16 November 2015

Applied Graphene Materials plc

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

Full year results – year ended 31 July 2015

Applied Graphene Materials, the producer of specialty graphene materials, is pleased to announce its full year results for the year ended 31 July 2015.

Financial overview

• EBITDA*	Loss of £3.9 million (2014: loss of £2.3 million)
• PBTA**	Loss of £3.9 million (2014: loss of £2.3 million)
• Loss before tax	Loss of £4.0 million (2014: loss of £2.7 million)
• Cash at bank	£4.7 million (2014: £8.5 million)
• Diluted EPS	Loss of 22.9 pence per share (2014: loss of 17.9 pence)
• Adjusted diluted EPS	Loss of 22.4 pence per share (2014: loss of 15.3 pence)

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

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

Operational highlights

- Significant collaboration momentum including new named collaborations with Millers Oils and Puralube;
- The pipeline of identified opportunities for collaboration has broadened significantly;
- Over 120 evaluation samples provided to customers in more than 20 countries;
- More evaluation quantities were provided in the final quarter of the financial year than during the previous nine months combined;
- Two full week periods of 24 hour continuous running have been undertaken to support customer demands for graphene;
- First patent approval received from the Japanese Patent Office; and
- Positive data generated from independent coatings and oil trials

Jon Mabbitt, Chief Executive Officer, commented:

"Excellent progress has been made during the period. We increased and strengthened partnerships with customers, including global brand names in each of our three core market segments. Our plans to expand our production capacity reflect both the considerable traction the business is achieving and our confidence in the breadth of opportunity in the graphene market, where we aim to become a global leader.

Our expertise and value added collaborations with customers in support of their specific individual requirements, positions Applied Graphene Materials to respond to the evolving graphene market and the Group remains well placed to meet the growing global appetite for graphene."

Ends

Applied Graphene Materials' results presentation, with audio commentary, is expected to be made available on its website at http://www.appliedgraphenematerials.com in due course.

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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 which is capable of producing high purity graphene nanoplatelets using a continuous process. The manufacturing 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. Applied Graphene Materials owns the intellectual property and know-how behind this process.

Applied Graphene Materials works in partnership with its customers using its knowledge and expertise to provide bespoke graphene dispersions and formats to deliver enhancements and benefits for a wide range of applications.

Business review

Overview
Excellent progress has been made during the year. The business has established and advanced a large number of high quality customer engagements in each of its three core target sectors. The Group has also further developed its intellectual property, know-how and knowledge base through extensive work on formatting graphene. This knowledge will help our customers to gain the greatest property enhancements and performance benefits from the introduction of our formatted graphene into their products.

The Group is now seeing commercial opportunities convert into formal joint development agreements and programmes, although in most cases the exact nature of these remains confidential due to their commercial sensitivity. Importantly, the pace of progress has increased as the year has advanced and we are pleased that this momentum has continued during the first quarter of the current financial year. The progress achieved with customers provides compelling evidence of the benefits of graphene and the value that Applied Graphene Materials can add, which is helping the business to gain further traction.

The evidence that we have gathered supports the view that graphene remains a highly novel and potentially hugely disruptive performance material that will establish itself across a wide range of markets over the coming years. Our proprietary production processes have proven our ability to offer a product of consistent quality at volume. This, together with our knowledge of formatting blends and suspensions, and our capability to efficiently disperse graphene in the end product, has positioned the Group to become one of the leading suppliers with the potential to be at the forefront of this exciting new market.

Commercial relationships
The Group has built a strong commercial platform based around our proprietary manufacturing process and formulation know-how. Our targeted customer engagement has led to detailed product evaluation, supported by our own material characterisation and data generation. This gives the Group a significant competitive advantage, which has enabled it to develop and expand commercial relationships across its target markets.

During the year we successfully engaged with two industry recognised, independent test organisations whose preliminary findings in base oils and reinforced polyurethane coatings demonstrate property enhancements when the Group's graphene nanoplatelets are added into these base materials. We were able to utilise this information to accelerate customer engagement leading to customer evaluations in the final quarter of the financial year exceeding all of the first three quarters combined. More recently these relationships have begun to extend into joint development activity and collaborations.

