



**APPLIED GRAPHENE  
MATERIALS**

**Applied Graphene Materials plc**  
Annual Report and Financial Statements 2020

**THE MARKET LEADER**  
IN GRAPHENE DISPERSION  
AND APPLICATION  
TECHNOLOGY



# OVER THE LAST TEN YEARS, WE HAVE BECOME THE WORLD LEADER IN THE DEVELOPMENT AND APPLICATION OF GRAPHENE DISPERSIONS FOR CUSTOMERS IN THE COATINGS, COMPOSITES AND FUNCTIONAL MATERIALS SECTORS.

We work in partnership with clients using our experience, knowledge and expertise to provide both standard and custom graphene dispersions in formats that deliver significant performance enhancements in existing and new industrial systems, which generate real added value for our customers in a wide range of applications.



## OUR MISSION

Our mission is to maintain and strengthen our position as the world leader in the development, production and supply of graphene dispersions to enable our customers to realise the true potential of graphene.



## CREATING VALUE

We aim to create value for our shareholders and customers through the improvement of existing customer systems and the development of innovative new products.



## WHY GRAPHENE?

As a disruptive technology, graphene has the potential to replace or enhance the performance of existing materials in a wide range of applications and sectors.



**Our strategy**  
Page 24



**Our business model**  
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**Our markets**  
Page 23

# HIGHLIGHTS

## FINANCIAL OVERVIEW

### Revenue

£0.08m

2019: £0.05m

### Loss before tax

£(3.69)m

2019: £(4.83)m

### Basic EPS

(6.4)p

2019: (7.9)p

### EBITDA\*

£(3.08)m

2019: £(4.56)m

### Cash at bank

£3.68m

2019: £6.13m

### Adjusted EPS

(6.1)p

2019: (7.9)p

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

## OPERATIONAL AND COMMERCIAL HIGHLIGHTS

Dispersions  
available  
to distributors

27

Launched  
customer  
products

9

Projects  
in sales  
pipeline

109

- Excellent commercial progress made, with a number of major customer projects advancing throughout the year towards completion and product launch. The impact of coronavirus has caused some delays to customer projects; however, our development pipeline continues to grow
- Customer product launch highlights with “Genable® Inside” include:
  - Blocksil – introduced Top Coat MT anti-corrosion paint system
- Sales distribution network expansion – Applied Graphene Materials (AGM) has signed a number of significant new distribution agreements:
  - Maroon Chemicals Group – USA and Canada
  - Arpadis – UK, Germany, France, Spain, Portugal and Scandinavia
  - Will & Co – Benelux
  - Dichem – Greece
- AGM continues to grow its IP portfolio with the progress of several graphene dispersion technology based patents
- Development and launch of the Genable® 1400 series of dispersions, a cost-effective range of products offering outstanding barrier performance
- Development of production scaling for dispersions manufacture – continuous commitment to build production scale platform for the range of dispersions we manufacture

## POST YEAR END

- AGM has signified its intent to commit to signing up to the UN Global Compact in the near future
- Infinity Wax launched its Graphene QDX detailing polish for the car care market
- Kent Europe GmbH launched its aerosol anti-corrosion primer
- Halo Automotive/EZ Car Care launched its graphene enhanced car wax for the car care market
- Launch of Innovation Accelerator programme
- AGM shares commenced trading on the OTCQB Venture Market in the USA

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Stay up to date on our website  
[appliedgraphenematerials.com](https://www.appliedgraphenematerials.com)

## AT A GLANCE

# CUTTING-EDGE VISION AND INNOVATION IN GRAPHENE APPLICATION

Our combination of leading edge manufacturing, technology, unique know-how and IP, along with a highly skilled workforce, provides us with a market-leading position within the emerging graphene sector.

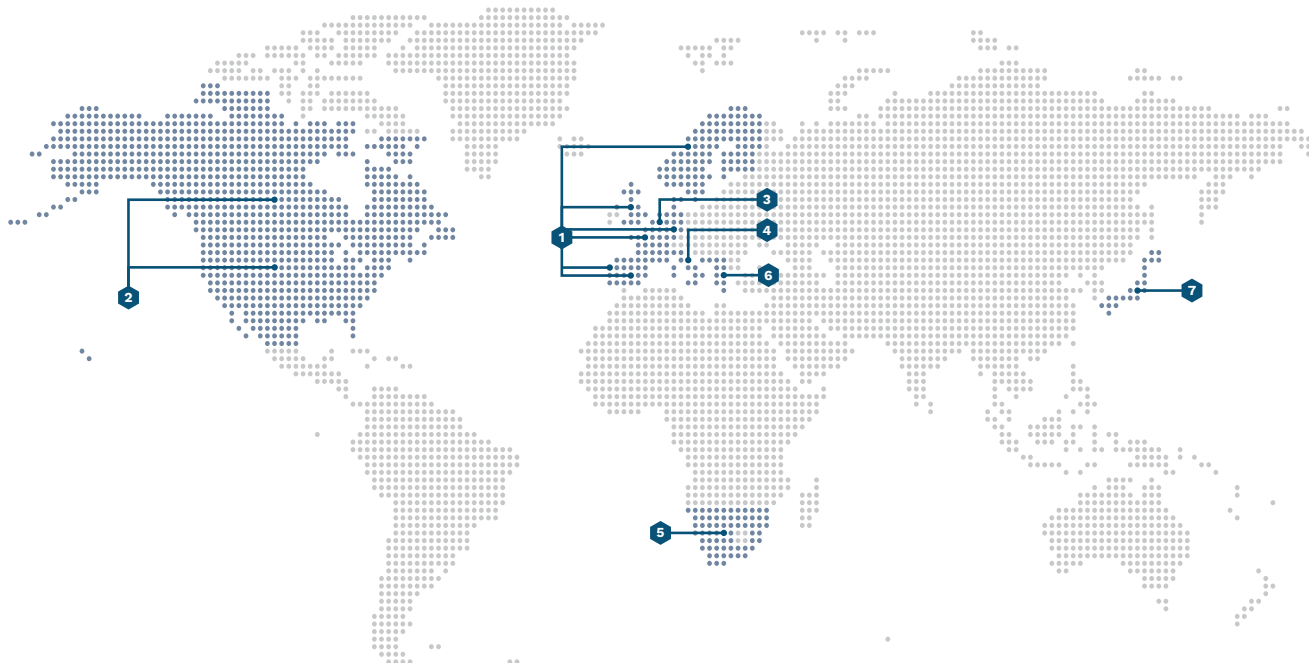
## Why AGM?





## Progress in our global markets

To support an industry leading platform, AGM has rapidly developed a global distribution platform to maximise the opportunity to deliver our high quality standard **Genable®** product ranges directly to a growing number of engaged customers. Working closely with strategically aligned distribution partners has enabled AGM to significantly expand its global sales network. In July 2020 we signed three new agreements with partners in the USA, Canada and Europe.



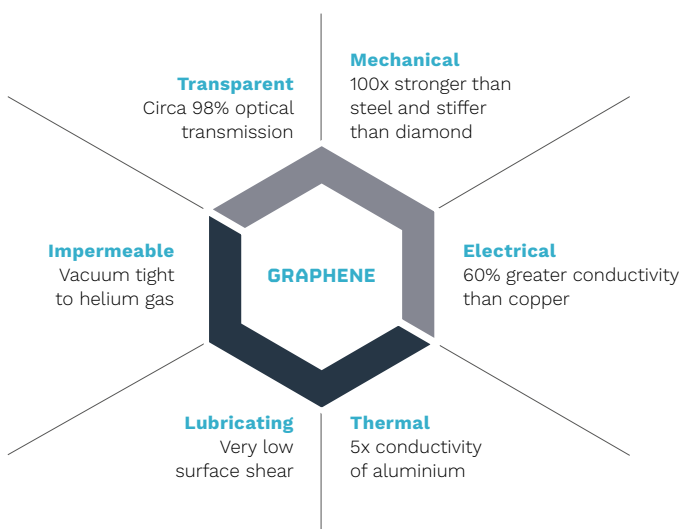
### Our distributors

- |   |  |   |                           |
|---|--|---|---------------------------|
| <b>1 Arpadis</b><br>UK, Spain, France, Germany,<br>Scandinavia and Portugal | <b>3 Will &amp; CO</b><br>Belgium, Luxembourg<br>and the Netherlands | <b>5 Carst &amp; Walker</b><br>South Africa | <b>7 Inabata</b><br>Japan |
| <b>2 Maroon</b><br>USA and Canada   | <b>4 CAME</b><br>Italy   | <b>6 Dichem</b><br>Greece                   |                           |

## AGM application technology

- The commercial value of graphene lies in the ability to **robustly transfer its intrinsic properties into other materials**, thus creating higher value products which possess specifically enhanced characteristics
- AGM utilises differentiated application technology to create both standardised and end-use specific customised solutions for a range of applications

## Key properties of pristine graphene



## CHAIRMAN'S STATEMENT

# POSITIONED TO BE WORLD LEADERS

We have made significant progress this year and we believe that we are positioned to be the world leaders in graphene dispersions in a range of applications. Our strategic goals remain focused on executing additional commercial agreements within our core market sectors.



**BRYAN DOBSON**

### Key points

- Performance in line with expectations despite COVID-19
- Four new distribution agreements signed in the final quarter covering significant territories in line with our strategy
- Significant reduction in cost base implemented
- Board remains committed to strategic approach focused on core markets

### Introduction

I am pleased to present the Group's full year results for the year ended 31 July 2020. We have made significant progress in our commercial activities during the year and have secured distribution of our products across Europe, the USA and Canada. This major development means that we will have around 60 salespeople promoting and selling our range of products on a daily basis and we believe this is the only such arrangement across the graphene industry. We had good sales momentum in the early part of the year but COVID-19 brought this to a halt. We are seeing customers returning to work and expect the momentum to recommence.

Throughout the past twelve months, we have continued to focus on developing close working arrangements with our commercial partners, who work to incorporate graphene into their products. This collaborative approach underpins all of our partnerships, representing a key element of our strategic approach, and we expect more customer products becoming commercially available in the near future.

Since the year end we have continued to develop the remarkable utility of graphene in anti-corrosion performance applications, as evidenced by new customer launches.

### Financial performance

The Group recorded an EBITDA loss of £3.1 million for the year (2019: £4.6 million). Net cash was £3.7 million at 31 July 2020 (2019: £6.1 million). Whilst the loss recorded by the business in the year has fallen compared to the previous year as a result of the realignment of operations completed during the year, it continues to reflect the ongoing investment made in supporting our customer base as they work towards incorporating graphene into their products.



**Financial review**  
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We believe we are becoming a global graphene market leader and the Board believes that Applied Graphene Materials remains well placed to meet its ambitions.”

## Highlights

The business has continued to gain further momentum in the year ended 31 July 2020 and since then, with additional highlights including:

- Excellent commercial progress made, with a number of major customer projects advancing throughout the year towards completion and product launch.
- Blocksil – introduced Top Coat MT anti-corrosion paint system.
- Four new distributors appointed covering Europe and North America.
- Further patent applications filed for AGM dispersion.
- Development and launch of the **Genable**® 1400 series of dispersions, a cost-effective range of products offering outstanding barrier performance.
- Development of production scaling for dispersions manufacture – continuous commitment to build production scale platform for the range of dispersions we manufacture.
- Introduced Innovation Accelerator programme to help customers make rapid progress with high quality testing facilities and custom dispersion formulation capabilities.
- Car care sector products coming to market.

We are excited by the continuing recent product launches and look forward to their adoption by end users in the current financial year as they return to work.



**Chief Executive Officer's review**  
Page 8

## Our culture

The nature of our business means that it is critical that we bring together the different expertise and knowledge our employees possess and work together to provide the support necessary to meet our customers' expectations. This collaborative approach sits at the heart of our culture.

As such, we view our employees as critical stakeholders. We remain committed to ensuring employees receive the required development and training opportunities to enable them to remain at the forefront of the emerging graphene market.

We have focused on safeguarding our employees during the lockdown period and have been able to safely continue our operations in a COVID-19 safe environment. We did not furlough any staff and we have encouraged flexible working in line with Government guidance.

In all aspects of our business we seek to operate in compliance with laws, rules and regulations and for our employees to work in a manner that is professional, ethical, fair and open. Our employees are encouraged to report any activities in breach of these principles through the Group's whistle blowing policy, which includes direct access to the Non-Executive Directors of the Board.

## Corporate governance

We continue to fully embrace the Quoted Companies Alliance Corporate Governance Code. This year we have introduced a non-binding vote on the Remuneration report and re-election of all Directors every year in line with best practice. Further details regarding our approach to corporate governance are detailed within the Governance report on page 40.



**Governance report**  
Page 40

## Sustainability

As a business we take our responsibility to all stakeholders including our employees, shareholders, distributors, customers, suppliers and wider community extremely seriously. We recognise that a focused and balanced approach to all aspects of sustainability will ultimately bring benefits to all stakeholders and the Company alike, providing opportunities in a sustainable manner. Nowhere is this more evident than in the continued work we have done this year on the ongoing EU REACH programme, providing technical input on the evaluation and assessment for the safe use of graphene in industrial applications. We believe we are leading the industry in this regard. The Company continues to develop our sustainability roadmap to progressively realise progress and we have signified our intent to commit to signing up to the UN Global Compact in the near future.



**Sustainability**  
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## Strategy and outlook

We have demonstrated that we have real applications of graphene based on convincing technical data satisfying customers' needs in the market place. We believe that we have positioned the Company so that it can commercially exploit the technology developed to date.

The Board remains confident that the Company is ideally placed to achieve long term commercial success against its stated strategy given its IP and know-how, and increasing customer momentum. The Board also remains confident that the Group will be able to secure the funding required to deliver the commercial expansion of the Group and its strategy. We believe we are becoming a global graphene market leader and the Board believes that Applied Graphene Materials remains well placed to meet its ambitions.

**Bryan Dobson**  
Chairman

13 October 2020

## OUR PRODUCTS

The unique and exciting properties of graphene are well known, but the key to its successful adoption in real industrial systems is enabling its addition in a form that is not only easy and safe to handle but optimised to ensure the maximum performance levels of this game-changing material. AGM has developed an industry leading position in the dispersion of graphene nanoplatelets.

The **Genable®** products, utilising AGM's proprietary technology, comprising of 27 individual user-friendly dispersions, are optimised for maximum performance...



### **Genable® 1000 Series – comprising seven different dispersion products**

#### **Coatings**

An exciting range of graphene dispersions which offer coatings systems an uplift in barrier properties in synergy with other active ingredients.

#### **Polymer composites**

Enhancing the key mechanical properties of fracture toughness, resin modulus and interlaminar shear strength in composite materials.

### **Genable® 1200 Series – comprising seven different dispersion products**

A unique graphene type dispersed in a range of resins and solvents offering outstanding barrier properties and incredibly low loading levels in finished paints and coatings.

### **NEW PRODUCT RANGE: Genable® 1400 Series – comprising seven different dispersion products**

An exciting new range of cost-effective dispersions which offer excellent barrier performance across a wide range of applications.

### **Genable® 2000 Series – comprising two different dispersion products**

A range of unique dual action corrosion protection additives, offering both passivation and barrier performance for aluminium.

### **Genable® 3000 Series – comprising two different dispersion products**

A range of graphene based, active non-metallic anti-corrosion additives proven to offer industry leading performance in even the harshest environments.

### **Genable® 4000 Series – comprising two different dispersion products**

A range of thermally conductive, low density resin paste adhesive systems designed for use for bonding, potting, sealing and encapsulation for space, electronics and automotive components.





## A SELECTION OF CUSTOMER PRODUCTS WITH Genable® INSIDE

### Alltimes

Alltimes Coatings, a leading specialist in the supply and application of protective coatings for buildings, has launched its ground-breaking Advantage Graphene liquid coating roofing system, with significantly enhanced anti-corrosion performance delivered by the incorporation of AGM's graphene.



### EZ Car Care

EZ Car Care launched a carnauba wax based polish that delivers industry leading performance with outstanding water beading and sheeting properties.



### Blocksil Top Coat MT

The Blocksil Top Coat MT product is an ideal coating technology for construction and infrastructure applications.



### Infinity Wax

Infinity Wax has launched its "QDX graphene" detailing product post period end. An easy-to-use liquid solution for automotive paintwork, the addition of graphene is seen to enhance application, shine, finish, water run-off and durability.

### Automotive primers

Graphene enhanced anti-corrosion aerosols for automotive primers under the various brands.



### Infinite Composites

Infinite Composites has successfully incorporated AGM's graphene technology into two resin systems for cryogenic pressure vessels being tested for use in multiple NASA spaceflight missions.

## INNOVATION ACCELERATOR PROGRAMME

### Customer-specific product developments

Along with the ranges of standard dispersions, AGM continues to innovate directly with customers by offering customised products which are tailored to customers' individual requirements.



Read more about our products  
Page 12

Fast-track customer development opportunity.

Additional resource for customers to realise products quicker.

Formulating, testing, application technology to suit customer's project.

## CHIEF EXECUTIVE OFFICER'S REVIEW

# DELIVERING MATERIAL ENHANCEMENTS

AGM has made excellent progress in the year technically and commercially, creating a global platform of distributors as our conduit to market. High levels of engagement with outstanding technical support on a broader basis will continue the momentum to full commercial realisation.



**ADRIAN POTTS**

### Key points

- Realignment of resources completed
- Continuity of operations despite COVID-19
- Strong commercial engagement with direct customers with a strong pipeline
- Establishment of a global distribution network
- Technology platform continues to develop with new adjacencies
- New customers' car care market yielded two new product launches as a result of technical engagement post-period
- Sustainability audit completed

### Overview

Excellent progress has been made in the year with customer engagement and technology despite the challenges around coronavirus from early 2020. We have successfully achieved continuity of operations through flexible working and have seen strong customer development, with product evaluation and testing in their formulations being key activities. Following this extended cycle, it is pleasing to see customer product launches as a result of these activities.

