

5 November 2014

Applied Graphene Materials plc

("Applied Graphene Materials", "the Group" or "the Company")

Full year results – year ended 31 July 2014

Applied Graphene Materials, the producer of specialty graphene materials, which was admitted to AIM in November 2013, is pleased to announce its maiden full year results for the year ended 31 July 2014.

Financial overview

- EBITDA* Loss of £2.3 million (2013: loss of £0.8 million)
- PBTA** Loss of £2.3 million (2013: loss of £0.8 million)
- Loss before tax Loss of £2.7 million (2013: loss of £0.8 million)
- Cash at bank £8.5 million (2013: £0.5 million)
- Diluted EPS Loss of 17.9 pence per share (2013: loss of 8.4 pence)
- Adjusted diluted EPS Loss of 15.3 pence per share (2013: loss of 8.4 pence)

*EBITDA comprises loss before interest, tax, exceptional costs, depreciation and amortisation

** PBTA comprises loss before tax, exceptional costs and amortisation

Operational highlights

- November 2013 Admission to AIM raising £11 million
- March 2014 New patent filing for graphene in processing materials
- April 2014 Appointment of Sean Christie as Non-Executive Director
- July 2014 Addition of second reactor to production equipment
- July 2014 Continued improvements to the manufacturing process enhancing the quality and consistency of graphene produced
- September 2014 Award of two funding projects by Innovate UK (formerly the Technology Strategy Board) to develop graphene within polyester films and transparent electrodes
- November 2014 Significant strengthening of technical, operations and business development functions through new hires resulting in current combined headcount of 30 employees
- November 2014 Growing customer engagement including two requests for additional repeat quantities of material, and one customer who has now taken a third quantity of material for follow up evaluation

Jon Mabbitt, Chief Executive Officer commented:

"I am pleased to announce our maiden full year results as a listed Company. We have made solid progress in developing our manufacturing and dispersion processes, establishing customer relationships in our core target market sectors and providing samples, and these three activities remain our most important priorities for the new financial year.

We are benefitting from the global profile that Applied Graphene Materials has established and more generally from the growing awareness of the potential of graphene across a large number of market sectors. It is becoming increasingly accepted that no other material has the combination of properties that graphene possesses and that is what makes the opportunity for the Group so broad and so exciting.

The significant investment that has been made in our workforce, and across other areas of the business, strengthens our resources and will support the long term growth of the Group. We remain confident that Applied Graphene Materials is well placed to play a leading role in meeting the growing global appetite for graphene."

Ends

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Notes to Editors

Applied Graphene Materials was founded by Professor Karl Coleman in 2010 with its operations and processes based on technology that he initially developed at Durham University. The Group was admitted to AIM in November 2013, raising £11 million, and is based at the Wilton Site on Teesside.

The Group has developed a proprietary bottom-up process for the production of high purity graphene nanoplatelets and owns the intellectual property and know-how behind this process. Applied Graphene Materials' process is based on sustainable, readily available raw materials and therefore does not rely on the supply of graphite, unlike a number of other graphene production techniques. It is capable of producing high purity graphene using a continuous process. Applied Graphene Materials provides dispersion and product integration expertise to deliver solutions for a wide range of applications.

Business review

Overview

During the year, we have made solid progress in developing our manufacturing and dispersion processes, establishing customer relationships and providing samples. This has been achieved by investing in a workforce, with significant experience and expertise, which is now three times larger than twelve months ago at the time of our admission to AIM.

We are benefitting from the global profile that Applied Graphene Materials has established and more generally from the growing awareness of the potential of graphene across a large number of market sectors. It is becoming increasingly accepted that no other material has the combination of properties that graphene possesses and that is what makes the opportunity for the Group so broad and so exciting.

We continue to believe that the adoption of graphene will primarily fall into two categories. Firstly, those where a performance benefit cannot be achieved by any other method and therefore graphene delivers unique enhancements. Secondly, those where graphene enables some form of cost saving through material substitution or process simplification. Both opportunities are of equal importance as we believe value can be derived from each and a complete understanding of the supply chain will ensure we capture an appropriate amount of that value.