Almost without exception, the precise nature of these collaborations is subject to strict confidentiality provisions. However, in one such partnership with Millers Oils, a leading independent blender of oil and fuel additives, the customer has recognised the benefits that graphene can deliver in terms of lubricity and reduced wear, and is moving forward to consider how and where to incorporate this technology into its products. Similarly, under the Group's collaboration with Puralube, a German based lubricants and oils business, graphene will be formatted for inclusion in sustainable base oil products where improved machine performance and reduced environmental impact from lower CO_2 output are being targeted.

In addition, two of the largest coatings manufacturers in the world are investigating the use of our graphene in products used in harsh environments in order to increase corrosion protection and toughness, reduce wear and improve anti-fouling properties via particulate lubricity. In just these areas alone the combined annual demand for coatings is in excess of 500 million litres, which, if its use were adopted, would translate into many tonnes of demand for graphene.

In the field of composites and polymers, not only do we continue our work on the previously reported collaborative projects with P&G, Dyson and DuPont Teijin Films, but we are also working with a number of other leading consumer brands typically looking to incorporate graphene into injection moulded thermoplastic to achieve increased mechanical properties without impacting existing manufacturing processes. The Group is also working with a leading Formula 1 team to improve the toughening of impact structures.

Since the year end, the Group has also received notification from NATEP (National Aerospace Technology Exploitation Programme) that its funding application, working with the Advanced Manufacturing Research Centre with Boeing, for the development of novel graphene processing and deployment techniques into composites and polymers for the aerospace industry, has been successful. At its current evaluation scale this project is expected to be worth in excess of £0.1 million to the Group over the project term.

The pace of engagement with these partners in our target sectors continues to accelerate and we expect such collaborations to flow through into production orders in due course, with the precise timing dependent on the period to qualification, approval and adoption.

Technology and development of manufacturing capacity
Whilst graphene has a relatively simple definition, its variety of forms is complex. Our data shows that all sources of graphene do not share the same characteristics and the method and conditions of manufacture have a huge influence on the resultant properties exhibited. The Group's proprietary production processes allow us to produce graphene which can be formatted to deliver a range of complementary property enhancements and performance benefits. Our understanding of how to format graphene and successfully incorporate it into a host matrix is

absolutely critical for imparting the desired enhancements and performance benefits. Recognising the inherent value of this know-how, our technical team has been significantly expanded to support the strength and depth of collaboration and technical support that our customers require.

Underpinning this commercial progress is our detailed knowledge, understanding and ability to produce graphene of consistent quality at scale. During the year we have successfully demonstrated that we can produce graphene on a continuous basis, albeit at production volumes below peak capacity in order to ensure our graphene is of a consistent quality with the key characteristics our customers require.

Planning for future growth is always complicated in an evolving market, but the Group is committed to putting in place appropriate additional manufacturing capacity in advance of the anticipated growth in demand. This increase in capacity is expected to involve an additional complementary process based on the existing technology for which the Group owns the intellectual property and is subject to its existing patent and patent applications. Plans are well underway for future capacity expansion.

Outlook

Our intent is to become a global graphene market leader. This is founded on our in-depth knowledge of manufacturing and graphene formulation and the Group intends to put in place additional manufacturing capacity in advance of the anticipated growth in demand.

This is a complex area of technology and expertise, which supports our belief that graphene will continue to be a specialty material into the long term. We feel confident that Applied Graphene Materials is well aligned with its customers to support their requirements and to respond rapidly as those requirements expand and grow.

With the increased level of customer engagement across our target sectors and the ongoing migration of these into collaboration agreements and programmes, the Board believes that Applied Graphene Materials remains well placed to play a leading role in meeting the growing global appetite for graphene.

Jon Mabbitt

Chief Executive Officer

16 November 2015

Financial review

Revenue
Revenue for the year was £41,000 (2014: £4,000), arising from the supply of trial quantities of graphene to commercial partners.

Other income
Other income, which comprises grant income, was £60,000 (2014: £14,000). Grants received generally relate to funding received for the development of new graphene applications, the creation of new jobs or the purchase of fixed assets. Towards the end of the financial year, the Group's Innovate UK collaborations with DuPont Teijin Films and PolyPhotonix commenced.