The key milestone for commercialisation was the appointment of an extended group of distributors on a much broader geographical platform. The step has been based upon strength of product range, depth of demonstration data for our technology offerings and availability of a supporting network of information for practical customer assistance. We were pleased to welcome Dichem, Will & Co, Maroon Group and Arpadis to the AGM team during the year and we look forward to their growing contribution to our successful commercialisation. Direct commercial progress has been made with a number of customers and we are seeing the output of our work with them in their products that they are progressively bringing to market.

Technology development continues to be largely centred on the coatings industry and the significant potential that graphene dispersions offer to this space to achieve transformational product performance. As we look at adjacencies, new sectors are adopting the potential of our products. We have seen this latterly with increased engagement in the car care and detailing products sector. Liquid and wax based coatings are easily able to accommodate graphene dispersions and we have seen products begin to come to market as a result. We continue to support the all-round realisation of graphene technology by leading in such areas as REACH accreditation whilst maintaining efforts to protect and develop our IP with patent related activity.

A realignment of our resources was completed in December 2019, to enable a focus on graphene dispersions. As a result, we have a lean operation that is completely centred on the delivery of customer dispersion demand and the development of our technology base to meet our objectives for commercialisation.



### Graphene in aerospace ►

The demanding environment of aerospace applications means we have to prove graphene's positive impact for repeatability of performance. Whether employed in low density heat-spreading adhesives, incorporated into composites matrix resins or applied as a barrier coating for diffusion control, our graphene dispersions are making a real, material difference.



An internal sustainability audit has been completed and we are developing the roadmap to prioritise activity in the business where we can make further meaningful progress. Over and above operational excellence, we believe that our products offer a unique proposition as regards sustainability through performance enhancement and, as a result, product life cycle benefits. As such, we are actively engaged with the UN principles for sustainability, the UN Sustainable Development Goals (SDG) and the Global Reporting Initiative (GRI), in a meaningful way to effect long term positive change within our business and our products and through our customer engagements. The Group has signified its intent to commit to signing up to the UN Global Compact in the near future.

As covered in the Financial review, our non-discretionary cash requirements indicate that the Group currently has sufficient cash resources for the next twelve months. Given the Board's growth plans for the Group, cash flow forecasts for the commercial expansion envisaged by the Board following the launch of new products and significant increase in distribution achieved recently indicate that the Group will need to raise additional funding for its working capital needs as cash would run out in October 2021 based on these forecasts.

### COVID-19 impact

Throughout the coronavirus restrictions in the UK, we have sought and achieved ways to maintain continuity in the operation of our long-range testing facilities whilst achieving our primary objective of a COVID-19 safe workspace for all employees. I would like to personally record my thanks to all our staff for adopting an entirely new and flexible way of operating, in both embracing working from home and maintaining operations in a safe and collaborative manner.

We chose not to furlough staff, and as a result have largely been able to maintain continuity in house to avoid disruption of test plans. The situation has been more challenging externally, however, with many customers furloughing staff and reducing operational activity. Overlaid with this have been restrictions on work practices impacting, for example, practical access to structures which were planned to be refurbished with graphene enhanced protective coatings. An impact on full year revenue therefore resulted, with the second half of our financial year slowing due to customer volumes reducing. The quality of

underlying customer enthusiasm remains strong, however, and I remain confident that, as we emerge from lockdown restrictions, we will see a positive upswing in activity and resulting shipments of graphene dispersions to our customers.

Coronavirus specifically impacted our plans to personally follow up previously announced activities in Asia, due to travel restrictions. We are now starting to see signs of opportunity again in this territory and are re-engaged in dialogue regarding the best conduit to this important commercial region.

### Commercial progress

#### General

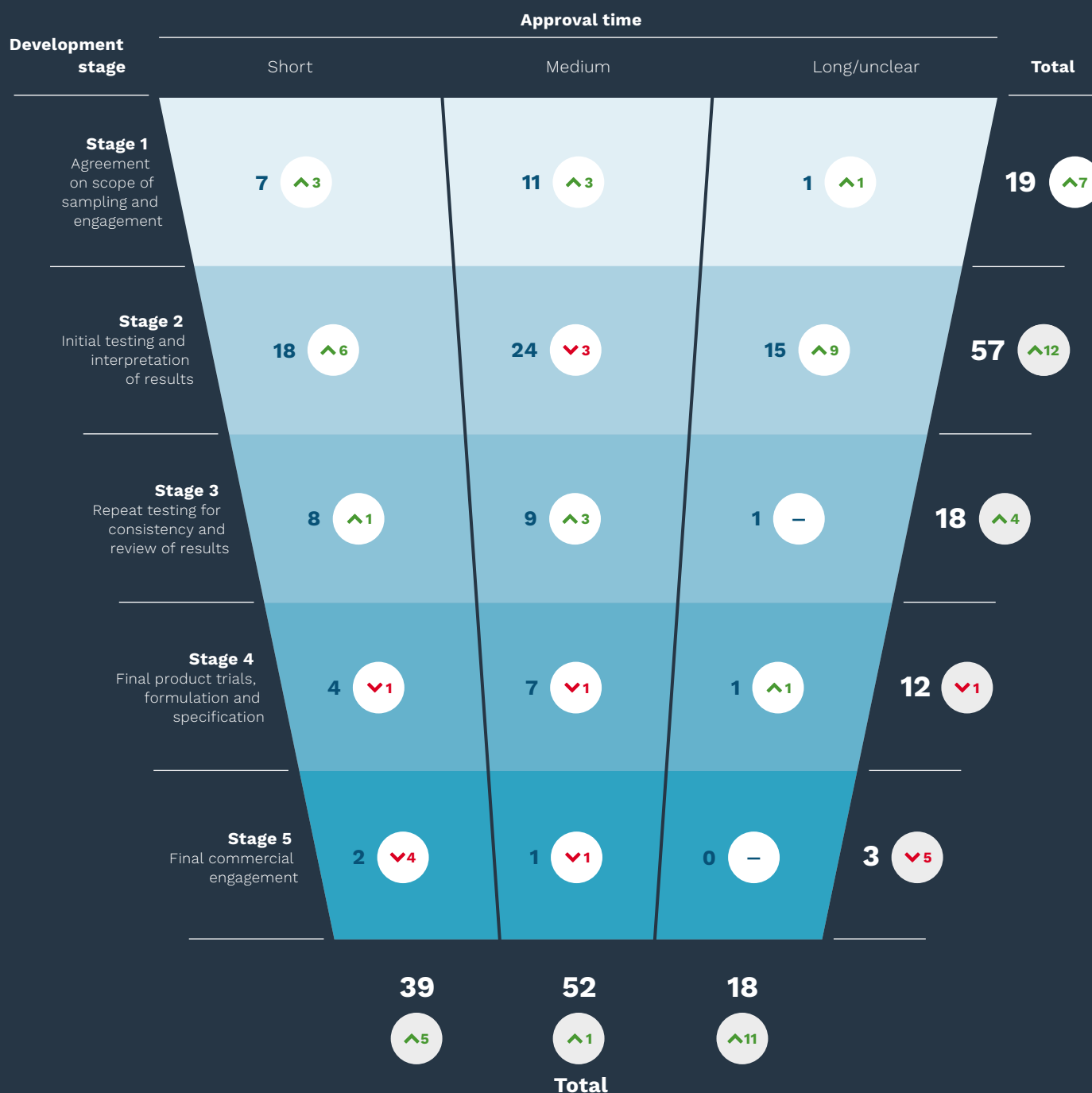
AGM has seen positive commercial development over the year with direct customer engagements and latterly with the number of exciting announcements we have made covering distributor arrangements for our **Genable®** range of graphene dispersions. The engagement with technically excellent, commercially focused distributors in a number of geographic regions is central to our commercialisation strategy to bring our easy-to-use graphene dispersion product range into wider adoption. We have a strong product base backed by excellent demonstration data using typical starting point formulations. Coupling this with application know-how and practical formulating experience, our supporting information is a key enabler for our direct customers and those of our new distribution partners to achieve their performance objectives through the use of our graphene nanoplatelet materials.

Our primary commercial exploitation focus for our technology continues to be in the area of protective coatings, whereby transformational gains in barrier and anti-corrosion performance can be repeatably demonstrated with our graphene technology. Our distributors have speciality knowledge in this sector and are well equipped to engage their customer base with our innovative range of dispersed graphene materials. Combining our product range with the level of support we are able to provide, ultimately through our Innovation Accelerator programme, we believe we have a winning formula. With the continuing push in the coatings sector towards environmentally sound solutions, we firmly believe graphene has a strong part to play, from water based coatings technology through to life cycle considerations for coatings for harsh applications.

## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

## PIPELINE OVERVIEW

The number of programmes in the pipeline as at 31 July 2020 showed a net increase of engagements from 92 to 109 since 31 January 2020 as follows:

109 

6 Completed projects removed from pipeline since 31 January 2020



## Commercial progress continued

### General continued

The impact of coronavirus is important to note in our current results. Our H2 2019/20 commercial performance was adversely affected by accessibility of our customers to assets needing refurbishment. As such, demand for their coating products and services stalled, which in turn had an impact on AGM's commercial output. Despite this, we were able to maintain a commitment to in-house operations, maintaining continuity of our long-range testing programmes to enable readiness for the re-emergence of the industry. Accessibility to projects is starting to pick up again and we anticipate an encouraging increase in commercial activity as the effects of coronavirus are diminished with time.

Activity in other target areas has continued apace with composite materials customer-led activity to realise performance gains in their materials systems. It has been encouraging to see the potential product output of the grant-funded NEAT project approaching maturity, for our materials to be tested on a broader platform of composites application opportunities, and for our longer term customers to see repeat success with our graphene materials in their high performance applications. The efforts with our thermal adhesive products for aerospace applications are finally approaching a successful conclusion with the anticipated qualification for flight applications with two customers.

Our direct customer pipeline continues to mature with a number of projects developing towards customer product launches. This is one of our key success indicators whereby the complete process of product development, customer-specific formulation, testing, iteration and finalisation of product attributes leads to a customer having the confidence to launch a new product and generate revenues from it.

### Pipeline overview

Our direct pipeline enables us to focus on early opportunities and to identify where those will run deep to enable us to truly partner with our customers and realise success. For us, at this stage in our development, "success" is defined as equipping the customer to be able to use our products in a repeatable way and achieve their technical and commercial objectives, thereby

enabling them to launch a new product in their respective market and to generate revenues accordingly. The demonstration of early technology adoption is crucial to creating broader opportunities and confidence to realise graphene's commercial potential. Whilst this cycle can be lengthy at times, the approach is proving to be rewarding with progressive product launches by customers and the resulting revenues this will generate in the longer term.

The majority of engagements are in the protective coatings sector where most of our investment in technology is expended. A large percentage of the coatings engagements are in the general industrial sector of protective coatings systems.

We also have active customers looking at our products in a number of adjacent coatings sub-sectors including automotive, aerospace and defence, oil and gas, flooring and marine. It is pleasing to also see a promising number of deeper engagement opportunities in the composite materials sector as our expertise in this area grows and we are able to demonstrate consistent performance gains in real repeat customer systems.

In order to de-risk our revenue opportunity matrix at this stage, we are focused on nearer term, innovative coatings industry participants which are able to turn around engagements quickly. Our aim through the demonstration of our unique technology with these early-stage customers is to prove that graphene nanoplatelets work well in a broad platform of protective coatings products, thus inspiring larger opportunities downstream.

Stage 5 engagements are the closest to completion and greatest maturity of product testing and opportunity of success. These include Airbus, an undisclosed aerospace company and an undisclosed car care coatings company. Stage 4 engagements include a number of advanced composite materials and coatings activities.

We remain confident in the strong momentum we are achieving towards the completion of a broad set of product integration efforts to meet customer aspirations and revenue prospects.



### Protective coatings ►

The majority of engagements are in the protective coatings sector where most of our investment in technology is expended.

Our aim through the demonstration of our unique technology with early-stage customers is to prove that graphene nanoplatelets work well in a broad platform of protective coatings, thus inspiring larger opportunities downstream.





## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED



### COATINGS SECTOR

We have made strong progress in a number of activities which support product commercialisation. Our focus continues to be the enabling of transformational barrier and anti-corrosion performance in protective coatings through the use of our dispersed graphene nanoplatelets. Three pillars support this effort:

- graphene nanoplatelets of consistent quality which produce consistent results;
- dispersion chemistries and process capability to suit a range of applications and customer opportunities; and
- long range test data and application technology to underpin such opportunities.

AGM has the leading range of dispersed graphenes marketed under the brand name "**Genable**", which provides the formulator with ease of use and integration and which therefore gives the confidence to test our materials in their protective coatings formulations. In addition, the guidance that AGM is able to provide to clients keen to understand the nuances of graphene used in their coatings is exceptional. This assures the best possibilities for successful outcomes.

Whether supplied in **Genable**® general purpose standard or customised dispersions to suit a particular end-use chemistry, AGM works with its customers to ensure that an optimum dispersion of graphene nanoplatelets (GNPs) is achieved in each customer's coatings formulation. This is the key that enables the best performance gains to be achieved. As we offer a platform of additives for a wide range of coatings opportunities and pursue performance gains in ever harsher environment applications, we continue to pioneer the adoption of graphene nanoplatelets in the coatings space.

We continue to develop our commercialisation through technical excellence and we have recognised the need to stand alongside our customers ever more closely to support the introduction of our innovative technology. We have introduced our Innovation Accelerator package through our distributors and directly to customers. Using this menu-driven paid-for service, customers have the opportunity to utilise our technical skills in the evaluation and adoption of graphene into their formulated products and to have them tested in our facilities. Customers can thus fast-track their own development efforts whilst having a reliable nanomaterials partner alongside to help guide the process of adoption. We look forward to customers making use of this service offering to great effect as momentum continues to grow.

Since the launch of the Top Coat MT paint by Blocksil, substantial progress has been made in securing further opportunities to deploy this exceptional material which combines barrier performance with UV resistance and mechanical performance benefits. With extended testing hours now completed, the anti-corrosion performance of this product is outstanding. The addition of AGM's **Genable**® graphene nanoplatelet dispersions has further improved Blocksil product performance – taking it from some 5,000 hours in neutral salt spray for the "conventional" non-graphene product to their graphene enhanced coating boasting industry leading performance levels in excess of 10,000 hours. The graphene coating has also

been successfully tested to relevant EN and BS standards for fire performance on building materials. Blocksil previously announced the approval of work packages with Avanti plc and the RTE network for refurbishment coating of large communication antennae and satellite communication structures. Despite the coronavirus limiting work crew access to these projects, Blocksil is developing safe working practices to enable increased site access and is confident that the situation continues to improve progressively, resulting in forecastable commercial pull requirements for both these prospects. Further product opportunities also continue to progress thanks to the integrated product development partnership that AGM has with Blocksil. This is leading to more than just the supply of dispersions for its Top Coat MT product: the development of several new products is reaching the final stages and it is expected that Blocksil will be able to offer an extended graphene enhanced range of products in the near future.

Alltimes Coatings has been active in the presentation of its Continuous Professional Development (CPD) package which enables a clear understanding by architects and specifiers about the performance benefits that graphene can achieve in coatings products. Using its Advantage Graphene product as the primary demonstrator, Alltimes has made strong progress and is now achieving product specification wins. We anticipate further progress with a view to forecastable revenues towards the end of the calendar year for projects in early 2021 using its approved products containing our graphene dispersions. Alltimes views the CPD process as a key milestone to adoption of the Advantage Graphene product for the infrastructure and construction sector. We look forward to projects commencing, creating ongoing and forecastable demand for our dispersed materials technologies. An early, practical technology demonstration of the Advantage Graphene product was successfully completed at the Wilton Centre (where AGM is located), with one of the buildings refurbished with this coating. It is expected that these initial good results will lead to further business opportunities for our materials through Alltimes at the complex of buildings on the Wilton site.

We have a long-standing development engagement with Teal & Mackrill whereby it has assessed our graphene additives in a number of different product formats for a broad range of coatings systems and chemistries. We have drawn the first of these test programmes to a positive conclusion with the anticipated imminent launch of a new specification of epoxy primer product for protective coating applications. This exciting product marks a further milestone in a growing number of customers placing their confidence in the remarkable utility that graphene offers to enable transformational results.

Post period end, it has been pleasing to see further launches of **Genable**® graphene based aerosol primers with Kent Europe GmbH in Duisberg, Germany. The performance of these aerosol based primers using graphene dispersions is outstanding compared to the standard primer and we anticipate a strong uptake in product sales in the aerosol primers market.

We have seen significant recent customer product launches in the car care and detailing coatings sector. **Genable**® graphene nanoplatelet dispersions are a product form with a great fit for this type of market – whether the end product is a solid wax or a liquid



sprayable material. Our dispersions have generated significant interest from the sector for graphene to become a new technology leader for automotive paint protection. Utilising the benefits of 2D materials, significant performance advantages are claimed in the industry with these types of detailing products creating a seal, promoting water beading and controlling streaking effects on detailed vehicles. Durability of coating is also an important attribute. We see strong interest in evaluation of our products in this space and are pleased to see positive momentum with a number of direct pipeline customers in Europe and the USA. One early adopter of this technology has been Infinity Wax, which has launched its “QDX graphene” detailing product post period end. An easy-to-use liquid solution for automotive paintwork, the addition of graphene is seen to enhance application, shine, finish, water run-off and durability. A second early graphene based detailing product launch has also been achieved with Halo Automotive Ltd via EZ Car Care in the UK. Other customer developments are continuing apace and we anticipate seeing further product launches in this sector – proof that well-dispersed graphene has an excellent fit and function in innovative coatings applications.