Market development

The development of a range of real graphene applications worldwide is critical and over the past twelve months, at the start of which there was really only a tennis racquet that declared the incorporation of graphene, we can see progress reported in touch screen technology, down-well oil drilling lubricants, printable inks with security tagging, electrodes in lithium-ion batteries giving better storage and faster charging, and selectively permeable membranes for filtration systems and water desalination. The list is growing. The successful momentum of the graphene industry, as it works towards the establishment of a commercial market, is being bolstered by the growing community of scientists, engineers and business development personnel who are working to apply the properties of graphene to enhance other materials and end products.

At the same time, there is further public investment as exemplified by an additional £60 million being made available for the National Graphene Institute in the UK, the first tranche of Graphene Flagship awards of £80 million from the EU, the Innovate UK (formerly known as the Technology Strategy Board) awards of £2.5 million and a further £14 million for CPI to establish graphene applications in the North East of England. We are seeking to access this international support, which will help accelerate the growth of the whole graphene industry.

Business development

Rapid deployment of part of the funds raised on admission to AIM enabled us to establish, ahead of schedule, a well resourced international business development team that is technically and commercially experienced in our core target market sectors of advanced composites and polymers, coatings and functionalised fluids. We now have geographic coverage across mainland Europe and Asia enabling us to support customers on a global basis. We have employed individuals from our core target market sectors since their knowledge and understanding of sector supply chains and the nature of the opportunities therein are critical to helping us approach each target market in the right way.

We have identified over 20 different sub-sectors within our three target markets, from impermeable/anti-biofouling coatings for the marine industry to toughened/electrostatically discharging polymers for the aerospace industry. Progress in targeted customer engagement is growing. Two customers have taken additional repeat quantities of material for follow up evaluation. This includes one customer who has also now taken a third quantity of material for evaluation. As expected for an industry in this early stage of development, the Group's operations currently remain focused on sampling rather than the supply of commercial quantities of graphene, with the timescale to the achievement of the latter remaining difficult to predict.

The portfolio of potential customers represents a good spread of large potential demand and includes likely nearer term adopters. For each we are providing expert advice as to the optimum formatting of our graphene in terms of its intrinsic properties and concentration as well as method and material of dispersion. During the year we have been able to disperse graphene in 20 different fluids, coated graphene on solid substrates, and produced sample films of graphene in both polymers and in a pre-impregnated format. Whilst governed by strict confidentiality provisions with most of our customers, the Grapol project, which is in the public domain, involves establishing the impact of adding our graphene to materials chosen by Procter & Gamble and Dyson with several targeted end applications in mind. The newly announced Innovate UK funding awards will see DuPont Teijin Films evaluate the use of graphene dispersed within polyester films, and PolyPhotonix and CPI develop graphene based transparent electrodes. The first of these projects, with DuPont Teijin Films, is being led by Applied Graphene Materials. Whilst certain potential applications are being targeted, the performance enhancing properties of graphene, in low concentrations, open up substantial avenues for the customer to exploit across a myriad of industries.

Business review

Manufacturing

The synthesis of graphene from a carbon containing pre-cursor is a highly specialised area of process chemistry where the raw materials, materials of construction and process conditions are absolutely critical to the consistency and quality of graphene produced. During the year, we have invested to better understand the fundamental conversion process so that we can better control the key process parameters and consistently deliver graphene of the right quality. We are developing the ability to vary process parameters to tune and vary the physical characteristics of the product, which in turn will determine the property enhancements that graphene can deliver to other materials or end products.

Most of our focus in manufacturing has been around the improvement of control and data collection systems on our existing production equipment. We have made this equipment both more flexible in its mode of operation and easier to operate. We have installed additional capacity by adding a second reactor tube and expanding our product recovery system. While we currently only have demand for sample quantities of material, we want to be in a position to be able to respond quickly to future demand as well as generating real learning for further scale up of the production equipment.

An experienced team of eight engineers and process chemists has delivered the process expansion on the existing equipment and has embarked upon the early stage design work related to a much larger plant that will be able to address anticipated global growth in demand for graphene.

Data generation

For long established construction materials such as steel, concrete and even plastics, physical, mechanical and chemical property databases are readily available to international standards. In this nascent market, the test methods against which to measure the properties of graphene are not yet established or agreed upon and there is still debate around the exact definition of graphene. We are currently generating fundamental property data which illustrates the scope of what is possible with graphene to whet the appetite of customers. We are also embarking upon more detailed data generation packages for specific applications. Knowledge of what is required is coming from a combination of our customers, recognised industrial bodies and our own market sector specialists.