Loss on ordinary activities before tax
A loss on ordinary activities before tax of £4,000,000 (2014: loss of £2,662,000) was recognised. This includes exceptional costs connected to payments made as compensation for loss of office of £91,000 in the current year.

Loss on ordinary activities before interest, tax, exceptional costs, depreciation and amortisation (EBITDA)
EBITDA for the Group increased from a loss of £2,279,000 in 2014 to a loss of £3,860,000 for the year ended 31 July 2015. This increase in losses reflects the full year effect of prior year investments in production and overheads, including headcount and business infrastructure, to support the anticipated future growth and development of the business. The results for the year ended 31 July 2015 also include costs which had been planned for future years but which have been accelerated and brought forward in order to support ongoing developments.

Exceptional costs
Exceptional costs recognised in the year were £91,000 (2014: £394,000). These costs principally relate to payments made as compensation for loss of office in the current year whilst the prior year costs relate to fees paid in connection with the AIM admission.

Finance income
Finance income for the year was £62,000 (2014: £53,000). The Group has benefited from bank interest earned on monies placed on deposit since its admission to AIM.

Loss on ordinary activities before tax, exceptional costs and amortisation (PBTA)
PBTA for the year increased from a loss of £2,268,000 in 2014 to a loss of £3,909,000 for the year ended 31 July 2015. This increase in losses reflects the full year effect of prior investments in production and overheads, including headcount and business infrastructure, to support the anticipated future growth and development of the business. The results for the year ended 31 July 2015 also include costs which had been planned for future years but which have been accelerated and brought forward in order to support ongoing developments.

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

Earnings per share
Diluted earnings per share were a loss of 22.9 pence (2014: loss of 17.9 pence). Adjusted diluted earnings per share (before exceptional costs) were a loss of 22.4 pence (2014: loss of 15.3 pence). Earnings per share has been adversely impacted by increases in operating costs previously explained and the full year effect of the issue of new shares as part of the admission to AIM.

Dividend
No dividend has been proposed for the year ended 31 July 2015 (2014: £nil).

Cash flow
Net cash used in operations was £3,589,000 (2014: £2,223,000). During the year, net working capital reduced by £206,000 (2014: reduction of £392,000). This reduction principally relates to an increase in trade creditors and accruals reflecting growth in the activities of the business.

Capital expenditure of £385,000 (2014: £289,000) has been incurred in the year mainly relating to the purchase of laboratory equipment and the ongoing development of the production process. Net proceeds arising from the issue of shares totalled £13,000 (2014: £10,502,000).

Balance sheet
Net assets have reduced to £4,590,000 (2014: £8,321,000), principally reflecting the trading loss for the year.

Cash at bank at 31 July 2015 was £4,709,000 (2014: £8,477,000). The proceeds from AIM admission 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 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).

Accounting policies
The Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted in the EU. 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.

During the year, the Group has recognised on its balance sheet inventories of finished goods and raw materials where the value of such items is considered to be significant. In each case, finished goods and raw materials have been recognised at cost. In previous years, values attributable to inventories of finished goods and raw materials were not considered to be significant.

Going concern
After making enquiries and producing cash flow forecasts, the Directors have reasonable expectations, as at the date of approving the financial statements, that the Company and the Group will have adequate resources to fund the activities of the Company and the Group for at least 12 months from the date of the financial statements. Therefore, the consolidated financial information has been prepared on a going concern basis.

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: strategic and planning; financial and IT; operational and quality; technical; SHE and regulatory; 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 existing technology at either nameplate production capacity or increased capacities and is planning to scale up its production processes. 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 and know-how. 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 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) and regulatory requirements, both in the UK and overseas, 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 or regulatory 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 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 and Financial reviews, has been prepared for the shareholders of the Company, as a body, and no other persons. Its 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 and Financial reviews, contains 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 the Strategic report, containing the Business and Financial reviews, will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