Multiple other coatings engagements are at various stages of testing and development in wide-ranging areas from steel coatings for harsh corrosion environments for a range of applications, aluminium corrosion for aerospace and concrete coatings for floor applications to barrier coatings for PPE. We see a broad spectrum of opportunity and continue the enabling of customers to bring new and innovative products to market, which in turn creates revenue streams for AGM’s **Genable®** graphene dispersion systems.

With good customer traction in the coatings sector and a mature, standard easy-to-use product range, we have underpinned our commercialisation strategy with the announcement of a number of high quality distributor engagements for our **Genable®** range of products. We believe we are the first graphene company to have an extensive network of distributors, with some 60 customer-facing representatives including our direct sales team. This represents a major milestone in our commercial evolution on a broad geographic basis. Having strong commercial and technical distributor arrangements is key to our success and I look forward to the commercial results of these partners. Our business model reflects this well, namely:

- develop graphene material process technology;
- develop easy-to-use, stable dispersion technology as a standard product range and key enabler for adoption;
- prove the performance of our materials technology and define the methodology for use;
- develop a technically capable, commercially focused distribution platform to take product to market in an accelerated manner; and
- develop revenue streams.



AGM has the leading range of dispersed graphenes which provide the formulator with ease of use, giving the confidence to test our materials in their coatings formulations.”



Our products  
Page 6

## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED



## COMPOSITES SECTOR

Enhancing the all-round performance of what are already “high performance advanced materials”, employing, for example, carbon fibre in composite structures, is always something of a challenge. Within the realm of “composites”, we see there are areas where graphene can have a positive influence. Our focal point therefore continues to be enhancing the performance of the resin matrix element and this aligns well with our approach to liquid resin technologies as a key access point for any proposed graphene addition. Our efforts have been centred (as with the coatings sector) on the supply of dispersed graphenes that provide the means to incorporate the material effectively into a customer's matrix resin mix and from there into the corresponding composite formulation. Whether in traditional prepreg formats or sheet moulding compound (SMC) or fibre tow-placement processes, the correct application of graphene into the resin matrix is critical to success. This is where AGM's expertise shines, and our graphene materials have demonstrated repeated performance improvements in the area of fracture toughness in composite matrix resins. In a number of our customer-led projects, we have also seen further metrics enhanced, with graphene additions providing a broader performance gain in these materials.

Infinite Composites Technologies (ICT) continues to achieve ground-breaking performance for its linerless Type V pressure vessel technology aligned with NASA programmes. The long term objective is for incorporation of ICT products and technology into space vehicle platforms. ICT continues to make excellent progress in the demonstration of its carbon composite pressure vessel products using AGM's graphene dispersions. These are applied in two distinct areas – the composite matrix to enhance mechanical performance and fatigue life of the vessels and also in a coatings format. AGM's graphene technology has thus been put to excellent multi-functional use in this application. There is not much more demanding a test than the cyclic pressure and temperature evaluation of cryogenic pressure vessels to replicate life cycles of such structures in space applications. The materials and structures incorporating the graphene materials have been tested to withstand extreme -300°F temperatures and 600psi pressure cycles. Analysis of the composite indicated that the addition of GNPs eliminates nearly all microfractures in resin samples after exposure to the cryogenic environment – an outstanding result combining the best of the materials technology employed to achieve lightweight, high performance, long life products.

Following the completion of the innovative grant-funded NEAT project, an AGM customer in the UK prepreg manufacturing sector is actively engaged in the development of enhanced fire performance materials for the mass-transit interiors sector – materials that could be used in everyday applications in trains and aircraft for seats and cabin liners. Our engagement has enabled a nanotechnology product development to be completed with improvements in mechanical and fire performance. Combining the benefits of novel resin technology with nanomaterials has produced a product with outstanding fire performance, part finish and peel strength.



The correct application of graphene through the matrix is critical to success. This is where AGM's expertise shines.”



Our business model  
Page 18

Continuing effort in the composites market has also yielded promising materials performance advantage in the automotive sector. Utilising graphene dispersions from AGM, a major supplier to the sector has been able to demonstrate improvements in a number of different mechanical performance attributes including tensile strength and modulus, flexural strength and modulus plus all-important impact performance. This represents positive directional improvement in key mechanical properties of composites systems without detriment in other characteristics. All said, a positive outcome and the engagement continues in order to optimise the performance of this materials system.

Demonstration effort on the previously announced successful manufacture of the grant-funded CTES project targeting the composite tooling sector has progressed more slowly due to COVID-19 accessibility issues. Project partner SHD Composites continues to promote the material technology borne out of the CTES project, against which we have recently been able to supply further materials. Two customers are currently evaluating the material and its utility for high performance composite tooling applications.

With AGM's dispersed graphenes offered in a range of media to suit the end-use chemistry, there is clear progress being made in end-user integration of graphene into a broader range of composite materials applications. This is a key enabler in creating consistent graphene enhanced materials and yet again underlines the use of AGM's world leading dispersion and application technology to meet such innovation challenges.





## FUNCTIONAL MATERIALS

Efforts with Airbus to achieve full qualification status for our TP300 thermal paste adhesive are at the stage of the final test data dossier preparation. This will be followed by reporting review and eventual sign-off of the approval for the product. Completion is anticipated in calendar Q4 2020. Sign-off will allow TP300 to be supplied to production applications. The challenges to get this product approval completed have been significant based upon the demanding spaceflight application, which should not be understated. However, once approved, we remain confident that the consistency and performance of TP300 will provide further opportunities for engagement with future Airbus build programmes.

Further similar engagement has been strong for the AGM TP300 product with an undisclosed aerospace company. With a similar qualification and approval programme underway, we are confident that the pull from this customer to resolve technical matters quickly will establish a product with excellent utility for the aerospace company's needs. The programme of work is at an advanced iterative stage and we look forward to a positive outcome with the undisclosed aerospace company, enabling integration of TP300 into its structure's build plans.



Our markets  
Page 23

## Technology, regulatory and manufacturing status

Our technology platform development continues apace, predominantly in the coatings application sector. Work includes the further development of the exciting range of graphene dispersions for practical application in a broader number of liquid systems. Based upon the solid expertise of dispersion formulation capability and application know-how, we see further opportunities in a number of adjacencies to the protective coatings space. The chemical resistant coatings sector has some unique challenges, but graphene nanoplatelets have the potential to play a significant part in future coatings innovations. Addressable areas include concrete coatings and barrier coatings for oil and gas industries through to applications in water treatment plants. Such coatings all lend themselves to inclusion of our dispersed product offering. We continue to test our products for applications such as these to build reliable representative data and anticipate further announcements covering both the promising utility of graphene in this space and commercial opportunities as a result of these efforts. As usual, AGM's commitment is to complete the hard miles to demonstrate the technological viability of our products in our target markets as a key enabler to customer engagement. The generation of proven typical product data to support specific opportunities is a continuing commitment that we make to secure future business opportunities. Our Innovation Accelerator programme allows customers the opportunity to utilise our skills and expertise in a practical manner with a schedule of test capabilities to support individual objectives.

## Infinite Composites ▶

Infinite Composites Technologies (ICT) continues to achieve ground-breaking performance for its linerless Type V pressure vessel technology aligned with NASA programmes. Similarly, following rigorous testing with Airbus, once sign-off is completed, TP300 adhesive will be able to be supplied to production and flight applications.



## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

### Technology, regulatory and manufacturing status continued

We also continue to see promising opportunities in the conductive interface materials space, especially in conjunction with our coatings expertise. The broader technology opportunity such as coatings for batteries lends itself well to our type of materials offering, and as such we continue to pursue engagements in this space.

Our Structural Ink product offers unique graphene placement opportunities through a combination of ink formulations and printing know-how. Adaptation of this technology to broader printing possibilities is an area of interest for further product iteration in the coatings industry.

Graphene nanoplatelet powder manufacturing technology is a key enabler in our business. Our A-GNP35 product continues to offer remarkable, efficient performance gains in barrier and protective coatings applications in finished formulations. As such, the transformational results we are routinely able to demonstrate in coatings technology can be achieved with low disruption to the formulator's efforts. We continue to see the key to adoption of this innovative technology as ease-of-use dispersions of our graphene product offerings.

Dispersion manufacturing is often a multi-step process involving a number of different pieces of equipment. The know-how related to formulating both standard and custom dispersions is the key attribute of the business for the supply of consistent products that work repeatedly in their end-use applications. This is our focus and we envisage further scaling and optimisation of the capability to meet rising demand over time.

Regulatory approval efforts continue and we are well placed as a key contributor to the graphene consortium for EU REACH. We continue to navigate the complex processes to achieve final regulatory approval for our graphene nanoplatelets, and equally seek to work with the UK authorities as Brexit requirements become clearer. Achieving REACH registration of our products will be a further milestone and validation of the efforts we have made to ensure the safe adoption of graphene nanoplatelet materials in industrial applications. We have carried out further independent studies to demonstrate safe use of graphene in our core market area of sprayable coatings, with this work culminating in an expert workshop under the guidance of the UK Health and Safety Executive.

Efforts in securing IP protection continue and we are pleased to see patent grants coming thorough in various territories for our broad ranging technology. We continue to invest in IP protection and the associated effort to achieve granted patent status.

### Realignment of resources

We announced that we had embarked on a realignment of our resources in October 2019 and this was successfully completed by December 2019. The resulting operation is leaner and, most importantly, has strength and depth in the key areas of activity – notably continuing technology development and support of customers' materials volumes and technical needs, plus manufacturing capability for graphenes and dispersions. In short, we have the correct staff in the correct positions to maximise the emerging opportunities for our materials as we continue the exploitation cycle. I am confident in our ability to deliver on the growth we are targeting.



Our efforts on the safe use of nanomaterials are embodied in our fundamental approach to supply our materials in dispersed format and alongside this commitment we have endeavoured to develop a clear understanding of how graphene is dispersed and remains in customer products through our efforts with the UK Health and Safety Executive."

### Sustainability

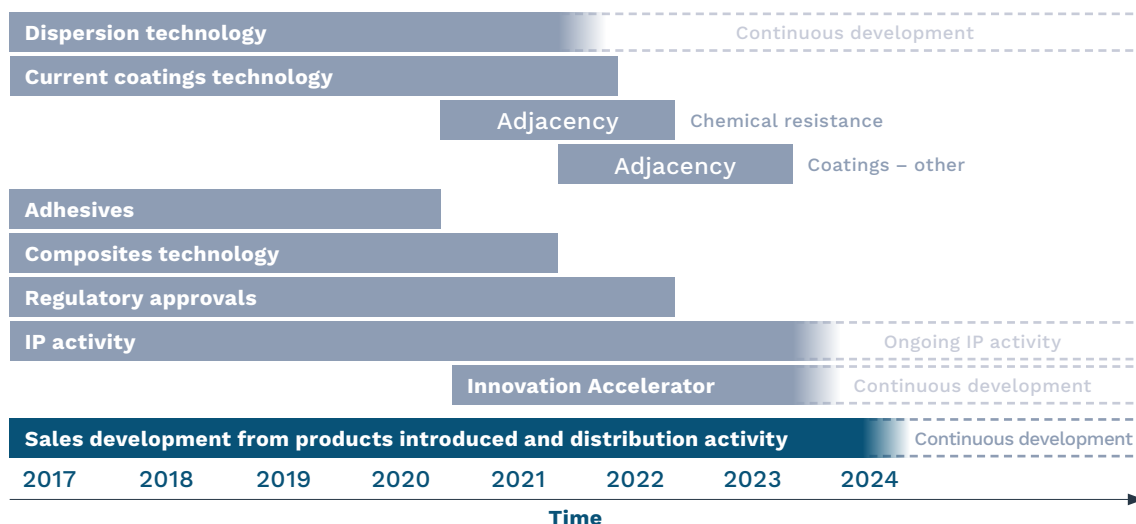
AGM's products lend themselves to enhancing the materials they are added to. This is through the remarkable properties that graphene nanoplatelets are able to deliver using our dispersed materials product offerings. The performance gain is not just immediate – there can be a positive impact on life cycle costs for products in the high performance protective coatings, advanced composites and speciality adhesives sectors. Extended product life cycles manifest themselves principally in graphene enhanced materials that last longer – evidenced, for example, with Alltimes' Advantage Graphene extended product warranty from 20 to 30 years. The potential benefit for asset owners arising from a reduced maintenance cost burden and increased asset utilisation is significant as a result. We therefore see that graphene has an important and exciting role to play in the opportunities we are pursuing for environmental and sustainability benefits.

In addressing the fundamental shift in the coatings industry to reduce volatile organic compounds (VOCs) and increase the emphasis on water based coatings chemistries, AGM has developed water based dispersions specifically to meet this challenge and to make sure our graphenes can be dispersed and incorporated into water based coatings chemistries. This will ensure that our graphene is aligned to the latest innovations push in the coatings sector as part of meeting significant environmental challenges.

Outside of our product utility, we take our obligations seriously in the way we manage our business and our relationships with all our stakeholders. As a commitment to continuous improvement, we have completed an initial internal assessment of the key principles of the UN Global Compact.



## Research and development



These include a review of:

- human rights principles;
- labour principles;
- environmental principles;
- anti-corruption principles; and
- management principles.

Our review has looked at our current policies and relationships with end-to-end stakeholders, and we have sought to identify variances to the expectations of the Global Reporting Initiative (GRI) standard. Additionally, we have sought to integrate the review with the design and intent of the 17 UN Sustainability Development Goals. We anticipate a plan and priorities for action arising from our initial review which would include:

- an employee handbook update with particular emphasis on managing the ongoing social impact of COVID-19 and employee wellbeing;
- a progressive review of specific policies;
- facilitation of a review of the end-to-end supply chain including our suppliers and distribution partners in due course addressing sustainability issues; and
- outlining a development plan of progressive sustainability goals for the business.

As a further indication of commitment, we intend to sign up to the UN Global Compact.

### Outlook

The Board continues to recognise the significant progress that has been made to further develop AGM's technology platform with a focus on our dispersed graphene nanoplatelets as the principal product offering. These products in turn have enabled

continuing development of strong customer relationships, evaluation and testing of our materials and launch of their products to their respective markets.

The business remains in good shape to build on its revenue plan based on reliable products that work in our chosen fields of engagement and an outstanding distribution conduit to market.

The Group has cash at bank at 31 July 2020 of £3.685 million and the Finance review includes further information regarding future cash resources.

With a solid product package to offer to a broad range of customers and an increasing number of customer products coming to market as a result of our technical and commercial engagement, we are encouraged to see proven performance in real applications. We fully intend to accelerate the number of positive outcomes through our newly announced and existing distributor base as a means to securing long range revenue growth.

We continue to engage in the correct areas that need addressing (e.g. REACH accreditation) in order to ensure successful outcomes are achieved. We believe that the key to successful integration of innovative graphene nanoplatelet technology is about the usability of these materials in practical applications and on a repeatable basis. In this regard, we see that the business is in good shape to be able to develop further capacity and capability to service the commercial roadmap we have identified and other adjacencies we are working towards.

**Adrian Potts**  
Chief Executive Officer  
13 October 2020

## OUR BUSINESS MODEL

# A UNIQUE OFFER

### OUR KEY RELATIONSHIPS

#### OUR PEOPLE

Our single strongest asset are our highly skilled and dedicated people. With over 80% of our employees holding a degree or higher qualification, our industry specialists are a key differentiator, enabling us to create significant added value for our customers.

#### PARTNERSHIPS

AGM prides itself on developing strong partnerships throughout our supply chain. This ability has enabled AGM to build an industry leading sales distribution network. By working closely with our customers' technical teams, AGM is able to optimise the development process to reduce the time to market for new products whilst ensuring the customer can benefit from the maximum product benefits.

#### INTELLECTUAL PROPERTY

Our unique proprietary graphene nanoplatelet production technology and expertise in dispersion techniques allow AGM to continuously innovate and enable an increased IP catalogue of filed patents.

#### RESEARCH AND DEVELOPMENT

In order to meet the requirements of both our current customers and future market opportunities, we continue to invest in our R&D capabilities. We strive to not only add to our existing ranges of standard products, but through our Innovation Accelerator programme, AGM offers high quality custom dispersions exclusively to customers.

### OUR DIFFERENTIATORS

#### DISPERSION

AGM's patented protected dispersion technology is the key enabler to benefit from the use of graphene nanoplatelets.

- IP protected technology has enabled the development of the standard **Genable®** product ranges
- Dispersion optimised to suit end-user application across target industries
- Long term dispersion stability, preventing the risk of agglomeration
- Dispersions available in a range of media to ensure compatibility with commonly used industrial systems
- Environmentally friendly and easy to incorporate in existing industrial products and processes

#### APPLICATION

AGM's application technology enables a clear understanding of end-user needs, develops a road map to successful development and delivers clear performance benefits.

- Deep customer technical engagements
- Understanding customer requirements enables the creation of a roadmap for product development both technically and commercially
- Standard "off the shelf" **Genable®** dispersions offer customers a toolbox of additives across a range of applications
- Innovation Accelerator programme allows customers direct access to our R&D labs to be able to customise development plans to ensure the optimum results

#### ENABLING DATA

AGM has developed a significant library of "how-to" data to validate the use and performance of graphene nanoplatelets.

- Customer technical services supported by an extensive library of "how-to" guides and information to support product claims
- AGM can offer customers a series of Technical Application Notes, to assist them with the use, incorporation and benefits of graphene in their systems
- AGM is at the forefront of the regulatory associations and development panels, striving to ensure the safe use of nanoplatelets



## PROVEN TECHNOLOGY AND CUSTOMER SUCCESS

### SALES TEAM AND DISTRIBUTOR ENGAGEMENT

A clear route to market through our industry specialist sales team and distribution partners. This has already resulted in numerous industrial product launches and the development of a customer pipeline with over 100 active engagements.