Manufacturing does not just stop at making graphene. Our customers want property enhancements across a vast array of materials. Our expertise now extends into providing a knowledge base around post processing techniques, particulate separation, stability and consistency of dispersion and prevention of agglomeration. These are all important factors in delivering the optimum property enhancement possible. It is this upstream and downstream know-how that gives the Group such a strong and exciting global position in the graphene industry.

Outlook

We have made solid progress in developing our manufacturing and dispersion processes, establishing customer relationships in our core target market sectors and providing samples, and these three activities remain our most important priorities for the new financial year. The significant investment that has been made in our workforce, and across other areas of the business, strengthens our resources and will support the long term growth of the Group. We remain confident that Applied Graphene Materials is well placed to play a leading role in meeting the growing global appetite for graphene.

Jon Mabbitt

Chief Executive Officer

5 November 2014

Financial review

Revenue

Revenue for the year was £4,014 (2013: £11,410) arising from the supply of trial quantities of graphene to commercial partners.

Other income

Other income, which comprises grant income, was £13,783 (2013: £nil). Grants received generally relate to funding received for the creation of new jobs, the purchase of assets or the development of new graphene applications.

Loss before interest, tax, exceptional costs, depreciation and amortisation (EBITDA)

EBITDA for the Group increased from a loss of £766,834 in 2013 to a loss of £2,279,541 for the year ended 31 July 2014. This increase in losses reflects the investment in overheads including headcount and business infrastructure to support the anticipated future growth and development of the business, both in the periods prior to and since admission to AIM.

Exceptional costs

Exceptional costs recognised in the period were £393,631 (2013: £nil). These costs relate to fees paid in connection with the AIM admission.

Net finance income

Net finance income for the period was £53,177 (2013: £276). The Group has benefited from the receipt of the placing proceeds in November 2013 and bank interest earned on those monies since that date.

Loss before tax and exceptional costs (PBTA)

PBTA for the period increased from a loss of £769,705 in 2013 to a loss of £2,268,029 for the year ended 31 July 2014. This increase in losses reflects the investment in overheads including headcount and business infrastructure to support the anticipated future growth and development of the business, both in the periods prior to and since admission to AIM.

Loss before tax

A loss before tax of £2,661,660 (2013: loss of £769,705) was recognised. This includes exceptional costs connected to the admission to AIM of £393,631.

Tax

The Group has not recognised any tax assets in respect of trading losses arising in either the current financial year or accumulated losses in previous financial years. The tax credit recognised in respect of the current and previous financial years arises from the receipt of R&D tax credits.

Earnings per share

Diluted earnings per share was a loss of 17.9 pence (2013: loss of 8.4 pence). Adjusted diluted earnings per share (before exceptional costs) was a loss of 15.3 pence (2013: loss of 8.4 pence). Earnings per share has been adversely impacted by the increases in operating costs previously explained and the issue of new shares as part of the admission to AIM.

Dividend

No dividend has been proposed for the year ended 31 July 2014.

Cash flow

Net cash used in operations was £2,222,953 (2013: £750,363). During the year, net working capital utilised reduced by £392,467 (2013: increased by £7,396). This reduction principally relates to an increase in trade creditors and accruals reflecting growth in the activities of the business.

Capital expenditure of £289,119 (2013: £7,557) has been incurred in the period relating to the ongoing development of the production process and the purchase of laboratory equipment. Net proceeds arising from the issue of shares totalled £10,502,478 (2013: £723,533).

Financial review

Balance sheet

Net assets have increased to £8,320,683 (2013: £412,249), reflecting the benefit of the net proceeds received from the issue of Ordinary shares, offset by the trading loss for the period.

Cash at bank at 31 July 2014 was £8,476,783 (2013: £459,951), comprised of cash totalling £2,972,930 (2013: £459,951) and cash deposits totalling £5,503,853. The increase in cash at bank is attributable to proceeds arising from the issue of shares. These proceeds have been placed on deposit with a range of financial institutions for time periods ranging between instant access and up to one year in maturity.

Comparative information

In order to comply with IFRS 3, the Group has applied reverse acquisition accounting in the presentation of consolidated shareholders' equity for comparative periods. These comparative periods show the results of the accounting acquirer (Applied Graphene Materials UK Limited) along with the share capital structure of the Parent Company (Applied Graphene Materials plc). As a result, the consolidated share capital and share premium presented for comparative periods is that which was in existence immediately following the share for share exchange which occurred on 21 October 2013, and which is explained further in note 8 to the financial information.

