Option Plan, created on 12 June 2013, which has received Inland Revenue approval. All options are granted at the market value of the shares at the date of grant. The share option scheme runs for a period of ten years. Employees are eligible to participate in the scheme at the invitation of the Board. No payment is required from option holders on the grant of an option. No performance conditions or market conditions are attached to these options other than in respect of 2,102,000 options issued in the year ended 31 March 2015.

21. Share options *continued*

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

	2017 Weighted average exercise price in pence per share	Options ('000s)	2016 Weighted average exercise price in pence per share	Options ('000s)
At 1 April 2016	23.35	3,820	20.31	5,956
Granted	—	—	—	—
Exercised	—	—	12.25	(110)
Lapsed	—	—	12.25	(2,026)
At 31 March 2017	22.35	3,820	23.35	3,820

Of the 3,820,000 outstanding options (2016: 3,820,000), 2,134,000 had vested at 31 March 2017 (2016: 1,035,000).

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

Year of grant	Exercise period	Exercise price pence per share	2017 Number ('000s)	2016 Number ('000s)
2013	2014–2023	12.25	859	859
2013	2014–2023	15.50	529	529
2014	2015–2024	29.00	2,432	2,432
			3,820	3,820

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

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

22. Other reserves

The merger reserve was created on the reconstruction of the Group following the acquisition of Versarien Technologies Limited. The share-based payment reserve was created as a result of the issue of share options. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is credited to the share-based payment reserve. The movement in reserves for the years ended 31 March 2016 and 2017 is set out in the Group Statement of Changes in Equity.

Notes to the financial statements *continued*

For the year ended 31 March 2017

23. Operating lease commitments

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

	2017		2016	
	Plant, equipment and vehicles £'000	Land and buildings £'000	Plant, equipment and vehicles £'000	Land and buildings £'000
Group				
Within one year	8	499	10	158
From two to five years	5	1,530	7	287
After five years	—	194	—	—

24. Cash used in operations

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loss before tax	(2,202)	(1,821)	(1,836)	(2,954)
Adjustments for:				
Share-based payments	24	(3)	24	(3)
Depreciation	300	204	2	1
Amortisation	362	155	—	—
Provision for intra-group receivables/investment impairment	—	—	1,098	2,372
Disposal of non-current assets	11	1	—	—
Finance cost	10	7	1	(5)
R&D tax credit repayment	—	71	—	—
Decrease in trade and other receivables and investments	169	446	4	4
Increase in inventories	(63)	(363)	—	—
Increase/(decrease) in trade and other payables	139	50	98	(81)
Cash flows from operating activities	(1,250)	(1,253)	(609)	(666)

25. Related party transactions

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Net service transactions with subsidiaries	—	—	224	235
Net loans to subsidiaries	—	—	359	1,314
Year-end balance due from subsidiaries	—	—	4,057	2,914
Transactions with related companies	—	22	—	—

26. Financial instruments

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Versarien plc (the "Company") will be held at the offices of Gloucester Rugby at Kingsholm Stadium, Kingsholm Road, Kingsholm, Gloucester GL1 3AX on Wednesday 13 September 2017 at 11.00am for the following purposes:

As ordinary business, to consider and, if thought fit, pass resolutions 1 to 3 inclusive, which will be proposed as ordinary resolutions:

Ordinary business

1. To receive the Directors' Report and the audited financial statements for the year ended 31 March 2017 together with the Independent Auditor's Report thereon.
2. To re-appoint PricewaterhouseCoopers LLP as the independent auditor of the Company for the year ending 31 March 2018 to hold office until the end of the next period for appointing the auditor in accordance with the provisions of Part 16 of the Companies Act 2006 and to authorise the Directors to fix the remuneration of the auditor for the year ending 31 March 2018 and for subsequent financial years or unless this authority is either revoked or varied.
3. To re-appoint Christopher Leigh as a Director, retiring by rotation.