Oliver Lightowlers

Chief Financial Officer

16 November 2015

Consolidated income statement and statement of comprehensive income

for the year ended 31 July 2015

	Note	**2015 £'000**	2014 £'000
Revenue		**41**	4
Other income		**60**	14
	5	**101**	18
Cost of sales		**(341)**	(161)
Gross loss		**(240)**	(143)
Operating expenses		**(3,822)**	(2,572)
EBITDA		**(3,860)**	(2,279)
Exceptional costs		**(91)**	(394)
Depreciation of property, plant and equipment		**(111)**	(42)
Operating loss		**(4,062)**	(2,715)
Finance income		**62**	53
PBTA		**(3,909)**	(2,268)
Exceptional costs		**(91)**	(394)
Loss before tax	5	**(4,000)**	(2,662)
Tax on loss	3	**100**	10
Loss for the year attributable to equity shareholders		**(3,900)**	(2,652)
Other comprehensive income		**—**	—
Total comprehensive expense		**(3,900)**	(2,652)
Earnings per share (pence per share)			
Basic	6	**(22.9)**	(17.9)
Diluted	6	**(22.9)**	(17.9)

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

PBTA comprises loss on ordinary activities before tax, exceptional costs and amortisation.

Consolidated statement of changes in shareholders' equity

for the year ended 31 July 2015

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 July 2013	**196**	**—**	**1,231**	**(1,015)**	**412**
Loss for the year and total comprehensive expense	—	—	—	(2,652)	(2,652)
IFRS 2 share based payments	—	—	—	121	121
Merger reserve	—	—	—	—	—
Issue of shares (net)	144	10,296	—	—	10,440
As at 31 July 2014	**340**	**10,296**	**1,231**	**(3,546)**	**8,321**
Loss for the year and total comprehensive expense	—	—	—	(3,900)	(3,900)
IFRS 2 share based payments	—	—	—	156	156
Merger reserve	—	—	—	—	—
Issue of shares (net)	—	13	—	—	13
As at 31 July 2015	**340**	**10,309**	**1,231**	**(7,290)**	**4,590**

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).

Consolidated balance sheet

as at 31 July 2015

	Note	**2015 £'000**	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment		**641**	308
		641	308
Current assets			
Inventories		**25**	—
Trade and other receivables		**156**	122
Cash deposits		**1,000**	5,504
Cash		**3,709**	2,973
		4,890	8,599
Liabilities			
Current liabilities			
Trade and other payables		**(941)**	(586)
		(941)	(586)
Net current assets		**3,949**	8,013
Non-current liabilities			
Provisions for other liabilities and charges		**—**	—
		—	—
Net assets		**4,590**	8,321
Shareholders' equity			
Called up share capital	8	**340**	340
Share premium account		**10,309**	10,296
Merger reserve		**1,231**	1,231
Retained earnings		**(7,290)**	(3,546)
Equity shareholders' funds		**4,590**	8,321

Consolidated cash flow statement
for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Operating activities			
Net cash used within operations	7	**(3,589)**	**(2,223)**
Finance income		**82**	**19**
Tax received		**111**	**8**
Net cash used in operating activities		**(3,396)**	**(2,196)**
Investing activities			
Purchase of property, plant and equipment		**(385)**	**(289)**
Net cash used in investing activities		**(385)**	**(289)**
Financing activities			
Net proceeds from exercise of warrants		—	**130**
Net proceeds from issue of Ordinary shares		**13**	**10,372**
Net cash generated from financing activities		**13**	**10,502**
Net (decrease)/ increase in net cash and cash deposits		**(3,768)**	**8,017**
Net cash and cash deposits at 31 July 2014		**8,477**	**460**
Net cash and cash deposits at 31 July 2015		**4,709**	**8,477**

Net cash and cash deposits include:		
Cash deposits (maturity greater than three months)	**1,000**	**5,504**
Cash (maturity less than three months)	**3,709**	**2,973**
Net cash and cash deposits at 31 July 2015	**4,709**	**8,477**

Notes to the annual financial results

for the year ended 31 July 2015

1 General information

The principal activity of Applied Graphene Materials plc is that of the manufacture of, and dispersion 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.

The consolidated financial information was approved for issue on 16 November 2015.

2 Basis of accounting

The consolidated financial information for the year ended 31 July 2015 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 2015. The content of this announcement has been agreed with the Company's auditors. This announcement of financial results does not constitute the Group's financial statements. The Group's 2015 Annual report and financial statements, on which the Company's auditors, PricewaterhouseCoopers 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 credits recognised arises from the receipt of R&D tax credits.

4 Dividends

No dividend has been proposed for the year ended 31 July 2015 (2014: £nil).