Accounting policies

The Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted in the EU. The accounting policies used in the consolidated financial information are consistent with those set out in the audited financial statements.

Going concern

The financial position of the Group and its cash flows are described within the Strategic report containing the Business review and Financial review. The Directors consider that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to remain in operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

Risk management forms an integral part of the business planning and review cycle. The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Group and are not set out in any particular order or priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem not to be significant, may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

Broadly, risks are categorised into seven types being: strategic and planning; financial and IT; operational and quality; technical; SHE and regulatory risks; commercial and reputation; and people. Significant risks facing the Group include:

- Acceptance of the Group's products - early stage of operations and acceptance of graphene. The Group is at an early stage of development and the success of the Group will depend on the acceptance and attribution of value to graphene produced by the business. There can be no guarantee that either acceptance of graphene or attribution of value will be forthcoming.
- Early stage of operations – existing capacity and scale up. The Group has not yet demonstrated its technology at either existing nameplate production capacity or increased capacities. Failure to operate at either current or increased nameplate capacities would adversely impact the Group's business and financial position.
- Intellectual property – the Group's business is based on a combination of patent applications and know-how. The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property. There is no certainty that patent applications will be granted, such applications and know-how will be a source of competitive advantage to the Group, or that others have not developed similar or better applications or know-how. Significant costs may be incurred in asserting intellectual property rights and there is no certainty that intellectual property could not become known in a manner (for example, cyber attack) which provided the Group with no recourse.
- Commercialisation, competition and pricing – technological advances may impede the commercial progress of graphene and may also result in worldwide production capacity exceeding demand. This could adversely impact the price of, or demand for, graphene. There is no guarantee that graphene will become an accepted material for use on a commercial scale or that demand for graphene will develop at all. The Group may also be unsuccessful in its efforts to realise benefits from the commercialisation of graphene. In such situations, the Group's business and financial position would be adversely impacted.
- Adequacy of financial resources – the available funding required to support the business through to profitability and cash generation may be insufficient. The Group may also be unable to access additional

Financial review

debt or equity capital, or to raise funds on acceptable terms. In the event that the resources available to the Group are inadequate then this could have a materially adverse impact on the implementation of the Group's strategy, its business, financial condition and operations.

- Financial, operational and management information systems – the efficient operation and management of the Group depends on the proper operation and performance of financial, operational and management information systems. Any failure in such systems may result in a loss of control and adversely impact the Group's ability to operate effectively and to fulfil its contractual obligations.
- Safety, health and environment – the Group's operations are subject to numerous safety, health and environmental (SHE) requirements which are likely to become more complicated, stringent and onerous as the Group grows or as time passes. Failure to comply in any way with SHE requirements could result in the Group incurring significant costs and liabilities, or being subject to claims and lawsuits which could adversely affect its operations and financial condition. Graphene is also a relatively new material with a limited number of studies having been undertaken into its effects on biological systems. If evidence emerges that graphene has a deleterious effect then this may adversely impact on the Group's business and financial position.
- Key personnel – the Group has in place an experienced and motivated senior management team and is beginning to build strength in depth. If the Group is unable to attract and retain suitably skilled and qualified people, then the Group's performance and prospects may be adversely impacted. The loss of one or more key personnel could have an adverse impact on the Group's operations, reputation, relationships and future prospects.

Cautionary statement

The Strategic report containing the Business review and Financial review has been prepared for the shareholders of the Group, as a body, and no other persons. Their purpose is to assist shareholders of the Company to assess the strategies adopted by the Group and the potential for those strategies to succeed and for no other purpose. The Strategic report containing the Business review and Financial review contain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this Strategic report containing the Business review and Financial review will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

Oliver Lightowlers

Chief Financial Officer

5 November 2014

Consolidated income statement and statement of comprehensive income
for the year ended 31 July 2014