### DISPERSION AND APPLICATION IP AND CAPABILITY

- Coatings – anti-corrosion and barrier performance
- Composites – mechanical property performance uplift
- Adhesive and elastomer benefits
- Functional materials performance
- Printing technology platform

### PROVEN DATA

- **Genable®** dispersion performance – proven test results in anti-corrosion delivering 5x anti-corrosion performance compared to industry standard system
- Blocksil – significant uplift in performance with over 10,000 hours neutral salt spray testing
- James Briggs' Hycote Graphene Primer delivering 4x the performance compared to its standard graphene free primer
- Enhanced mechanical performance in composite materials systems
- Low density, lightweight and thermally conductive adhesive for aerospace applications
- Step change in performance improvements for car care market

## CREATING VALUE FOR

### SHAREHOLDERS

- Investment growth opportunity
- High growth industry offering potentially significant returns

### PEOPLE


- Jobs and career development opportunities
- Working in a leading edge materials science company
- Recognition of performance

### CUSTOMERS

- Interaction with AGM's graphene experts
- Development of new products:
  - Enhanced offering
  - Increased market share
  - Improved returns
  - Solutions for customers

### COMMUNITY

- Employment opportunities including apprenticeships
- Strengthening local tech economy

 **Our stakeholders**  
Page 20

## COMMERCIALISING GRAPHENE

AGM's products are all supported by an exceptional level of technical data which clearly demonstrates the benefits of using graphene in industrial systems. Customers are further supported by AGM's industry specialists to enable the successful incorporation of graphene into real industrial applications to deliver outstanding advances in performance benefits.

## SECTION 172 STATEMENT

# ENGAGING WITH OUR STAKEHOLDERS

Section 172(1)(a) to (f) of the Companies Act 2006 requires Directors to act in good faith, in a way that will promote the success of the Company for the benefit of its members as a whole, as well as having regard to the specific matters below, some of which are also described on pages 40 to 43 of the Corporate governance report.

## SECTION 172 STATEMENT

### Applied Graphene Materials plc Annual Report 2020

#### A. The likely consequences of any decision in the long term

Applied Graphene Materials plc's stated strategy is to seek to capitalise on its innovative technology. The Group works in partnership with our clients using our knowledge and expertise to provide standard and bespoke graphene dispersions and formats to deliver enhancements and benefits for a wide range of applications where we can deliver maximum value. Decisions are taken by the Board with this objective in mind. Examples of this are principal decisions 1, 2, 3, 4 and 5.

#### B. The interests of the Company's employees

The Board believes that its employees are key stakeholders within the Group and as such welcomes any feedback particularly through the formal process of employee appraisals and through feedback via the head of each department. Throughout the COVID-19 pandemic, frequent briefings have been held and employees consulted during these difficult times. See also the summary of our reaction to COVID-19 on page 22. Examples of this are principal decisions 1, 2 and 5.

#### C. The need to foster the Company's business relationships with suppliers, customers and others

The Board recognises that the success of the Company is reliant upon all stakeholders in its business. The realignment of our business enabled us to focus resources on being closer to customers and this has proven to have worked. Further, we have regular "coffee break" meetings with all staff to focus on business updates, maintaining morale and answering any questions staff have during this difficult period as part of a two-way dialogue.

#### D. The impact of the Company's operations on the community and environment

The Board considers environmental protection to be a high priority and has in place an environmental policy where the focus is on minimising the impact of its activities and operations on the local, regional and national environments. We have assessed our status of compliance with the United Nations Sustainable Development Goals (SDGs) and are developing ongoing plans for the future to address opportunities for further improvements (see page 27).

#### E. The desirability of the Company maintaining a reputation for high standards of business conduct

The Board aims to lead by example and do what is in the best interests of the Company, its stakeholders and shareholders. The Executive Directors strive to act in a manner which is professional and ethical and has published its ethical policies for all employees to observe and comply with. Further, with regards to responsibility and high standards for safe use of our materials, we have adopted certain policies to ensure that the customer experience with our innovative technology is low risk. We believe that this is demonstrated by the way the Executives implemented principal decisions 1 and 2.

#### F. The need to act fairly between members of the Company

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting, and release of news via LSE and OTCQB channels. Consequently, all members become privy to any price sensitive information at the same time and are treated equally in all respects.

#### Who does the Board deem to be the Group's key stakeholders?





## PRINCIPAL DECISIONS

We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups.

In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company:

### **Principal decision 1: Realignment of the business during the final quarter of calendar year 2019**

As discussed in the CEO's statement we completed the realignment of the business in late 2019. The Board decided to implement the realignment in order to focus on the key areas that will drive revenue in the future – dispersion technology, specific graphene manufacturing, excellent customer service, and supporting data to enable easy adoption of this new technology for the coatings sector – and to extend the Group's cash runway.

The Board was very aware of and sensitive to the impact the realignment would have on all staff and full consultation with staff was undertaken in a professional and understanding manner. Meetings with all staff together and individual meetings were held. All suggestions made by staff for alternative actions were considered and management fed back the results of its consideration of these suggestions. We ensured that all staff were treated fairly and a thorough consultation process was performed. The process used for the realignment was designed and implemented by the Executive Directors following approval by the Board.

### **Principal decision 2: COVID-19 – Not to furlough any staff**

The Board decided that it was in the best interests of all of our stakeholders that we do not furlough any staff in order to continue with ongoing research and development work. Had we ceased research and development operations we would have had to cease ongoing salt spray testing work and we estimated at the time that, on return to work after lockdown, it would take a further four months to get back to the position we were in at the time of lockdown – this would have been detrimental to all of our stakeholders.

### **Principal decision 3: To focus on increasing the number of distributors appointed for our products**

The Board recognised that the Group has a unique range of standard graphene dispersions that were suitable for sale via a large distribution chain. Since 1 June 2020 we have appointed four new distributors covering the following locations:

- UK
- Scandinavia
- Portugal
- Netherlands
- France
- USA
- Spain
- Belgium
- Germany
- Canada
- Greece
- Luxembourg

This action has increased the number of salespeople actively promoting **Genable®** products to approx. 60.

### **Principal decision 4: To change the listing on OTC pink sheets to OTCQB**

This change to the Company's share listing to OTCQB (ticker: APGMF) enables US based investors to acquire shares in the Company much more easily than previously. We have already had a positive reaction to this change.

### **Principal decision 5: Retention bonus**

Following on from the realignment of the business (principal decision 1 above) the Board was determined to retain the staff that remained with the business following the realignment. The Board developed a retention bonus that will be paid in shares if the employees are still on the Group's payroll in May 2023 or the date of the release of the interim results to 31 January 2023 if later. The proposed scheme would have exceeded the guidance which limits the issuance of share options to 10% of the Group's issued share capital during the previous ten years. The Board sought approval of the scheme from major shareholders and received full support for it.



## OUR RESPONSE TO COVID-19

# ENSURING CONTINUITY OF SUPPLY

The Board decided that it was in the best interests of all of our stakeholders that we do not furlough any staff in order to continue with ongoing research and development work.

Had we ceased research and development operations we would have had to cease ongoing salt spray testing work and we estimated at the time that, on return to work after lockdown, it would take a further four months to get back to the position we were in at the time of lockdown – this would have been detrimental to all of our stakeholders.

### EMPLOYEES



- Safety of all of our staff was and remains our primary concern.
- Detailed guidance given to all staff based on Government guidelines.
- Early decision not to furlough any staff.
- All staff that were able to work from home did so during lockdown.
- HSE checklist utilised to ensure staff are safe to work from home.
- All staff allowed to defer holidays to future years.
- Staff allowed to flex their hours to suit their personal needs due to childcare, schooling, etc.
- Staff encouraged to raise any concerns regarding safety precautions taken at work.
- Regular Company-wide “coffee break” video calls held to maintain morale and interaction between all staff.
- Provision of flu vaccination for all staff.

### CUSTOMERS



- We were able to continue with all of our research and development both for customers' needs and for ours.
- Our R&D staff split into two teams and only one team was on site at any time to minimise the risk of a team having to self-isolate.

### SHAREHOLDERS



- Held all meetings remotely using video or conference calls – no reduction in availability of Directors to interact with shareholders.





## OUR MARKETS

# CLEAR OPPORTUNITIES



## COATINGS

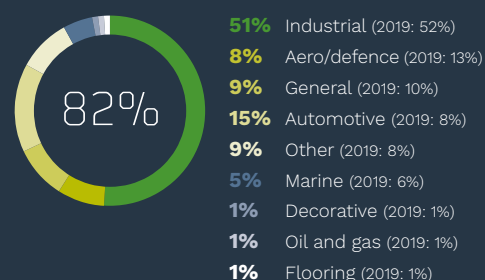
### Overview

A key focus of AGM for the coatings industry is the improvement in barrier, anti-corrosion, mechanical and conductivity properties – these can all be provided with the addition of graphene. The potential uplift in performance offers significant added value and life cycle benefits for both the coating companies as well the downstream end users.

### Market requirement opportunities

- Excellent barrier performance giving outstanding corrosion resistance
- Excellent barrier performance offering improved chemical resistance
- UV protection
- Electrical conductivity to allow anti-static dissipation
- Uplift in mechanical and physical properties such as scratch and abrasion resistance

### Market breakdown by number of engagements



## COMPOSITES

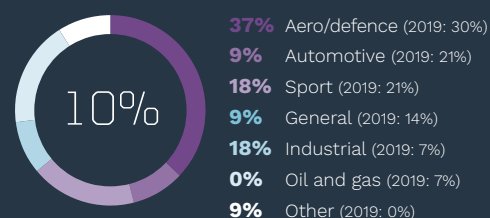
### Overview

Polymer composites continues to be a dynamic and rapidly expanding market with a continuing requirement for performance improvements. Early adopters are leading the innovation and striving for enhancements in fracture toughness and improvements to fatigue characteristics. As the market develops, there are ever more applications becoming apparent across a variety of sectors ranging from aerospace and defence to medical sectors.

### Market requirement opportunities

- Improved fracture toughness
- Enhanced general matrix performance
- Thermal conductivity
- Anti-static dissipation and electrical conductivity
- Enhanced fatigue resistance
- Increased moisture barrier properties

### Market breakdown by number of engagements



## FUNCTIONAL MATERIALS

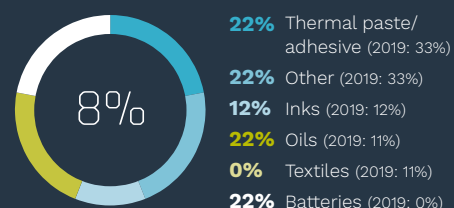
### Overview

By nature, the customers in this segment are consistently looking to innovate and exploit the different characteristics graphene can offer. AGM, by offering its standard **Genable**® products and the opportunity to develop customised dispersion and testing programmes, is able to drive innovation across new and developing markets including thermal pastes, oils, ceramics and batteries.

### Market requirement opportunities






- Low wear
- Low friction
- Low speed and extreme pressure performance
- Thermal conductivity
- Impermeable to oxygen or water
- High surface affinity
- Nanofiller for wear crevices
- Synergies with other additives

### Market breakdown by number of engagements



## OUR STRATEGY

## FOCUS ON MOMENTUM

	Strategy	Update and achievements
Innovation and technology	 <b>INCREASE MANUFACTURING CAPACITY AND PRODUCE HIGH QUALITY GRAPHENE</b> To develop in-house capability to produce high quality graphene to meet customer demand.	<ul style="list-style-type: none"> <li>Capacity development continues with good progress being made to ensure that supply is able to support increasing demand.</li> <li>Production optimisation and streamlining continue to be a key priority.</li> </ul>
Data	 <b>MAXIMISE FUNCTIONALITY THROUGH DISPERSIONS</b> The Group continues to focus on the development of optimised graphene nanoplatelet dispersions and ensure their ease of incorporation into customer systems, enabling them to benefit from the performance of graphene.	<ul style="list-style-type: none"> <li>The standard <b>Genable</b>® dispersion ranges are optimised off the shelf products enabling easy customer incorporation.</li> <li>Filed a number of patent applications in relation to dispersion and formatting techniques.</li> <li>Extensive application testing by AGM's industry specialists has increased technology knowledge base and application "know-how" to enable extensive customer support.</li> </ul>
Conversion	 <b>ESTABLISH CUSTOMER RELATIONSHIPS</b> The Group continues to build close working partnerships with a wide range of customers across their core markets.	<ul style="list-style-type: none"> <li>In excess of 100 ongoing partnerships with customers examining the potential to incorporate graphene into their product range.</li> <li>Customer launches include Blocksil Coatings, Infinity Wax and Halo Automotive.</li> <li>Industry focus on paints and coatings, polymer composites, speciality products and car care.</li> </ul>
	 <b>BUILD SALES DISTRIBUTION NETWORK</b> The Group continues to grow its existing sales distribution network to ensure it has the right partners to be able to support customers globally.	<ul style="list-style-type: none"> <li>Developed relationship with existing distributors and supported the development of their sales pipeline through to product launches.</li> <li>Integrated new distribution partners to be able to communicate the value adding benefits of graphene in their territories.</li> </ul>
	 <b>GENERATE REVENUES FROM THE SUPPLY OF GRAPHENE</b> The business continues to be focused on generating revenue from customer production product purchases as well as a range of paid-for services to support customers to realise the performance benefits of graphene.	<ul style="list-style-type: none"> <li>The launch of the brand new <b>Genable</b>® 1400 dispersions provides an exciting new range of cost-effective additives which deliver excellent barrier performance across a wide range of applications.</li> <li>Customer testing in paints and coatings continues to be a lengthy process but new market focuses, such as car care, is enabling a much shorter time to launch new products.</li> </ul>



## Outlook

- Capacity continues to increase to meet the demands of our customers.

## Link to risks

- OPERATIONAL
- COMMERCIAL
- SHE
- PEOPLE
- STRATEGIC

- Standard, off the shelf, dispersions available in a range of media to enable easy incorporation of graphene into industrial applications.
- Development of a technology toolbox enables an individual customer approach to offer the best standard products or a customised dispersion to meet their requirements.
- Additional patent applications to be filed In due course.

- COMMERCIAL
- TECHNICAL
- SHE
- STRATEGIC

- Resources are focused on supporting both existing and potential customers to maximise the potential benefits of both the **Genable**® dispersions and customised products in order to realise sales volume growth.
- Developing a strong repeat customer base and securing production orders remains a high priority of the business.

- COMMERCIAL
- TECHNICAL
- STRATEGIC

- The network of distributors now in place is delivering a significant uplift in customer engagements, with several reaching final stages of the commercialisation process.
- Further expansion of the network is planned with several new partners identified for future integration.

- COMMERCIAL
- STRATEGIC

- Technical and operations teams focused on supporting customers to ensure a timely completion of projects to accelerate time to market.
- Production team developing extensive standard operating procedures to ensure production capacity is optimised to be able to fulfil the growing customer order demand.

- COMMERCIAL
- FINANCIAL
- STRATEGIC

## SUSTAINABILITY

PEOPLE, PRODUCTS,  
END-TO-END ENGAGEMENT

Our team is our greatest asset and continues to be the basis for the momentum for our exceptional technology evolution thus far in unlocking the utility of graphene nanoplatelets.

### People

We are operating in an innovation-demanding environment whereby we need a talent base which is technology-rich and adaptable to the demands of the evolution of a start-up's journey to commerciality. In such unprecedented times with the full impact of coronavirus, adaptability has been the key to our continuing success. Our team is our greatest asset and continues to be the basis for the momentum for our exceptional technology evolution thus far in unlocking the utility of graphene nanoplatelets. We value our people highly and seek to maintain their engagement and to ultimately deliver the commercial results we are all aspiring to together.

#### Right staff, right mix of staff

Our talent base is outstanding, having drawn employees from a range of backgrounds with skills that fit our business needs. The level of qualification of our staff is high and it is pleasing to continue to be able to attract new people to the team. Our policies on equal opportunities and non-discrimination support the process of employee engagement and development.

We successfully completed a realignment of the business by the end of December 2019, which resulted in a number of staff redundancies. The process was completed with full staff consultation and in a highly professional and respectful manner. The key result was to enable the business to develop in the area

of graphene dispersion capability and to continue our technology development roadmapping towards commercial realisation.

### Communications

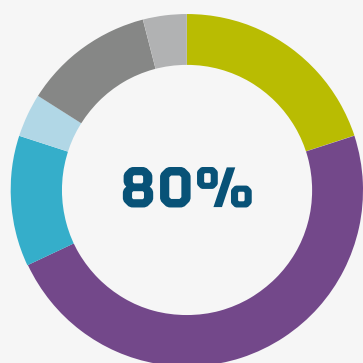
The key to engagement with our staff to enable continuing alignment to strategy and direction of the business is effective, regular communication. As well as routine meetings across the business on the range of technology and operational subject matter, we hold monthly "Coffee Break" sessions open to all staff. These enable sharing of the latest information and such forums are designed to be a two-way dialogue. Emphasis on enhanced communication has been vital for us as we continue to operate with the uncertainties of coronavirus. We set great store on the importance of secure IT capabilities to enable ease of engagement, especially with increased working away from our facility.

In a similar manner, we aim to hold an individual appraisal process whereby employees engage in both performance review and the opportunity to look to training opportunities, further education and career development.