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.

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 year. The weighted average number of shares in issue during the year used in the calculation of basic earnings per share was as follows:

	2015 ’m	2014 ’m
Weighted average number of shares for basic earnings per share	**17.0**	14.8

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 year. The weighted average number of shares in issue during the year used in the calculation of diluted earnings per share was as follows:

	2015 ’m	2014 ’m
Weighted average number of shares for diluted earnings per share	**17.9**	15.8

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:

	2015 £’000	2014 £’000
Basic earnings	**(3,900)**	(2,652)
Adjustments for taxation	**—**	—
Exceptional costs	**91**	394
Adjusted earnings	**(3,809)**	(2,258)
Earnings per share (pence per share)		
Basic	**(22.9)**	(17.9)
Diluted	**(22.9)**	(17.9)
Adjusted earnings per share (pence per share)		
Basic	**(22.4)**	(15.3)
Diluted	**(22.4)**	(15.3)

The Group was loss making for the years ended 31 July 2015 and 31 July 2014. 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 years reported.

7 Notes to the cash flow statement

	2015 £’000	2014 £’000
Continuing operations		
Loss for the year attributable to equity shareholders	**(3,900)**	(2,652)
Tax on loss	**(100)**	(10)
Finance income	**(62)**	(53)
Depreciation of property, plant and equipment	**111**	42
Exceptional costs	**91**	394
EBITDA	**(3,860)**	(2,279)
Depreciation of property, plant and equipment	**(111)**	(42)
Exceptional costs	**(91)**	(394)
Operating loss	**(4,062)**	(2,715)
Depreciation of property, plant and equipment	**111**	42
IFRS 2 share based payments	**156**	58
Increase in inventories	**(25)**	—
Increase in receivables	**(53)**	(61)
Increase in payables	**284**	453
Net cash used in operations	**(3,589)**	(2,223)

8 Share capital

	Number of A Ordinary shares	Number of Ordinary shares	Total £'000
Allotted, called up and fully paid			
At 27 September 2013 on incorporation	—	—	—
Issued on 27 September 2013	—	1	—
Share subdivision on 21 October 2013	—	49	—
Issued on 21 October 2013	5,825,001	3,968,632	196
Re-designation of A Ordinary shares	(5,825,001)	5,825,001	—
Issued on 20 November 2013	—	7,096,775	142
Issued on 15 January 2014	—	84,453	2
At 31 July 2014 – Ordinary shares of 2 pence each	—	16,974,911	340
Issued on 27 January 2015	—	39,305	—
At 31 July 2015 – Ordinary shares of 2 pence each	**—**	**17,014,216**	**340**

On 27 January 2015, 39,305 Ordinary shares of 2 pence each were issued at an average price of £0.34 to satisfy the exercise of share options.

9 Related party transactions

Transactions between Applied Graphene Materials plc 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 and companies controlled by former Directors of the Group were recorded, excluding VAT, during the year:

	2015 £'000	2014 £'000
University of Durham (shareholder)		
Staff secondment, consultancy and other fees	**45**	49
IP2IPO Limited (shareholder)		
Recruitment and other fees	**5**	20
Top Technology Limited (controlled by shareholder)		
Corporate finance and investment monitoring fees	—	58
Non-Executive Director fees and expenses	**11**	—
Other costs	—	3
Techtran Group Limited (controlled by shareholder)		
Business support fees	—	2
Loxley Enterprises Limited (controlled by former subsidiary Director)		
Consultancy fees and other costs	—	20

Remuneration of key management personnel

The remuneration of the Directors and 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:

	2015 £'000	2014 £'000
Short term employee benefits (excluding bonuses)	**689**	494
Payments to third parties	**10**	9
IFRS 2 share based payments	**116**	56
Compensation for loss of office	**73**	—
	888	559

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

10 Seasonality

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

11 Availability of Annual Report

It is anticipated that the Annual Report will be sent to all shareholders on 30 November 2015. Electronic copies of the report will also be available on Applied Graphene Materials' website at www.appliedgraphenematerials.com.

12 Annual General Meeting

The 2015 Annual General Meeting is to be held at The Lecture Theatre, The Wilton Centre, Redcar, Cleveland, TS10 4RF on 26 January 2016 at 11.00am.