	Note	Audited 2014 £	Unaudited 2013 £
Revenue	5	4,014	11,410
Other income		13,783	—
		17,797	11,410
Cost of sales		(160,705)	—
Gross (loss)/profit		(142,908)	11,410
IFRS 2 share based payments		(57,752)	(23,867)
Operating expenses		(2,514,177)	(757,524)
EBITDA		(2,279,541)	(766,834)
Exceptional costs		(393,631)	—
Depreciation of property, plant and equipment		(41,665)	(3,147)
Operating loss		(2,714,837)	(769,981)
Net finance income		53,177	276
PBTA		(2,268,029)	(769,705)
Exceptional costs		(393,631)	—
Loss before tax	5	(2,661,660)	(769,705)
Tax on loss	3	9,864	19,916
Loss for the period attributable to equity shareholders		(2,651,796)	(749,789)
Other comprehensive income		—	—
Total comprehensive income		(2,651,796)	(749,789)
Earnings per share (pence per share)			
Basic	6	(17.9)	(8.4)
Diluted	6	(17.9)	(8.4)

EBITDA comprises loss before interest, tax, exceptional costs, depreciation and amortisation.

PBTA comprises loss before tax, exceptional costs and amortisation.

Consolidated statement of changes in shareholders' equity
for the year ended 31 July 2014

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Audited Total £
As at 31 July 2012	195,874	—	507,855	(289,091)	414,638
Comprehensive loss	—	—	—	(749,789)	(749,789)
Merger reserve	—	—	723,533	—	723,533
IFRS 2 share based payments	—	—	—	23,867	23,867
As at 31 July 2013	195,874	—	1,231,388	(1,015,013)	412,249
Comprehensive loss	—	—	—	(2,651,796)	(2,651,796)
IFRS 2 share based payments	—	—	—	120,970	120,970
Merger reserve	—	—	2	—	2
Issue of shares (net)	143,624	10,295,634	—	—	10,439,258
As at 31 July 2014	339,498	10,295,634	1,231,390	(3,545,839)	8,320,683

In order to comply with IFRS3, the Group has applied reverse acquisition accounting in the presentation of consolidated shareholders' equity for comparative periods. These comparative periods show the results of the accounting acquirer (Applied Graphene Materials UK Limited) along with the share capital structure of the parent company (Applied Graphene Materials plc). As a result, the consolidated share capital and share premium presented for comparative periods is that which was in existence immediately following the share for share exchange which occurred on 21 October 2013, and which is explained further in note 8 to the consolidated financial information.

Consolidated balance sheet

as at 31 July 2014

	Note	Audited 2014 £	Unaudited 2013 £
Assets			
Non-current assets			
Property, plant and equipment		308,581	11,331
		308,581	11,331
Current assets			
Trade and other receivables		121,649	26,173
Cash deposits		5,503,853	—
Cash		2,972,930	459,951
		8,598,432	486,124
Liabilities			
Current liabilities			
Trade and other payables		(586,330)	(82,940)
		(586,330)	(82,940)
Non-current liabilities			
Provisions for other liabilities and charges		—	(2,266)
		—	(2,266)
Net assets		8,320,683	412,249
Shareholders' equity			
Called up share capital	8	339,498	195,874
Share premium account		10,295,634	—
Merger reserve		1,231,390	1,231,388
Retained earnings		(3,545,839)	(1,015,013)
Equity shareholders' funds		8,320,683	412,249

Consolidated cash flow statement
for the year ended 31 July 2014

	Note	Audited 2014 £	Unaudited 2013 £
Operating activities			
Net cash used within operations	7	(2,222,953)	(750,363)
Net finance income		18,828	276
Tax received		7,598	22,182
Net cash used in operating activities		(2,196,527)	(727,905)
Investing activities			
Purchase of property, plant and equipment		(289,119)	(7,557)
Net cash used in investing activities		(289,119)	(7,557)
Financing activities			
Net proceeds from exercise of warrants		130,652	—
Net proceeds from issue of ordinary shares		10,371,826	723,533
Net cash generated from financing activities		10,502,478	723,533
Net increase/(decrease) in net cash and cash deposits		8,016,832	(11,929)
Net cash and cash deposits at 31 July 2013		459,951	471,880
Net cash and cash deposits at 31 July 2014		8,476,783	459,951
Net cash and cash deposits include:			
Cash deposits (maturity greater than three months)		5,503,853	—
Cash (maturity less than three months)		2,972,930	459,951
Net cash and cash deposits at 31 July 2014		8,476,783	459,951

Notes to the annual financial results

for the year ended 31 July 2014

1 General information

The principal activity of Applied Graphene Materials plc is that of the manufacture of, and development of applications for, graphene. The Group operates principally in the United Kingdom.