### Integrity and equal opportunities

AGM is an equal opportunity employer. Aligned with UN principles, we actively seek to promote equal opportunities for all employees, avoiding discrimination on grounds of colour, sex, ethnic origin,

## QUALIFICATIONS



**80%** (2019: 76%) of our employees at 31 July are level 6 or higher

2020 2019

20%	17%	Level 8	Doctorate or equivalent
48%	44%	Level 7	Master's degree or equivalent
12%	15%	Level 6	Degree with honours, e.g. BSc or BA or equivalent
4%	2%	Level 5	Level 5 NVQ or equivalent
0%	2%	Level 4	Level 4 NVQ or equivalent
12%	10%	Level 3	A levels or equivalent
4%	10%	Level 2	GCSEs grades C and above or equivalent



gender, age, religious belief, disability, sexual orientation or marital status. Our standards of expectation are high with regard to staff relations, operating with dignity, respect, integrity and commitment to our business ambitions. We actively consider applications from disabled persons, reviewing suitability for role based on the aptitude of the person. We value our equal opportunity and non-discrimination policies with regard to training and development opportunities for the individual.

All employees are entitled to additional benefits which support their wellbeing and quality of life including health and welfare. Opportunities to participate in benefits such as life insurance plans, a health insurance scheme, a Company pension scheme and an SAYE scheme all aim to add value and security to our employees. All employees are also able to participate in an annual performance related bonus scheme which targets key milestones which the Directors believe reflect positive progress. A retention bonus was also implemented post-realignment.

### Environment, health and safety

The EH&S-positive culture throughout the Group's activities is centred on identification and mitigation of risk with an emphasis on continuous improvement through learning and application. These principles apply not just to our employees and the in-house operations we pursue, but to all stakeholders in our processes. As such we value highly the quality of information which we present to customers related to products and services we offer. In addition to fulfilling regulatory documentation requirements as part of the supply process, we set great store on the further supply of additional information to support the safe use of nanoplatelet technology in industrial environments. Such information ranges from application directions on use of our products to finding the safest, most appropriate delivery media for our graphenes to our customers and also looking at the complete end-to-end process of engagement. In particular, consideration of safe deployment of nanomaterials in customer

processes is an important area of development. We further take great pride in our partnership in engagement with the EU REACH consortium for graphene registration and other regional bodies involved in regulatory approval for these innovative materials. The significant effort to supply supporting data to ultimately achieve regulatory approval supports our approach first and foremost to safe use of nanotechnology both in house and in the broadest engagement.

### Sustainability development roadmap

In addition to our in house established structure, policies, guidance, etc., we have engaged more fully with the process of sustainability action as a leadership team. We are committed to the broader process of continuous improvement to align with the principles of the UN Sustainability Development Goals (SDGs). In order to make a clear assessment of the quality of our business approach and policies, we have completed an initial assessment to determine where we can engage with the potential for positive impact with SDG principles. We have completed this review using the Global Reporting Initiative (GRI) metrics which will allow us to develop a roadmap for impactful opportunity.

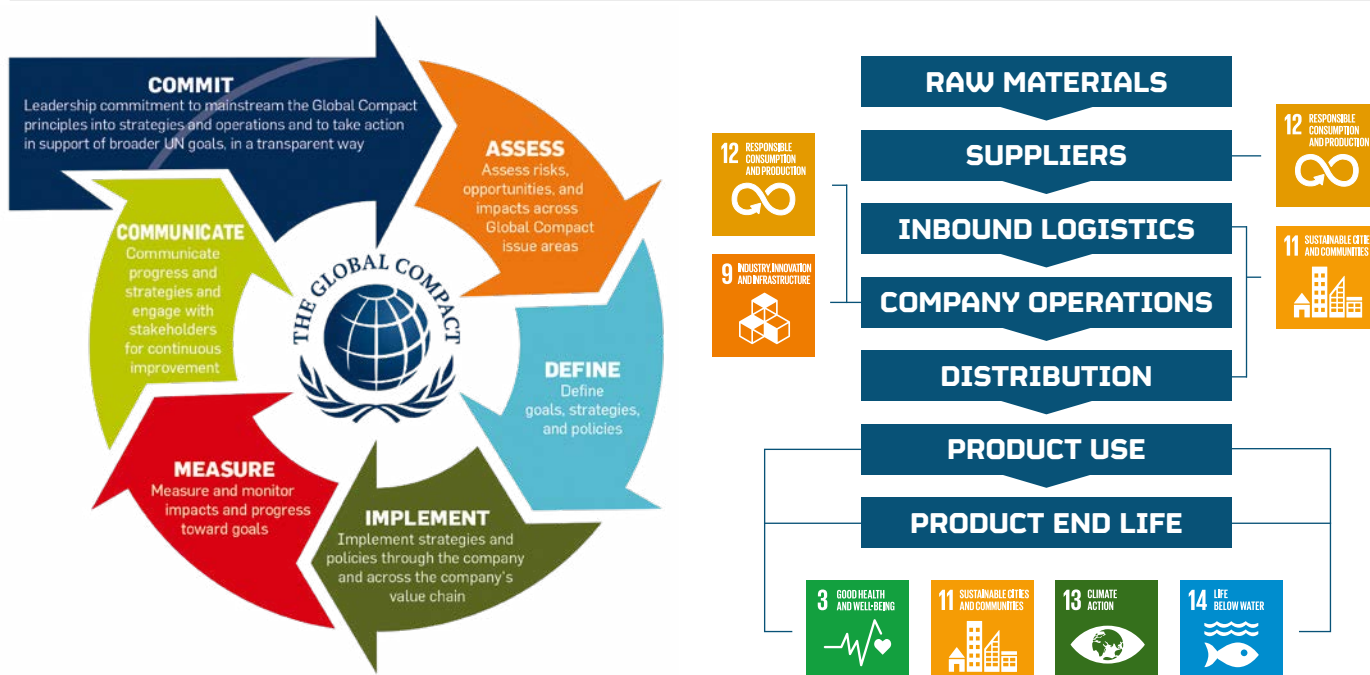
Having completed the "Assess" stage of the process, we are in a good position to be able to define key opportunities for implementation and future measurement.

Key SDGs where we see greater opportunity related to our end-to-end business activity can be defined as shown below.

In addition to basic policy principles on employment and operating procedures, we see good potential in the areas of supply chain, logistics and distribution through the potential that our products offer in developing applications. Process development is also a key area for engagement, considering such aspects as recyclability, emissions and waste.

As part of the sustainability journey, we hereby signify our intent to commit to the UN Global Compact as a business in the near future.

## Sustainable Development Goals



## PRINCIPAL RISKS AND UNCERTAINTIES

# MANAGING OUR RISKS

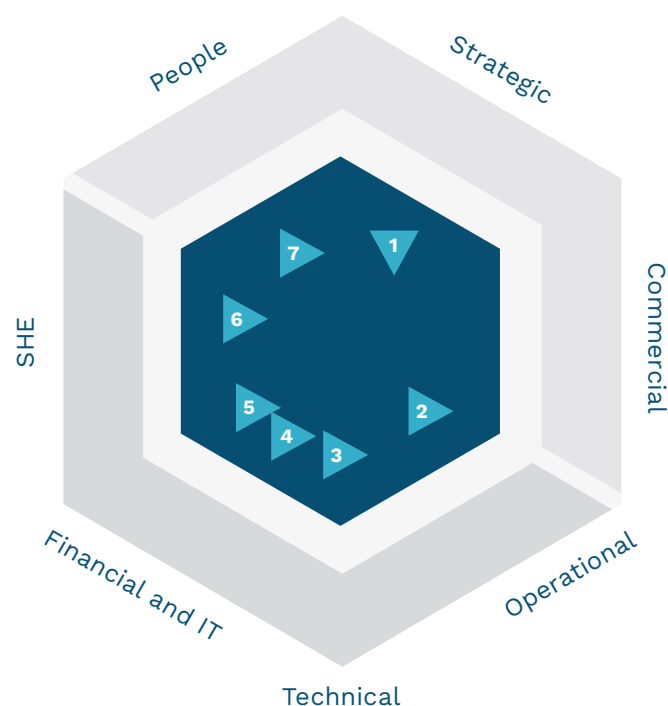
Risk management forms an integral part of the business planning and review cycle.

As a business we strive to achieve the right balance between risk and reward. The Board reviews and updates risks within the business on a regular basis. Having identified a potential risk, each risk is assessed individually both in terms of likelihood of occurrence and for the potential financial impact on the business. A further assessment is then made to ensure that the exposure to any risk is mitigated wherever feasible.

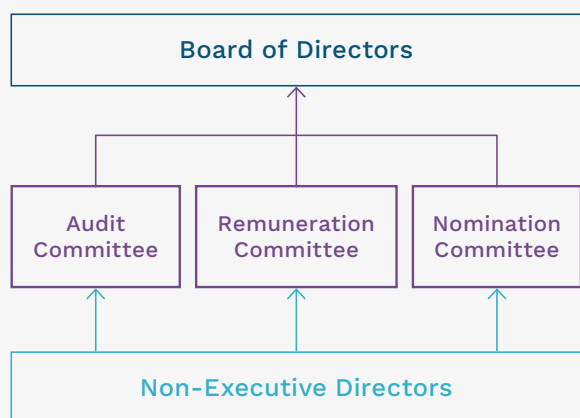
The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Group and are not set out in any particular order or priority. Additional risks and uncertainties not currently 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; safety, health and environment (SHE) and regulatory; commercial and reputation; and people. Significant risks facing the Group are listed on the following pages.

### SIGNIFICANT RISKS FACING THE GROUP



### RISK MANAGEMENT FRAMEWORK



Items considered to be significant risks facing the Group

▲ Risk increased during the year ▼ Risk decreased during the year ► No change in risk

#### Key and links to strategy

- Increase manufacturing capacity and produce high quality graphene
- Maximise functionality through dispersions
- Establish customer relationships
- Build sales distribution network
- Generate revenues from the supply of graphene



## Risk and description

## Potential impact

## Mitigating circumstances

### STRATEGIC AND PLANNING

#### 1 Acceptance of the Group's products

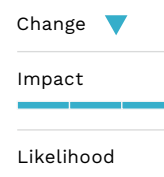
Early stage of operations and acceptance of graphene.

##### Link to strategy



The Group continues to be 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. Timescales to the successful development of applications for graphene are significantly determined by the product development cycle of customers. There can be no guarantee that either acceptance of graphene or attribution of value will be forthcoming.

The business remains focused on its core markets and applications where it believes graphene can offer real benefits as a high end additive. In addition to continuing to invest in and develop in-house expertise, the technical teams look to maintain close working relationships with customers, to provide technical support and thereby reduce the time to market. The Group now has twelve launched products and customer acceptance has improved significantly during the course of the year. In addition, a range of new distributors has been appointed during the year to strengthen opportunity for success.



### OPERATIONAL AND QUALITY

#### 2 Consistency of product

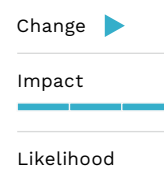
As the business begins to supply graphene in ever larger quantities it is essential that the quality of the product is maintained.

##### Link to strategy



Working with nanomaterials is extremely technical and if products are not produced to a consistently high quality there is a risk that the products will not deliver the potential benefits and customers may look for alternative suppliers.

As the business looks to gear up its manufacturing capabilities to meet expected demand, it is essential that even at higher volumes the quality of material is maintained. In addition to working under strict operating procedures the business has implemented a series of quality control measures to ensure there is no drop off in product quality. Operating and quality procedures are continually reviewed and where appropriate improved, in order to ensure the highest quality is maintained at all times. The challenges of step-wise scaling increases are recognised and well understood.



### TECHNICAL

#### 3 Intellectual property

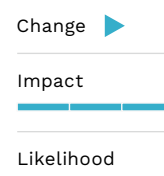
The Group's business is based on a combination of patents granted, patent applications and know-how.

##### Link to strategy



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, that 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 provides the Group with no recourse.

The Group takes protection of its intellectual property very seriously, with information restricted on a need to know basis. Confidentiality clauses are used extensively throughout the business in a variety of forms, and key files and documents are maintained separately in a secure manner. The Group has continued to submit patent applications during the year.



## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## Risk and description

## Potential impact

## Mitigating circumstances

## FINANCIAL AND IT

## 4 Adequacy of financial resources

The available funding required to support the business through to profitability and cash generation may be insufficient.

## Link to strategy



Currently, it is expected that additional capital will be required in future to fund the business. The Group may 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.

The Group currently has a cash runway to October 2021. The Group has made significant advances recently with its expansion of its distribution agreements and the listing of its shares on OTCQB in the USA and this has been reflected in its share price post year end. The Group believes that it will have access to additional capital as required.

Change

Impact

Likelihood

## 5 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.

## Link to strategy



Any failure in such systems via a cyber-attack may result in a loss of control and adversely impact the Group's ability to operate effectively.

The business takes a multi-faceted approach to ensuring its systems are able to support the business. This ranges from a series of back-up procedures, training and physical and virtual defence mechanisms. Regular reviews are undertaken to assess what additional precautions if any are required.

Change

Impact

Likelihood



The Board reviews and updates risks within the business on a regular basis."





## Risk and description

## Potential impact

## Mitigating circumstances

### SHE AND REGULATORY

#### 6 Safety, health and environment

The Group's operations are subject to numerous safety, health and environmental 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.

##### Link to strategy



Failure to comply in any way with SHE or regulatory requirements could result in the Group being unable to manufacture or supply graphene, 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.

The Group undertakes regular training programmes to ensure best operating practices are maintained. This is assessed through an extensive audit programme along with health and safety meetings, which are held on a monthly basis. Employees who work with the product in its raw form operate under strict operating procedures with designated protective clothing at all times. In addition, they are required to undertake regular health checks.

Change



Impact

Likelihood

### PEOPLE

#### 7 Key personnel

The Group has in place an experienced and motivated senior management team and is beginning to build strength in depth.

##### Link to strategy



If the Group is unable to retain and attract 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.

In order to both attract and retain individuals with the necessary skills and motivation, the Group has a range of incentives and support processes in place. In addition to a comprehensive financial package of both short and long term incentives, individuals receive regular updates in an open and transparent manner, both on an individual and team basis. Training and development programmes are tailored to meet the needs and aspirations of the individual.

Change



Impact

Likelihood

## FINANCIAL REVIEW

# COMMERCIAL MOMENTUM

We gained sales momentum in the first seven months of the year and this is starting to return following our customers returning to work. Significant improvements in our distributor arrangements should continue this momentum into 2021.



DAVID BLAIN

### Key points

- Results in line with expectations
- Cash at 31 July 2020 was £3.8 million
- £1.3 million R&D tax credit received in the period
- Realignment process completed during the period
- Cash runway extended to at least Q4 2021

### Revenue

Revenue for the year was £83,000 (2019: £50,000) arising from the supply of production orders and evaluation quantities of graphene to commercial partners.

### Other income

Other income, which comprises grant income and RDEC revenue, was £nil (2019: £74,000). Grants received generally relate to funding for the development of new graphene applications or the creation of new jobs.

### Cost of sales

Cost of sales of £215,000 (2019: £472,000) reflects the costs of producing graphene dispersions. We recognise the cost of production in the income statement as it is incurred. Cost of sales includes staff costs of £156,000 (2019: £230,000). Once the Group receives more production orders, graphene inventories will be recognised as stock at manufacturing cost.

### Operating expenses

Operating expenses of £3,566,000 fell compared to the prior year costs of £4,554,000 by £987,000. This reflects a realignment of our cost base completed in December 2019 resulting in a reduction in personnel costs of £592,000. Additional savings were achieved by reductions in R&D spend of £298,000 and a reduction in the share based payment charge of £308,000. These savings were offset by the costs incurred in implementing the realignment of the cost base. Depreciation costs increased as a result of the implementation of IFRS 16 Leases and rental charges fell accordingly.

### Loss on ordinary activities before interest, tax, exceptional costs, depreciation and amortisation (EBITDA)

Adjusted EBITDA for the Group decreased from a loss of £4,559,000 in 2019 to a loss of £3,084,000 for the year ended 31 July 2020. The loss incurred reflects the ongoing costs of developing new products, working with commercial partners and the significant efforts undertaken to support those customers.



### Exceptional costs

Exceptional costs recognised in the year were £168,000 (2019: £nil) which were incurred as a result of redundancy costs arising from the implementation of the realignment of the cost base.

### Net finance income

Net finance income for the year was £33,000 (2019: £67,000) reflecting reducing cash balances.

### Loss on ordinary activities before tax

The loss on ordinary activities before tax was £3,665,000 (2019: loss of £4,835,000).

### 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. There remains sufficient uncertainty that taxable profits will be available against which deductible temporary differences can be utilised.

The tax credit recognised in the current financial year of £476,000 is in relation to R&D tax credits due for 2020 which is £224,000 lower than the previous year as a result of the reduction of costs incurred following the realignment of the cost base. The credit recognised in the prior financial year of £908,000 was in relation to a calculation of R&D tax credits due for 2019 of £700,000 and the balance between the claim for R&D tax credits for 2018 which was £623,000 and the estimate which was recognised in 2018 of £415,000.

### Earnings per share

Basic earnings per share was a loss of 6.1 pence per share (2019: loss of 7.9 pence per share). Adjusted basic earnings per share (before exceptional costs) was a loss of 6.4 pence per share (2019: loss of 7.9 pence per share).

### Dividend

No dividend has been proposed for the year ended 31 July 2020 (2019: £nil).

### Cash flow

Net cash used in operations was £3,465,000 (2019: £4,184,000). During the year, net working capital utilised reduced by £78,000 (2019: decrease of £72,000). R&D tax credits received during the year amounted to £1,316,000 (2019: £nil). Following the realignment of the cost base, four Board members volunteered to defer payments of their salaries/fees (totalling £80,000 (2019: £nil)) until the Group has further extended its cash runway. These deferred costs are accrued in the financial statements for the year.

### Balance sheet

Net assets have reduced to £5,285,000 (2019: £8,488,000), principally reflecting the trading loss for the year.

The Group has cash at bank at 31 July 2020 of £3,685,000 (2019: £6,135,000). Cash at bank is on deposit with a small number of financial institutions for time periods ranging between instant access and up to 95 days in maturity.