Special business

As special business, to consider and, if thought fit, pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution and resolutions 5 and 6 will be proposed as special resolutions:

4. THAT, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and are hereby generally and unconditionally authorised for the purpose of Section 551 of the Companies Act 2006 (the "Act") to exercise all or any of the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal value of £437,769 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the Articles of Association of the Company), provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Company's next AGM, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted or Rights to be granted (as the case may be) after the expiry of such period and the Directors of the Company may allot shares or grant Rights (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
5. THAT, subject to and conditional upon the passing of the resolution numbered 4 in the notice convening the meeting at which this resolution was proposed and in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred upon them by resolution 4 as if Section 561 of the Act did not apply to any such allotment, provided that this authority and power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue or similar offer in favour of Ordinary shareholders where the equity securities respectively attributable to the interest of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £196,996,

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

Notice of Annual General Meeting *continued*

Special business continued

6. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693(4) of the Act) on the London Stock Exchange of Ordinary shares of 1 pence each in the capital of the Company provided that:
- (a) the maximum aggregate number of shares hereby authorised to be purchased is 13,133,070 Ordinary shares of 1 pence each;
 - (b) the minimum price which may be paid for such shares is 1 pence per share;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than 105% of the average closing middle market quotation for an Ordinary share as derived from the AIM appendix to the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is purchased;
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next AGM; and
 - (e) the Company may make a contract or contracts to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Christopher Leigh

Company Secretary

27 July 2017

Explanatory notes to the Notice of Annual General Meeting

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

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

Ordinary resolutions

Resolution 1 – Receipt of 2017 Annual Report and financial statements

The Directors of the Company must present the Directors' Report, the audited financial statements and the Independent Auditor's Report on those financial statements before shareholders each year at a general meeting. Those to be presented at the AGM are in respect of the period ended 31 March 2017.

Resolution 2 – Re-appointment of auditor

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

Resolution 3 – Re-appointment of Directors

The Articles of Association of the Company require the nearest number to one-third of the Board of Directors to retire at each AGM with the longest serving retiring first. Where the longest serving Directors have held office for the same amount of time, the Directors to resign are normally chosen by lot. In addition, any Director appointed to the Board since the last AGM has to retire at the next AGM. As there are three Directors, one has to retire by rotation and the longest serving Director is Mr Christopher Leigh who offers himself for re-election at the AGM.

Resolution 4 – Directors' power to allot securities

This resolution seeks shareholder approval to grant the Directors of the Company the authority to allot shares in the Company. The authority will be limited to an aggregate nominal amount of £437,769 (43,776,900 Ordinary shares of the Company), being approximately one-third of the Company's issued share capital as at 27 July 2017, the latest practicable date prior to publication of this notice.

Special resolutions

Resolution 5 – Disapplication of pre-emption rights on equity issues for cash

Section 561 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £196,996, which is equal to approximately 15% of the nominal value of the issued Ordinary share capital of the Company, subject to resolution 4 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next AGM of the Company.

Resolution 6 – Authority to make market purchases

A special resolution will be proposed to authorise the Directors to make one or more market purchases for the purposes of Section 701 of the Act. The maximum number of shares which may be acquired pursuant to this authority is 13,133,070, which is equal to approximately 10% of the issued share capital of the Company as at 27 July 2017, the latest practicable date prior to publication of this notice. This authority will expire at the conclusion of the AGM in 2018.

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

Notice of Annual General Meeting *continued*

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.30pm on the day two days prior to the day appointed for holding the AGM, or, in the event that the AGM is adjourned, at 6.30pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time.

Appointment of proxies

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

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

Appointment of proxy using hard-copy proxy form

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

Appointment of proxies through CREST

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

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

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

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

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

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

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

Issued shares and total voting rights.

12. As at close of business on 27 July 2017 (being the latest practicable date prior to the publication of this document), the Company's issued share capital comprised 131,330,702 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 27 July 2017 is 131,330,702.

Nominated persons

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

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

Notice of Annual General Meeting *continued*

Communication

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

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

Inspection of documents

15. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the AGM, and at the place of the AGM from 10.30am until its conclusion:

- the constitutional documents of the Company, comprising the Articles of Association;
- copies of the service contracts of the Executive Directors of the Company; and
- copies of the letters of appointment of the Non-executive Directors of the Company.

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Advisers

Registrar

Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

Independent auditor

PricewaterhouseCoopers LLP
2 Glass Wharf
Avon Street
Bristol
BS2 0FR

Nominated adviser and broker

WH Ireland
24 Martin Lane
London
EC4R 0DR

Legal adviser

BPE Solicitors LLP
St James' House
St James' Square
Cheltenham
GL50 3PR

Financial PR

IFC Advisory Limited
73 Watling Street
London
EC4M 9BJ

Tax adviser

Moore Stephens LLP
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