The Company is incorporated and domiciled in the United Kingdom and its registered number is 8708426. The address of the registered office is The Wilton Centre, Redcar, Cleveland, TS10 4RF. The Company was incorporated on 27 September 2013 and changed its name from Sandco 1271 Limited to Applied Graphene Materials Limited on 9 October 2013. The Company was reregistered as a public limited company on 24 October 2013.

The Company acquired the entire issued share capital of Durham Graphene Science Limited (subsequently renamed to Applied Graphene Materials UK Limited) on 21 October 2013 and has applied the principles of merger and reverse acquisition accounting in the preparation of the consolidated financial information.

The consolidated financial information was approved for issue on 5 November 2014.

2 Basis of accounting

The consolidated financial information for the year ended 31 July 2014 has been presented under the historical cost accounting convention, as modified by financial assets and liabilities at fair value through the income statement and share based payments at fair value, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial information has been prepared on a going concern basis.

The consolidated financial information included in this announcement has been extracted from the audited financial statements of the Group for the year ended 31 July 2014. The content of this announcement has been agreed with the Company's auditor. This announcement of financial results does not constitute the Group's financial statements. The Group's 2014 Annual report and financial statements, on which the Company's auditors, KPMG LLP, have given an unqualified opinion in accordance with the Companies Act 2006, are to be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The accounting policies used in the consolidated financial information are consistent with those set out in the audited financial statements. If any new IFRS standards or interpretations are issued then these may impact on the financial statements of the Group in future years. The Group will continue to review its accounting policies in the light of emerging industry consensus on the practical application of IFRS.

The preparation of consolidated financial information in conformity with IFRS requires management to make 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. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

The consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements.

3 Taxation

The Group has not recognised any tax assets in respect of trading losses arising in either the current financial year or accumulated losses in previous financial years. The tax credit recognised in respect of the current and previous financial year arises from the receipt of R&D tax credits.

4 Dividends

No dividend has been proposed for the period ended 31 July 2014.

5 Segmental analysis

The Group currently has one operating segment. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and in assessing performance. The Group's Chief Executive Officer has been identified as the CODM. Revenue and profits arising from that operating segment are the same as presented on the face of the consolidated income statement and statement of comprehensive income.

Notes to the annual financial results

for the year ended 31 July 2014

6 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during each period. The weighted average number of shares in issue during the period used in the calculation of basic earnings per share was as follows:

	Audited 2014	Unaudited 2013
	'm	'm
Weighted average number of shares for basic earnings per share	14.8	8.9

Diluted earnings per share is the basic earnings per share adjusted for the effect of the conversion into fully paid shares of the weighted average number of share options outstanding during the period. The weighted average number of shares in issue during the period used in the calculation of diluted earnings per share was as follows:

	Audited 2014	Unaudited 2013
	'm	'm
Weighted average number of shares for diluted earnings per share	15.8	9.1

Adjusted earnings per share has been calculated so as to exclude the effect of exceptional costs including related tax charges and credits. Adjusted earnings used in the calculation of basic and diluted earnings per share reconciles to basic earnings as follows:

	Audited 2014	Unaudited 2013
	£	£
Basic earnings	(2,651,796)	(749,789)
Adjustments for taxation	—	—
Exceptional costs	393,631	—
Adjusted earnings	(2,258,165)	(749,789)

Earnings per share (pence per share)

Basic	(17.9)	(8.4)
Diluted	(17.9)	(8.4)

Adjusted earnings per share (pence per share)

Basic	(15.3)	(8.4)
Diluted	(15.3)	(8.4)

The comparative weighted average number of shares for both basic and diluted earnings per share has been restated from units of £1.00 per Ordinary share to units of £0.02 per Ordinary share to reflect the share subdivision explained in note 8.

The Group was loss making for the years ended 31 July 2014 and 31 July 2013. Therefore, the dilutive effect of share options has not been taken account of in the calculation of diluted earnings per share or adjusted diluted earnings per share, since this would decrease the loss per share for each of the periods reported.