### Parent Company balance sheet (unconsolidated)

The key matter impacting both the financial performance and position of the Company during the year ended 31 July 2020 relates to the impact of the IFRS 9 and IAS 36 impairment reviews undertaken during the year. The Directors concluded that expected



The R&D tax credits totalling £1.3 million for the two years ended 31 July 2019 were received during the financial year.”

credit losses and impairment provisions totalling £4,783,000 were necessary (2019: £15,200,000).

No other significant transactions or movements in balances have occurred during the year ended 31 July 2020, consistent with the Parent Company's principal activity as a holding company.

### Post balance sheet event

On 13 October 2020, the Company approved the conversion of the loan receivable from Applied Graphene Materials UK Limited with a value before impairment provisions of £29,014,529 into equity. The Company then subsequently approved the proposal to reduce Applied Graphene Materials UK Limited's share premium account. The consolidated net assets of the Group and the net assets of the Company are unchanged as a result of conversion of the loans receivable from Applied Graphene Materials UK Limited and are unchanged as a result of the proposal to reduce Applied Graphene Materials UK Limited's share premium account. The transactions were and are carried out to strengthen the balance sheet of the subsidiary company.

### 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 significant accounting policies, which have been applied consistently throughout the year, are set out on pages 61 to 67.

For the preparation of these consolidated financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 August 2019.

During the year, the Group adopted IFRS 16 Leases (IFRS 16) for the first time. IFRS 16 replaces IAS 17 Leases (IAS 17). The Group previously classified leases between “finance leases” that transferred substantially all the risks and rewards incidental to ownership of the asset to the Group and “operating leases”.

The main change on application of IFRS 16 is the accounting for “operating leases”, where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight line basis over the lease term. Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except “low value” and “short term” leases where lease payments are recognised on a straight line basis over the lease term.

## FINANCIAL REVIEW CONTINUED

### Accounting policies continued

The Group has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 August 2019. Therefore, the comparative figures are as previously reported under IAS 17. The Group has applied this approach subject to the transition provisions set out below:

- For all contracts that existed prior to 1 August 2019, the Group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- The Group has elected to recognise the cumulative effect against opening reserves at 1 August 2019.
- Rely on previous assessments of whether leases are onerous as an alternative to performing an impairment review. There were no onerous leases as at 1 August 2019.
- A single discount rate has been applied to portfolios of leases with similar characteristics.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

As at 1 August 2019, the Group recognised right-of-use assets and a lease liability of £174,000 in the statement of financial position.

The amounts recognised for leases at 1 August 2019 have been measured as follows:

- The lease liability is measured at the present value of the remaining lease payments at 1 August 2019, discounted at the lessee's incremental borrowing rate at that date.
- The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above.

### Going concern

As a group developing new applications for recently discovered materials, the Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the commercialisation programme and raise additional working capital on an ad hoc basis to support the Group's activities. The Group has no bank facilities and has been meeting its working capital requirements from cash resources. At the year end, the Group had cash and cash equivalents amounting to £3.7 million (2019: £6.1 million).

The Directors have prepared cash flow forecasts for the Group for the period to July 2022 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period.

The cash flow forecasts based on non-discretionary cash requirements include normal operating costs for operations together with all committed development expenditure. They indicate that the Group currently has sufficient cash resources to meet liabilities as they fall due for at least the next twelve months.

However, the above scenario does not meet the commercial expansion envisaged by the Board following the launch of new products and significant increase in distribution achieved recently. In order to deliver the commercial expansion of the Group and its strategy, the forecasts indicate that the Group will need to raise additional funding for its working capital needs as cash, while being available up to the end of the financial year ended 31 July 2021, would run out in October 2021 based on these forecasts.

The Board remains confident that the Group will be able to secure the required funding through equity issue or other financial instruments. However, the timing and availability of funding sources is currently outside of the control of the Board and none of this funding is committed at the date of these financial statements. This condition represents a material uncertainty regarding the use of the going concern basis.

Whilst noting the material uncertainty above, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out within the Strategic report on pages 28 to 31.

### Cautionary statement

The Strategic report, set out on pages 1 to 34, 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 will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

By order of the Board

**David Blain**  
Chief Financial Officer  
13 October 2020

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## BOARD OF DIRECTORS

# THE RIGHT TEAM

The Board has extensive operational experience coupled with a detailed understanding of the chemical industry both within the UK and abroad. As a team the Board of Directors also benefits from significant financial, public company, risk management, commercial and transactional expertise.



**DR BRYAN DOBSON**  
Non-Executive Chairman

### Appointed

October 2013



### Previous experience

Bryan has over 35 years' experience in the chemical industry with ICI plc and Croda International plc. Bryan started his career with ICI in 1978 and had a number of roles, both in the UK and overseas, including being European Regional Director of ICI Uniqema in the Netherlands in 2006. Following the acquisition of Uniqema by Croda International in September 2006, Bryan remained within the group and was President of Global Operations from 2008 until his retirement in 2011. He has held a broad range of senior business, technical and operational roles in the UK, the USA, Belgium and the Netherlands. Bryan holds a Bachelor of Arts from the University of Cambridge and a PhD from the University of Newcastle upon Tyne.

### External appointments

Bryan is currently a Non-Executive Director of Itaconix plc.



**DR ADRIAN POTTS**  
Chief Executive Officer

### Appointed

August 2018

### Previous experience

Adrian has over 30 years' experience in advanced composite materials product development, commercialisation and manufacturing leadership. He has worked at AGM since January 2015 as Vice President Business Development, employed to promote the Company's presence and graphene applications technology in the North American high performance coatings and composites markets. Prior to this role, Adrian worked within Cytec Industrial Materials as Global Business Development Director and President of its process materials business in California and as President of Umeco Structural Materials Inc in Oklahoma. Before moving to the USA in 2002, he held roles at Advanced Composites Group Ltd covering general business management, business development and research and development management activities and CML Group Ltd, where he had technical responsibility for the establishment of its composites division. Adrian holds a PhD in thermoplastics composite materials and a BSc in materials technology.

### External appointments

None.



**DAVID BLAIN**  
Chief Financial Officer

### Appointed

October 2018

### Previous experience

Prior to joining AGM David was CFO and Company Secretary for Nanoco Group plc, a Main Market listed nanomaterials company. After qualifying as a Chartered Accountant, David joined the Newcastle office of Price Waterhouse (now PwC), where he worked for nine years in audit and business advisory services. David then spent eleven years as the Finance Director of Drew Scientific Group plc, a medical diagnostics company on the Main Market. His next role was at the AIM-traded IT business EG Solutions plc, after which he became CFO of Renovo Group plc, the Manchester based biotechnology company that later became Inspired Capital plc.

### External appointments

None.



## Key for Committees

- R** Remuneration Committee
- A** Audit Committee
- N** Nomination Committee
- Committee Chairman



**PROF. KARL COLEMAN**  
Chief Scientific Officer and founder

### Appointed

October 2013

#### Previous experience

Karl achieved a PhD in chemistry at the University of Leicester in 1996 and is a Chartered Chemist, Chartered Scientist and Fellow of the Royal Society of Chemistry. His work is focused on nanoscience and nanotechnology, particularly the chemistry of graphene and carbon nanotubes. He has been funded by the Engineering and Physical Sciences Research Council and the Royal Society and he has authored or co-authored over 95 publications in peer reviewed journals which have accumulated over 4,200 citations. His work has been recognised with numerous awards, including the international Royal Society of Chemistry Entrepreneur of the Year Award 2011 for his development of intellectual property around the production of graphene, the Times Higher Education Research and Innovation Award 2012 and the Royal Society of Chemistry Materials for Industry – Derek Birchall Award in 2017. Karl established the Company in 2010 and, whilst he is employed by Durham University, he is Chief Scientific Officer and Director of Applied Graphene Materials.

#### External appointments

Karl is Professor of Nanomaterials and Head of Chemistry at Durham University, having previously been in the chemistry departments at the University of Oxford and the Université de Strasbourg. He is the Chair of the Royal Society of Chemistry Chemical Nanoscience and Nanotechnology subject group.



**SEAN CHRISTIE**  
Non-Executive Director

### Appointed

April 2014

#### Previous experience

Sean is a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Until his retirement, Sean was Group Finance Director of Croda International plc, which is a global manufacturer of speciality chemicals. Prior to joining Croda in 2006, Sean was Group Finance Director of Northern Foods plc. He also served as a Non-Executive Director of KCOM Group plc until 2007 and of Cherry Valley Farms Limited until its sale in 2010.

#### External appointments

Sean is currently a Non-Executive Director of Accsys Technology plc, OptiBiotix Health plc and Turner & Townsend Limited.



**MIKE TOWNEND**  
Non-Executive Director

### Appointed

November 2014

#### Previous experience

Mike has 20 years' experience in all aspects of equity capital markets and the investment process and was also a key member of the senior relationship management programme at Lehman Brothers. Prior to this, he was an Executive Director at Donaldson, Lufkin and Jenrette with responsibility for building the bank's business with hedge funds and alternative investors. Mike has sourced, co-led or led numerous private and public transactions.

#### External appointments

Mike is Chief Investment Officer of IP Group, which he joined in 2007 as a Board Director and Head of Capital markets. Mike is also responsible for the fund management and corporate finance activities of IP Group, through its regulated vehicle Top Technology Ventures. Mike represents IP Group on the board of Parkwalk Advisors. Mike is also a Non-Executive Director of Green Urban Transport Limited.



## SENIOR MANAGEMENT TEAM

# RUNNING THE BUSINESS



### 1 DR ADRIAN POTTS

Chief Executive Officer  
August 2018

See Board of Directors on page 36.

### 2 DAVID BLAIN

Chief Financial Officer  
October 2018

See Board of Directors on page 36.

### 3 ANDY GENT

Commercial Director  
February 2020

Andy has nearly 25 years' experience in the coating and polymer industries with both technical and sales management experience. Following the completion of a BSc in colour and polymer chemistry, he spent nearly ten years working on the R&D of coating systems with Clariant before transferring into the UK pigments and additives sales team. In 2008, he moved to Evonik TEGO, selling additives into the coatings industry across the UK and Scandinavia. During his time with Evonik, he successfully completed his MBA at Durham University. Prior to joining AGM, he worked for INVISTA UK as the European Business Manager for the TERATHANE® Polyol business. Andy originally joined Applied Graphene Materials in January 2017 as the UK and European Business Development Manager before promotion to the role of Commercial Director earlier this year.

### 4 WILLIAM WEAVER

Technical Director  
February 2017

William has over 30 years' experience in the chemical industry and has served as a senior R&D executive with international experience across a number of sectors, including coatings, adhesives and composites. Prior to joining AGM he was Vice President of Technology & Strategy for Nuplex Industries with responsibility for innovation, technology strategy and intellectual property. In this role he led developments for both coating and composite applications, frequently collaborating with major developers such as Akzo Nobel, Sherwin Williams, Nipsea and AOC. Previous appointments include roles with Akzo Nobel Resins, Resinous Chemicals Ltd and Ciba Geigy. Besides degrees in chemistry and polymer science William is also a Member of the Institute of Directors and serves on the committee of the Management Group of the Royal Society of Chemistry.



# OUR NEW COMMERCIAL DIRECTOR, ANDY GENT

Andy joined the business development team at AGM in January 2018 and played an instrumental role in the Company's sales progression over the last two years. In February 2020, Andy was promoted to Commercial Director and given the task of building on recent customer successes to drive sales revenue growth and to develop an industry leading sales distribution position.

## **What are you most excited about in your new role?**

"For me the most exciting aspect of my new role is to be able to play a pivotal part in not only helping to strengthen AGM's industry leading position in graphene dispersions but being able to spearhead the commercial team taking our standard product ranges to the market to deliver real performance results in real industrial systems. It is clear that, as a company, we are at a key point in our evolution. Over the past ten years we have developed some really exciting and innovative technology that delivers outstanding performance benefits. However, that is often not enough to achieve success in the chemicals industry; the products need to gain acceptance and the Company needs to build customer trust so they know they can rely on the products for long term performance. Our technical team has done an outstanding job of building a technology platform that customers can depend on and this makes our sales job so much easier."

## **What have you achieved since being promoted to Commercial Director?**

"Since my promotion in February, I think it's fair to say the world has seen a number of changes! As with many companies, we encountered challenges with the restrictions imposed by coronavirus, and it certainly impacted our sales in the second half of our financial year. However, it also gave us an opportunity to take stock of our current business development position and outline the key areas that we wanted to develop and strengthen. Having looked deeply I felt that if we could improve our reach into the market it would give us the best platform to be able to maximise the opportunity to deliver our high quality standard products directly to a growing number of customers. That's why, in the last few months, we have worked hard to identify strategically aligned distribution partners which have enabled us to significantly expand our sales network. In July 2020, we signed three major new agreements with partners in the USA, Canada as well as across most of Europe and there are more to come. To support our growing partner network and customer base, it was also clear that we needed to rethink how we are delivering our Company, technology and product messages. Our marketing team has done a fantastic job completely re-branding and redeveloping our website to give us a fresh, modern and innovative platform that enables us to clearly demonstrate the benefits of our products in real applications."

## **How does your experience help the business?**

"This is the role that I have been working hard towards all of my career. I am a coatings chemist, spending ten years working in R&D and product development scale-up before being lured away from technical into sales, starting my business development career initially with Clariant then with Evonik TEGO, both focused on technical selling into the paints and coatings industry. During my time with Evonik, I successfully studied towards an MBA at Durham University, graduating with distinction. In 2014, I moved to INVISTA, as the European Business Manager for the TERATHANE® business before moving to AGM in 2018. Now with nearly 25 years' experience in technical and sales management in both SME and multinational company environments along with my education background, I know I can bring a lot and add real value to AGM as we move forward."

## **How are you and the commercial team developing AGM's sales and marketing approach?**

"I think as a team we have built a strong foundation already; we have an established sales development pipeline with a growing number of engaged customers with more and more of them seeing the benefit of graphene additions in both new and existing industrial applications. However, with the new website and re-brand, I think it does give us a fantastic opportunity to re-imagine our marketing approach; not only are we looking to fully redevelop all our standard marketing documents but also considering different ways to reach our customers with an increased focus on digital marketing approaches. We are also introducing an exciting and unique way for our customers to engage with us. Our Innovation Accelerator programme enables customers to work directly with our R&D team to maximise the chances of the successful development of graphene based products."

## **What are your priorities for the year ahead?**

"The key priority for the next year is simply sustainable revenue growth. With our platform technology, standard "off the shelf" products and a growing sales force and distribution network we need to drive the revenue position forward. It sounds simple, but we are setting ourselves some extremely ambitious targets which means that the whole of the AGM team needs to keep pushing hard every day. The sales and marketing teams are working extremely hard to deliver customer orders and production, technical support, quality control, logistics, accounts and the rest of the team are focused on prompt order fulfilment."

## **What is on the horizon for AGM?**

"I think the future is really bright. We have all the pieces of the jigsaw and are now putting them into place to ensure that we maintain our position as a world leader in graphene dispersion technology. The recent virus lockdowns have slowed us a little but what has been really apparent through that period was no matter what hurdles are placed in front of us, the AGM team comes together to overcome them. Exciting times ahead."

## CORPORATE GOVERNANCE



**DR BRYAN DOBSON**

Chairman

The Board is committed to ensuring the highest standards of corporate governance are maintained. During 2018 AGM adopted the latest Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies in full and has adopted further improvements in the current year.

### Introduction

The Board of AGM recognises the importance of achieving high standards of corporate governance, integrity and business ethics for all of its activities. During the course of last year the business undertook an exercise to review and where appropriate update its corporate governance policies and procedures, to ensure it was fully compliant with the reporting changes that came into effect in September 2018. As part of this process the Board fully adopted and is fully compliant with the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies. From this year onwards we have decided to have a vote on the re-election of all Directors at every Annual General Meeting and we have also decided to have an advisory vote on the Remuneration report.

### Culture and business ethics

At the core of AGM's strategy to become a world leader in the supply of graphene lies our people. Identifying, attracting and retaining motivated individuals with the necessary skills underpins our business. As a business it is important that we act at all times with the highest standards in all aspects of our work. There are already numerous ways in which we look to uphold these standards ranging from our procedures to our whistle blowing policy. Whilst having the right policies and procedures forms a critical part in ensuring we are true to our culture and uphold standards, these can only be truly effective if all individuals embrace these values in their entirety. As part of its ongoing programme the Board regularly assesses differing aspects of our culture and standards, mindful of the fact that it is important to lead by example. One area of particular focus this year has been to ensure that the Board itself operates effectively in a fair and transparent manner and the assessment and appraisal programme introduced last year for all members of the Board has continued to be used this year, further details of which can be found on pages 42 and 43.

### Board of Directors

Details of the Directors are set out on pages 36 and 37. The Board comprises a Non-Executive Chairman (Bryan Dobson), two Non-Executive Directors (Sean Christie and Mike Townend) and three Executive Directors. The Board considers both Bryan Dobson and Sean Christie to be independent in that they are free from any business or other relationships that might materially interfere with their exercise of independent judgment. Mike Townend, who is also a Director and representative of IP Group plc, is not considered by the Board to be independent. Details of the Non-Executive Chairman's other commitments can be found on page 36.

## BOARD SKILLS AND EXPERIENCE

	Strategy	Finance	Technical	Resources	Management
Bryan Dobson	●	●	●	●	●
Adrian Potts	●	●	●	●	●
David Blain	●	●	●	●	●
Karl Coleman	●	●	●	●	●
Sean Christie	●	●	●	●	●
Mike Townend	●	●	●	●	●

● Experience in area  
● No experience in area



The Board of Directors considers that its size and composition are currently appropriate and that the balance of skills and experience is correct for the current requirements of the business to enable the members of the Board of Directors to discharge their respective duties and responsibilities effectively. However, the Nomination Committee, in conjunction with the Board, will continue to consider succession planning and align this with the Group's strategy.

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman is primarily responsible for leading the Board, ensuring its effectiveness, setting its agenda and making certain that each Director is in receipt of adequate information prior to making decisions. The Chairman also facilitates effective communication with shareholders and makes himself available to meet with shareholders. The Chief Executive Officer is responsible for the Group's day to day activities and leads the execution of the Group's strategy. All Directors have access to the advice and services of the Company Secretary and both the appointment and removal of the Company Secretary are matters for the Board as a whole. Directors are entitled to take independent legal or financial advice (paid for by the Company) in relation to the performance of their duties. Training is also made available to the Directors as appropriate, in relation to the performance of their duties.

All new Directors receive a personalised induction programme tailored to their experience and background, which is designed to develop their knowledge and understanding of the Group's culture and operations. Non-Executive Directors have regular opportunities to meet with Senior Managers within the business to enhance their knowledge and familiarity with the Group. Directors are also briefed by the Group's external advisors, where appropriate, on changes to legislation, regulation or market practice.

## Meeting attendance

Directors are encouraged to attend all Board meetings and meetings of Committees of which they are members.

Directors' attendance at Board and Committee meetings is shown in the table below.

## Time commitment

All Directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to prioritise and attend Board meetings and Committee meetings of which they are members and any additional meetings wherever possible. Further details of their terms and conditions are summarised in the Remuneration report on page 45 and the terms and conditions of appointment of the Non-Executive Directors are available at the Company's registered office.

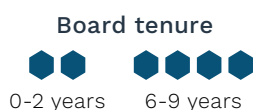
After taking into consideration the availability and time commitment demanded of individual members, the Chairman was satisfied that the members of the Board were able to devote sufficient time and resource to perform their roles for the Group.

## Board responsibilities

The Board is ultimately responsible for the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance. To enable the members of the Board to discharge these responsibilities they have full and timely access to all relevant information and Board meetings are usually held at the Group's manufacturing facility allowing Directors to review the operations and meet the management teams. Currently Board meetings are held remotely due to the impact of COVID-19.

The Group has established an operational board which meets regularly and is responsible for the day to day management of the business. Adrian Potts chairs the operational board, whose other members comprise David Blain together with the heads of the commercial and technical functions.

Meeting attendance	Board meetings	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held	11	4	1	2
<b>Executive Directors</b>				
Adrian Potts		—	—	—
David Blain		—	—	—
Karl Coleman		—	—	—
<b>Non-Executive Directors</b>				
Bryan Dobson				
Sean Christie				
Mike Townend				



## CORPORATE GOVERNANCE CONTINUED

### CASE STUDY: SHAREHOLDER CONSULTATION

Following the realignment of resources in late 2019 the Board wanted to incentivise all staff (excluding the senior management team) to remain with the Company and proposed a staff retention share option scheme. Under the scheme all staff will receive a percentage of their salary in share options if they are still employed by the Company on 7 May 2023 or the date of announcement of the interim results for the period ending 31 January 2023 if later.

The number of options required to do this means that the limit for option grants less lapses and forfeits over the last ten years of 10% of shares issued would be breached. We consulted with our major shareholders and received strong support for the scheme and options were granted to staff in May 2020.

#### Board responsibilities continued

##### Chairman – Bryan Dobson:

- primarily responsible for the leadership of the Board, ensuring that it is effective and promoting critical discussion;
- chairs the Nomination Committee and the Annual General Meeting;
- sets the Board meeting agendas in consultation with the Chief Executive and the Company Secretary, ensuring they are aligned to the business strategy;
- leads the performance evaluation of the Board and ensures its effectiveness in all aspects of its role;
- sponsors and promotes the highest corporate governance and ethical standards;
- facilitates contribution from all Directors to the discussion of the Board;
- provides a sounding board for the Chief Executive on key business decisions and challenges proposals where appropriate; and
- ensures effective communication with shareholders and other stakeholders.

##### Chief Executive Officer (CEO) – Adrian Potts:

- develops and implements the Group's strategy with input from the rest of the Board, management team and its advisors;
- responsible for the overall operational activity of the Group;
- manages the day to day business of the Group, leads its direction and promotes its culture and values;
- brings matters of particular significance or risk to the Chairman for discussion and consideration by the Board where appropriate; and
- responsible for overseeing the delivery of the sustainability agenda within the Group.

##### Executive Directors – Karl Coleman and David Blain:

- provide specialist knowledge and experience to the Board;
- support the CEO in the implementation of the Group's strategic policies;
- responsible for the budgeting process and reporting of the financial performance of the Group (David Blain);
- responsible for scientific input relating to the Group (Karl Coleman); and
- responsible for the successful leadership and management of scientific, risk and finance functions across the Group.

##### Non-Executive Directors – Mike Townend and Sean Christie:

- bring complementary skills and experience to the Board;
- constructively challenge the Executive Directors on matters affecting the Group;
- provide a sounding board for the Chairman and support him with the leadership of the Board;
- are available if shareholders want to raise concerns which normal channels have failed to resolve;
- chairs the Audit Committee (Sean Christie);
- chairs the Remuneration Committee (Sean Christie);
- satisfy themselves as to the accuracy of the financial performance of the Group and the robustness and effectiveness of financial controls and risk management processes; and
- help develop strategy with an independent outlook.

##### Company Secretary – David Blain:

- responsible to the Board;
- acts as secretary to the Board and each of its Committees ensuring compliance with procedures;
- responsible, under the direction of the Chairman, for ensuring the Board receives timely and accurate information;
- provides support to the Non-Executive Directors; and
- responsible for advising the Board on all governance matters.

#### Leadership and effectiveness

The Board has extensive operational experience coupled with a detailed understanding of the chemical industry both within the UK and abroad. As a team the Board of Directors also benefits from significant financial, public company, risk management, commercial and transactional expertise.

During the previous twelve months, the Chairman undertook a detailed review of the effectiveness of the Board. This review encompassed two main elements, namely:

- an assessment of the overall effectiveness of the Board; and
- individual assessments of performance for each Board member.





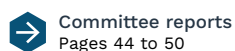
Each Director completed an individual questionnaire, which covered many aspects of good governance, including an assessment of the Board's performance overall. In addition to questions on culture, performance and effectiveness the questionnaire included detailed questions on strategic objectives, stakeholder engagement, audit and internal control assessment. The responses were then collated and discussed. In July 2020, the Board updated the review of its performance and considered the matters that arose in the previous review. It was agreed that these matters had been resolved during the year. A full review of the performance of the Board will be carried out in the next twelve months.

The second element of the assessment involved individual performance assessments for each Director. This involved the Chairman meeting individually with each Board member during the year. As well as assessing individual expertise and contribution, the review also encompassed governance, attendance and any areas for improvement. The Senior Independent Director, Sean Christie, having consulted with other members of the Board, undertook a review of the Chairman's performance.

Having completed this exercise it was concluded that the Board was operating in an effective manner and all members are considered to have made valuable contributions to the Board. Overall, it was determined that the Board meets its regulatory requirements and that the appropriate processes are in place for setting the strategic direction of the Group as well as maintaining the highest standards at all times. Furthermore, Board meetings are open to discussion and are constructive, and this forum enables all members to express their views.

## Board Committees

The Board has delegated certain authorities to three Committees, whose duties are as set out in this report. Appointments to each Committee are made by the Board. The Company Secretary is secretary to each Board Committee. The Board is kept fully updated on the work undertaken by the Committees and terms of reference have been adopted by each Committee that set out clearly the Committee's authority and duties. Copies of the terms of reference for each Committee can be found on the Company's website ([www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com)).



Committee reports  
Pages 44 to 50

## Investor relations

The Board places significant importance on maintaining good communications with shareholders. The Executive Directors have the main liaison with shareholders and are available to meet with institutional shareholders and analysts after the announcement of both the interim and annual results and have undertaken such meetings whenever requested by shareholders and analysts at other points during the course of the year. Each of the Non-Executive Directors is available to be contacted by, and to meet with, shareholders if required. Written investor feedback is provided to the whole Board by the Group's nominated advisor and broker. The Interim and Annual Reports are sent to all shareholders, who are encouraged to attend and participate at the Company's Annual General Meeting to enable it to be

a forum of substantive communication. The Group's investor relations website is regularly updated and contains information on current activities, including interim and annual results presentations. The Group also includes, on its website, audiocasts of its results presentations, for the benefit of all shareholders.

## Internal control

The Board acknowledges its overall responsibility for the Group's system of internal financial and operational controls and the ongoing review of their effectiveness. These controls are designed to safeguard the Group's assets and the investments of shareholders. However, any system of internal control can only manage rather than eliminate risks and consequently such controls do not provide absolute assurance against misstatement or loss.

The main features of the Group's internal control systems include:

### Allocation of responsibilities

Terms of reference for Board Committees are reviewed by the Board to ensure that the delegated authority and duties are still appropriate. The Group has a clear organisational structure that includes defined delegations of authority and authorisation limits.

### Risk identification

The Board is responsible for identifying the main business risks faced by the Group and for determining the appropriate actions necessary to manage those risks. These risks are categorised into seven types being: strategic and planning; financial and IT; operational and quality; people; technical; commercial and reputation; and SHE and regulatory. These are detailed on pages 28 to 31.

### Financial reporting and control

Monthly management information is reported to the Board which includes comparison against the budget and prior year. Functional reports are prepared for the Board and actions arising from the review of those reports and information are attributed as appropriate.

### Investment appraisal

Capital expenditure is regulated by authorisation limits.

The Board has reviewed the effectiveness of the Group's framework of internal controls, including financial, operational and compliance controls and risk management systems, during the year ended 31 July 2020. The Board has also, where appropriate, ensured that appropriate actions have been taken to remedy weaknesses or failings identified from the review of the effectiveness of internal controls.

## Whistle blowing policy

The Board has adopted a whistle blowing policy. The aim of the policy is to encourage all employees regardless of seniority to bring matters which cause them concern to the attention of the Non-Executive Directors.

By order of the Board

**Bryan Dobson**

Chairman

13 October 2020

## AUDIT COMMITTEE AND NOMINATION COMMITTEE REPORTS

### AUDIT COMMITTEE REPORT



**SEAN CHRISTIE**

Audit Committee Chairman

#### Committee members

Sean Christie, Mike Townend and Bryan Dobson

#### Key responsibilities

- Reviewing significant accounting judgments:
  - Impairment of intercompany receivables
  - IFRS 16 Leases
- Suitability of applying the going concern assumption
- Impairment review of property, plant and equipment
- Capitalisation of development expenditure
- Calculation of R&D tax credits
- Share based payments charge

The Audit Committee comprises Sean Christie, Mike Townend and Bryan Dobson, and is chaired by Sean Christie, who has relevant and recent financial experience. The Audit Committee operates within its agreed terms of reference. It reviews the effectiveness of financial reporting and internal financial controls and monitors the integrity of the financial statements of the Group and any significant financial reporting judgments contained therein.

The Audit Committee recommends to the Board the appointment and re-appointment of the external auditors. The Audit Committee considers the scope and results of the external audit and its cost effectiveness. It also reviews the fees, independence and objectivity of the external auditors by analysing fees for audit and non-audit work, by discussing with the auditors their annual assessment regarding their independence, policies and procedures, and by receiving from the auditors confirmation that they have complied with the APB Ethical Standards. The Group's external auditors have unrestricted access to the Audit Committee and attended the Audit Committee meetings held during the year. In addition the Chairman of the Audit Committee had contact with the external auditors outside of those meetings. The Executive Directors attend Audit Committee meetings by invitation only.

The Audit Committee reviewed the key areas of significant accounting judgments which applied to a number of significant issues on the preparation of the financial statements, as shown above.

Having considered the above, the Committee found the Group's estimates and assumptions therein to be appropriate. Further information relating to these areas can be found on pages 66 and 67.

The breakdown of fees between audit and non-audit services is provided on page 68 of the Group's financial statements. The Audit Committee is satisfied that the auditors remain independent and objective.

### NOMINATION COMMITTEE REPORT



**DR BRYAN DOBSON**

Nomination Committee Chairman

#### Committee members

Bryan Dobson, Mike Townend and Sean Christie

#### Key responsibilities

- Ensuring that the Board comprises an appropriate balance of skills, knowledge and experience
- Making recommendations to the Board on its size, structure and composition
- Giving consideration to succession planning for Executive and Non-Executive Directors

The Nomination Committee comprises Bryan Dobson, Mike Townend and Sean Christie, and is chaired by Bryan Dobson. The Nomination Committee is responsible for ensuring that the Board comprises an appropriate balance of skills, knowledge and experience. The Nomination Committee makes recommendations to the Board on its size, structure and composition and also gives consideration to succession planning for Executive and Non-Executive Directors. The Nomination Committee engages the services of external recruitment consultants as appropriate.





# REMUNERATION REPORT

## REMUNERATION COMMITTEE REPORT



**SEAN CHRISTIE**

Remuneration Committee Chairman

### Committee members

Sean Christie, Mike Townend and Bryan Dobson

### Key responsibilities

- Determining the remuneration of the Executive Directors
- Setting short and long term targets
- Determining the service agreements and employment conditions for Executives

### Remuneration policy

The remuneration policy set by the Remuneration Committee is designed to attract, retain and motivate people of high calibre and experience, which will enable the Group to fulfil its objective of increasing shareholder value. Accordingly, the Remuneration Committee seeks to provide competitive remuneration to all its employees, appropriate to business and geographic environments. The Remuneration Committee recognises the need to reward at a level that is fair but attractive, whilst ensuring that a significant proportion of the remuneration of Executive Directors is linked to performance through the operation of the annual cash bonus scheme and equity incentive schemes.

The main elements of the remuneration package for Executive Directors are base salary, annual cash bonus and participation in equity incentive schemes. Both the annual cash bonus and equity incentive schemes are subject to performance conditions. In addition, Executive Directors receive other benefits in kind, including contributions to a defined contribution pension scheme, life assurance, private medical insurance and permanent health insurance. Only base annual salaries are pensionable.

This report sets out the Group's policy on the remuneration of Directors and information on the remuneration paid to Directors for the year ended 31 July 2020 and for future years. This report is divided into two parts. The first part contains commentary on the Group's remuneration policy, which is not subject to audit. The second part contains certain information audited in accordance with statutory requirements.

### Remuneration Committee

The Remuneration Committee comprises Sean Christie, Mike Townend and Bryan Dobson, and is chaired by Sean Christie. The Remuneration Committee met on two occasions in the year. The Chief Executive Officer and the Chief Financial Officer may be invited to attend part of some meetings of the Remuneration Committee as required. No Director or other employee plays a part in any discussion regarding their own remuneration. The Remuneration Committee's terms of reference can be found on the Company's website ([www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com)).

### Responsibilities

The Remuneration Committee reviews and determines the remuneration package of the Executive Directors. The Remuneration Committee's responsibilities include determining the base annual salaries, and setting and approving targets for any short term annual cash bonus or long term equity incentive schemes operated by the Group (subject to shareholder approval where appropriate). The Remuneration Committee also determines the service agreements and other employment conditions for the Executive Directors.

### Base annual salary

When determining base annual salary for Executive Directors the Remuneration Committee takes into account the performance, experience and responsibilities of the individuals concerned, the scope and complexity of that function or business, the strategic importance of the role to the Group and the salaries of those holding similar positions and responsibilities in comparable companies.

Base salaries are reviewed annually on 1 August. On 1 August 2020 a general increase of 2.0% (2019: 2.0%) in base salary was awarded to eligible employees across the Group including the Executive Directors. At the time of the review the Remuneration Committee had reference to the base salaries of employees in the wider Group. The following table sets out the base annual salaries of the Executive Directors.

	Base salary from 1 August 2020	Base salary from 1 August 2019
Adrian Potts	<b>\$239,300</b>	\$234,600
David Blain	<b>£140,500</b>	£137,700
Karl Coleman	<b>£28,295</b>	£27,740

## REMUNERATION REPORT CONTINUED

### Remuneration policy continued

#### Annual bonus

The Executive Directors participate in a non-contractual annual cash bonus scheme, which is the short term incentive element of the overall remuneration package of the Executive Directors. All annual cash bonuses are subject to the discretion of the Remuneration Committee and are linked to targets set by the Remuneration Committee. Subject to the achievement of targets, Executive Directors are eligible to receive a maximum potential annual bonus of 100% of their base annual salary.

Payment of a bonus is conditional on the Executive Directors being in employment at the time of the payment and not having received, or given, notice of termination of employment. However, the Remuneration Committee may exercise its discretion in exceptional circumstances if it feels that it is appropriate to do so.

#### 2020 bonus

The bonus for the year ended 31 July 2020 was based on revenue targets linked to orders, the generation of test data to support the effectiveness of graphene, the appointment of new distributors and other key business indicators. In line with the previous year, the targets set were challenging and, after taking account of actual performance compared to target, the level of bonus payment was determined to be 30% of the maximum potential annual cash bonus by the Remuneration Committee (2019: 30%). This bonus will be paid in October 2020 as a cash bonus for Adrian Potts and 50% in cash and 50% in shares for David Blain.

#### 2021 bonus

Performance targets for the annual cash bonus are set at the start of the financial year by the Remuneration Committee. Targets set in respect of the year ending 31 July 2021 are challenging and relate to a variety of key business indicators.

#### Equity incentive schemes

The Group operates two equity incentive schemes, firstly an Enterprise Management Incentive (EMI) scheme and secondly a non-approved executive option scheme. The non-approved executive option scheme is typically used for employees who are not eligible to participate in the EMI scheme or who have received awards up to the £250,000 EMI limit for employees.

During the year, an award was not made under the EMI and non-approved executive option schemes as the level of options granted in the last ten years has reached the maximum allowed. It is expected that option awards will be usually made annually in November of each year following announcement of annual results, with the next award to be considered in November 2020. Details of the awards previously made are set out below.