Notes to the annual financial results
for the year ended 31 July 2014

7 Notes to the cash flow statement
Net cash generated from operations

	Audited 2014 £	Unaudited 2013 £
Continuing operations		
Loss for the period attributable to equity shareholders	(2,651,796)	(749,789)
Tax on loss	(9,864)	(19,916)
Net finance income	(53,177)	(276)
Depreciation of property, plant and equipment	41,665	3,147
Exceptional costs	393,631	—
EBITDA	(2,279,541)	(766,834)
Depreciation of property, plant and equipment	(41,665)	(3,147)
Exceptional costs	(393,631)	—
Operating loss	(2,714,837)	(769,981)
Depreciation of property, plant and equipment	41,665	3,147
IFRS 2 share based payments	57,752	23,867
(Increase)/decrease in receivables	(61,127)	7,523
Increase/(decrease) in payables	453,594	(14,919)
Net cash used in operations	(2,222,953)	(750,363)

8 Share capital

	Number of A Ordinary shares	Number of Ordinary shares	Audited Total £
Allotted, called up and fully paid			
At 27 September 2013 on incorporation	—	—	—
Issued on 27 September 2013	—	1	1
Share subdivision on 21 October 2013	—	49	—
Issued on 21 October 2013	5,825,001	3,968,632	195,873
Re-designation of A Ordinary shares	(5,825,001)	5,825,001	—
Issued on 20 November 2013	—	7,096,775	141,935
Issued on 15 January 2014	—	84,453	1,689
At 31 July 2014 – Ordinary shares of 2 pence each	—	16,974,911	339,498

On 27 September 2013, being the date of incorporation, 1 Ordinary share of £1 was issued. On 21 October 2013, a share subdivision occurred whereby 1 Ordinary share of £1 each was subdivided into 50 Ordinary shares of 2 pence each.

On 21 October 2013, in accordance with the terms of a share for share exchange agreement, the Company allotted and issued 5,825,001 A Ordinary shares of 2 pence each and 3,968,632 Ordinary shares of 2 pence each. Following the allotment and issue of these shares, 5,825,001 A Ordinary shares of 2 pence each and 3,968,682 Ordinary shares of 2 pence each were exchanged in consideration for the entire issued share capital of Durham Graphene Science Limited (now known as Applied Graphene Materials UK Limited). Following the conclusion of this share for share exchange, which involved £nil cash consideration, Applied Graphene Materials UK Limited became a wholly owned subsidiary undertaking of the Company.

On 14 November 2013, each of the A Ordinary shares of 2 pence were re-designated as Ordinary shares of 2 pence each.

On 20 November 2013, 7,096,775 Ordinary shares of 2 pence each were issued, at £1.55 per share, following the admission of the Company to AIM.

Notes to the annual financial results

for the year ended 31 July 2014

On 15 January 2014, 84,453 Ordinary shares of 2 pence each were issued at £1.55 per share, following the exercise of warrants by N+1 Singer. These warrants had been granted to N+1 Singer, ahead of the AIM admission.

9 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with shareholders

The following transactions with shareholders, Directors and companies controlled by current and former Directors of the Group were recorded, excluding VAT, during the period:

	Audited 2014 £	Unaudited 2013 £
University of Durham (shareholder)		
Staff secondment, consultancy and other fees	48,701	64,505
IP2IPO Limited (shareholder)		
Recruitment and other fees	20,255	9,000
Top Technology Limited (controlled by shareholder)		
Corporate finance and investment monitoring fees	58,070	18,750
Other costs	3,431	958
Techtran Group Limited (controlled by shareholder)		
Business support fees	2,447	5,770
Jon Mabbitt (Director)		
Consultancy services	—	10,580
Asteria Business Development Limited (controlled by Claudio Marinelli)		
Consultancy services	—	46,900
Loxley Enterprises Limited (controlled by former subsidiary Director)		
Consultancy fees and other costs	20,096	14,281

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Audited 2014 £	Unaudited 2013 £
Short term employee benefits (excluding bonuses)	414,439	30,254
Payments to third parties	8,750	15,000
IFRS 2 share based payments	55,946	23,867
	479,135	69,121

Remuneration of key management includes remuneration paid by subsidiary undertakings in the current and prior financial years.

Notes to the annual financial results

for the year ended 31 July 2014

10 Seasonality

The Group experiences no material variations in performance arising due to seasonality.

11 Availability of Annual Report

The Annual Report will be sent to all shareholders on 21 November 2014. Electronic copies will also be available on Applied Graphene Materials' website at www.appliedgraphenematerials.com.

12 Annual General Meeting

The 2014 Annual General Meeting is to be held at The Lecture Theatre, The Wilton Centre, Redcar, Cleveland, TS10 4RF on 15 December 2014 at 10.30am.