#### EMI and non-approved executive options – January 2019

The vesting of both EMI and non-approved executive options is subject to the relative performance of the Company's share price, compared to the FTSE AIM All Share Index, for the period from the date of grant to November 2021.

In the event that the Company's share price performs better than the FTSE AIM All Share Index, for the performance period, then 25% of the options will vest. Further vesting will be dependent upon the extent to which the Company's share price outperforms the FTSE AIM All Share Index, with full vesting arising for performance exceeding the benchmark by 25%. Percentage vesting is weighted towards the upper parts of the vesting scale. In each case, performance will be measured using the one month average share price and FTSE AIM All Share Index value in the period prior to the end of the performance period. The starting share price and the FTSE AIM All Share Index value in respect of the options granted were £0.32 and 898.9 respectively.

Subject to vesting the options would be exercisable in the period between November 2021 and July 2029. Nil consideration is payable in respect of either the grant or exercise of these options.

Awards made under EMI and non-approved executive option schemes contain clawback provisions for a period of two years from the date of vesting. Generally, clawback may be invoked in the event of a misstatement of financial results impacting on the number of options vesting or an error being identified in the measurement of actual performance versus target, again impacting on the number of options vesting.

#### EMI and non-approved executive options – July 2018

The vesting of both EMI and non-approved executive options is subject to the relative performance of the Company's share price, compared to the FTSE AIM All Share Index, for the period from the date of grant to November 2020.

In the event that the Company's share price performs better than the FTSE AIM All Share Index, for the performance period, then 25% of the options will vest. Further vesting will be dependent upon the extent to which the Company's share price outperforms the FTSE AIM All Share Index, with full vesting arising for performance exceeding the benchmark by 25%. Percentage vesting is weighted towards the upper parts of the vesting scale. In each case, performance will be measured using the one month average share price and FTSE AIM All Share Index value in the period prior to the end of the performance period. The starting share price and the FTSE AIM All Share Index value in respect of the options granted were £0.38 and 1,023.39 respectively.

Subject to vesting the options would be exercisable in the period between November 2020 and July 2028. Nil consideration is payable in respect of either the grant or exercise of these options.

Awards made under EMI and non-approved executive option schemes contain clawback provisions for a period of two years from the date of vesting. Generally, clawback may be invoked in the event of a misstatement of financial results impacting on the number of options vesting or an error being identified in the measurement of actual performance versus target, again impacting on the number of options vesting.



### EMI and non-approved executive options – January 2017

The vesting of both EMI and non-approved executive options is subject to the relative performance of the Company's share price, compared to the FTSE AIM All Share Index, for the period from the date of grant to November 2019. These options have lapsed due to failure to achieve the performance criteria.

### EMI and non-approved executive options – prior to AIM admission

In the period prior to the Group's admission to AIM, EMI options and non-approved executive options were granted to certain Directors.

Non-approved executive options awarded to Bryan Dobson, which were not subject to performance conditions other than remaining in post, vested during the year ended July 2014 and are now capable of being exercised.

### Pension arrangements

Employer pension contributions paid to Adrian Potts are paid as salary to reflect his existing personal pension arrangements. Employer pension contributions paid to David Blain are paid into his personal pension scheme. Karl Coleman is not eligible to participate in the Group's stakeholder pension plan.

### Directors' service contracts

Under the terms of the service agreements in place with Executive Directors, six months' written notice must be given by either party to terminate those service agreements. Under the terms of the letters of appointment in place with Non-Executive Directors, three months' written notice must be given by either party to terminate that appointment. Summary details of the service agreements and letters of appointment are shown below:

	Effective date of service agreement/ letter of appointment	Notice period
<b>Executive Directors</b>		
Adrian Potts	1 August 2018	Six months
David Blain	22 October 2018	Six months
Karl Coleman	14 November 2013	Six months
<b>Non-Executive Directors</b>		
Bryan Dobson	14 November 2013	Three months
Sean Christie	24 April 2014	Three months
Mike Townend	24 November 2014	Three months

Compensation for early termination for Executive Directors is generally limited to six months' base salary and benefits. Any entitlements under incentive plans would ordinarily lapse in accordance with the terms of the relevant plan, unless the Remuneration Committee exercises its discretion as provided under the incentive scheme rules.

The Company believes that exposure of its Executive Directors to other company boards can be beneficial and can help to broaden their experience and knowledge. The Directors are therefore permitted to join other company boards as Non-Executive Directors, subject to prior approval of the Board.

### Non-Executive Directors

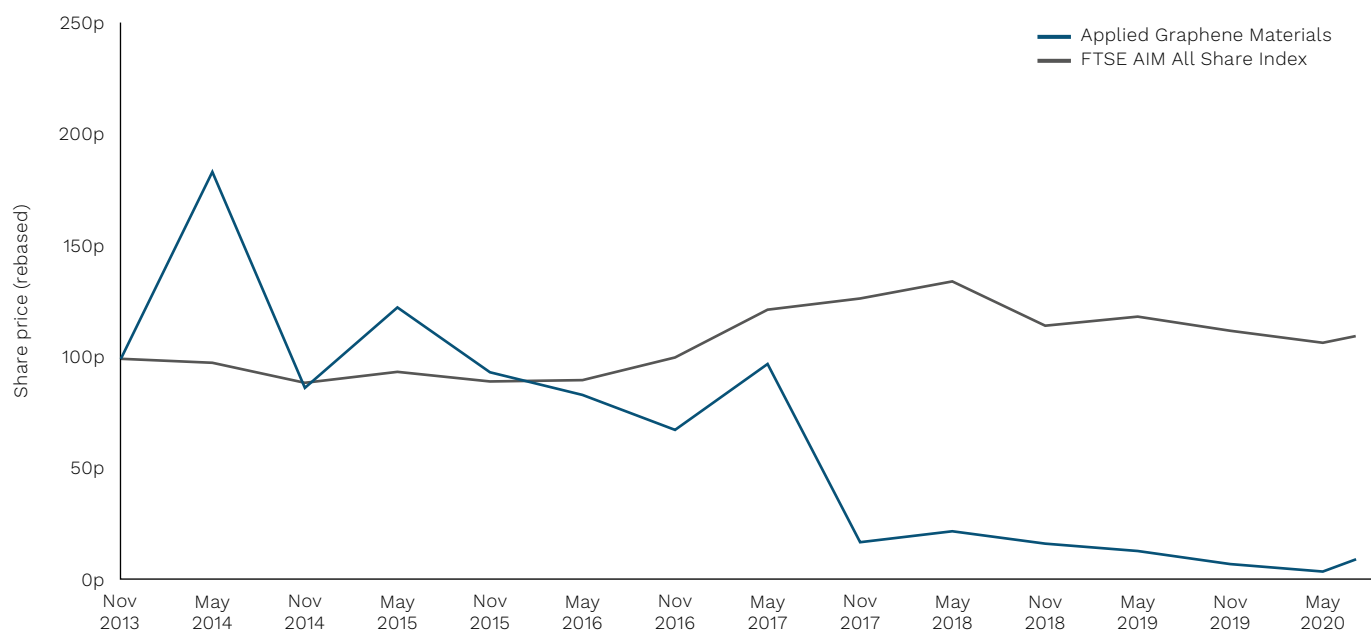
Remuneration of the Non-Executive Directors is determined by the Board and is designed both to recognise the responsibilities of Non-Executive Directors and to attract individuals with the skills and experience to contribute to the business. Non-Executive Directors receive an annual fee paid monthly. During the year the Non-Executive Directors and one Executive Director agreed to defer receipt of their fees until the Company's cash flow permits.

Generally, Non-Executive Directors are not entitled to share based incentives, pensions or annual bonuses. Expenses incurred by the Non-Executive Directors in the performance of their duties are reimbursed by the Company.

# REMUNERATION REPORT CONTINUED

## Performance graph

The graph below shows the performance of Applied Graphene Materials' share price relative to the FTSE AIM All Share Index for the period between November 2013, when the Group's shares first became publicly traded, and July 2020. This index has been selected for comparison because the Company is a constituent of it.



## Audited information

### Directors' emoluments

The aggregate emoluments of the Directors of the Company who served during the year ended 31 July 2020, paid by the Group, were:

	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Pension contributions £'000	Total £'000
<b>Executive Directors</b>					
Adrian Potts <sup>1</sup>	183	36	57	19	295
Karl Coleman <sup>2</sup>	27	2	8	—	37
David Blain	138	—	30	14	182
<b>Non-Executive Directors</b>					
Bryan Dobson <sup>2</sup>	45	—	—	—	45
Sean Christie <sup>2</sup>	35	—	—	—	35
Mike Townend <sup>2,3</sup>	15	—	—	—	15
	<b>443</b>	<b>38</b>	<b>95</b>	<b>33</b>	<b>609</b>

1 Employer pension contributions paid to Adrian Potts are paid as salary to reflect his existing personal pension arrangements.

2 Following the realignment of resources in 2019, the following Directors agreed that they would wait to receive their salaries until the Group's cash flow permitted payment. The amounts unpaid (but included above) at 31 July 2020 are:

	£'000
Karl Coleman	19
Bryan Dobson	30
Sean Christie	23
Mike Townend	7
<b>Total</b>	<b>79</b>

3 Fees payable to Mike Townend were payable to Top Technology Ventures Limited, which is a wholly owned subsidiary of IP Group plc, which Mike represents.



The aggregate emoluments of the Directors of the Company who served during the year ended 31 July 2019, paid by the Group, were:

	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Pension contributions £'000	Total £'000
<b>Executive Directors</b>					
Adrian Potts <sup>1</sup>	178	28	53	18	277
Gareth Jones <sup>2</sup>	32	—	—	3	35
Karl Coleman	27	2	8	—	37
David Blain <sup>3</sup>	105	—	30	7	142
<b>Non-Executive Directors</b>					
Bryan Dobson	45	—	—	—	45
Sean Christie	35	—	—	—	35
Mike Townend <sup>4</sup>	15	—	—	—	15
	437	30	91	28	586

1 Employer pension contributions paid to Adrian Potts are paid as salary to reflect his existing personal pension arrangements.

2 Gareth Jones resigned on 29 October 2018.

3 David Blain was appointed on 30 October 2018.

4 Fees payable to Mike Townend were paid to Top Technology Ventures Limited, which is a wholly owned subsidiary of IP Group plc, which Mike represents.

### Share options

The number of options over Applied Graphene Materials' shares held by Directors at 31 July 2020 is set out below.

	Options at start of the year or appointment	Number of options cancelled or lapsed in the year	Number of options exercised in the year	Number of options granted in the year	Options at end of the year	Option price	Exercisable
<b>Adrian Potts</b>							
Non-approved executive <sup>1</sup>	486,772	—	—	—	<b>486,772</b>	£nil	November 2021 to July 2029
SAYE	42,452	—	—	—	<b>42,452</b>	£0.21	August 2022 to January 2023
	529,224	—	—	—	<b>529,224</b>		
<b>David Blain</b>							
EMI <sup>1</sup>	360,000	—	—	—	<b>360,000</b>	£nil	November 2021 to July 2029
SAYE	84,905	—	—	—	<b>84,905</b>	£0.21	August 2022 to January 2023
	444,905	—	—	—	<b>444,905</b>		
<b>Karl Coleman</b>							
Non-approved executive <sup>1</sup>	17,388	(17,388)	—	—	<b>—</b>	£nil	November 2019 to January 2028
Non-approved executive <sup>1</sup>	45,673	—	—	—	<b>45,673</b>	£nil	November 2020 to July 2028
Non-approved executive <sup>1</sup>	54,392	—	—	—	<b>54,392</b>	£nil	November 2021 to July 2029
	117,453	(17,388)	—	—	<b>100,065</b>		
<b>Bryan Dobson</b>							
Non-approved executive	491,874	—	—	—	<b>491,874</b>	£0.20	May 2014 to July 2022
	491,874	—	—	—	<b>491,874</b>		
<b>Sean Christie</b>							
Non-approved executive	15,000	—	—	—	<b>15,000</b>	£1.55	April 2015 to April 2024
	15,000	—	—	—	<b>15,000</b>		

1 Options remain subject to satisfaction of conditions.

The market price of the shares on 31 July 2020 was £0.20 and the shares traded in the range of £0.085 to £0.295 during the year.

# REMUNERATION REPORT CONTINUED

## Audited information continued

### Share options continued

The number of options over Applied Graphene Materials' shares held by Directors at 31 July 2019 is set out below.

	Options at start of the year or appointment	Number of options cancelled or lapsed in the year	Number of options exercised in the year	Number of options granted in the year	Options at end of the year	Option price	Exercisable
<b>Adrian Potts</b>							
Non-approved executive <sup>1</sup>	—	—	—	486,772	<b>486,772</b>	£nil	November 2021 to July 2029
SAYE	—	—	—	42,452	<b>42,452</b>	£0.21	August 2022 to January 2023
	—	—	—	529,224	<b>529,224</b>		
<b>David Blain</b>							
EMI <sup>1</sup>	—	—	—	360,000	<b>360,000</b>	£nil	November 2021 to July 2029
SAYE	—	—	—	84,905	<b>84,905</b>	£0.21	August 2022 to January 2023
	—	—	—	444,905	<b>444,905</b>		
<b>Karl Coleman</b>							
Non-approved executive <sup>1</sup>	10,555	(10,555)	—	—	<b>—</b>	£nil	November 2018 to January 2026
Non-approved executive <sup>1</sup>	17,388	—	—	—	<b>17,388</b>	£nil	November 2019 to January 2027
Non-approved executive <sup>1</sup>	45,673	—	—	—	<b>45,673</b>	£nil	November 2020 to July 2028
Non-approved executive <sup>1</sup>	—	—	—	54,392	<b>54,392</b>	£nil	November 2021 to July 2029
	73,616	(10,555)	—	54,392	<b>117,453</b>		
<b>Bryan Dobson</b>							
Non-approved executive	491,874	—	—	—	<b>491,874</b>	£0.20	May 2014 to July 2022
	491,874	—	—	—	<b>491,874</b>		
<b>Sean Christie</b>							
Non-approved executive	15,000	—	—	—	<b>15,000</b>	£1.55	April 2015 to April 2024
	15,000	—	—	—	<b>15,000</b>		

1 Options remain subject to satisfaction of conditions.

### Directors' interests

The interests of the Directors in the shares of the Company as recorded in the register of Directors' interests at 31 July 2020 were as follows:

	Number of Ordinary shares 2020	Number of Ordinary shares 2019
<b>Executive Directors</b>		
Adrian Potts	<b>70,529</b>	18,109
David Blain	<b>33,380</b>	17,800
Karl Coleman	<b>1,779,682</b>	1,779,682
<b>Non-Executive Directors</b>		
Bryan Dobson	<b>134,316</b>	134,316
Sean Christie	<b>35,397</b>	35,397
Mike Townend	<b>22,619</b>	22,619

### Annual General Meeting

Commencing this year, the Remuneration report will be subject to an advisory vote by shareholders at the Annual General Meeting.

Sean Christie

Chairman of the Remuneration Committee

13 October 2020



## DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of Applied Graphene Materials plc (the Company) and of the Group (the Company and its subsidiary undertakings) for the year ended 31 July 2020.

### Principal activities

The principal activity of the Group is the manufacture, dispersion and development of applications for graphene. The Group's operations are primarily within the United Kingdom. The subsidiary undertakings principally affecting the results or net assets of the Group are listed in note 11 to the financial statements.

### Review of business and future developments

The Chairman's statement (pages 4 and 5), the Chief Executive Officer's review (pages 8 to 17) and the Financial review (pages 32 to 34) report on the performance of the Group during the year ended 31 July 2020 and its prospects for the future.

### Key performance indicators (KPIs)

Due to the early stage of the development of the business, it is difficult to measure progress made purely in financial terms. However, in due course the Directors expect that EBITDA, adjusted diluted EPS and cash conversion will be the principal measures of financial performance in relation to the Group. Performance for these KPIs, which is explained in the Chairman's statement, the Chief Executive Officer's review and the Financial review, was as follows:

	2020	2019
EBITDA (£'000)	<b>(3,084)</b>	(4,559)
Adjusted EPS (pence)	<b>(6.1)</b>	(7.9)
Cash balance (£'000)	<b>3,685</b>	6,135

### Substantial share interests

At 31 July 2020, the Directors are aware of the following interests amounting to 3% or more of the Company's issued share capital:

Name of shareholder	Number of Ordinary shares million	Percentage of issued share capital %
IP Group	7.4	14.91
Hargreaves Lansdown, stockbrokers	6.8	13.77
Herald Investment Management	4.7	9.61
Eden Tree Investment Management	3.8	7.59
Interactive Investor	2.9	5.91
Insight Investments	2.4	4.86
Halifax Share Dealing	2.2	4.44
North East Finance	2.1	4.18

### Directors and their interests

The Directors who served during the year (unless indicated) were as follows:

- Bryan Dobson
- Karl Coleman
- Sean Christie
- Mike Townend
- Adrian Potts
- David Blain

Biographical details of the Directors can be found on pages 36 and 37.

In accordance with the provisions of the Articles of Association of the Company as amended voluntarily by the Board, all Directors will retire and, being eligible, will offer themselves for re-election at the 2020 Annual General Meeting. The Directors' service agreements and letters of appointment will be available for inspection prior to and at the end of the Annual General Meeting.

Details of Directors' interests in the shares of the Company are shown in the Remuneration report.

### Share capital

At 31 July 2020, the Group had 49,429,380 Ordinary shares of 2 pence each in issue (2019: 49,429,380). These shares are admitted to trading on AIM. The rights and obligations attaching to the Company's Ordinary shares are set out in its Articles of Association, which are available on its website. Each share in issue has equal rights and there are no restrictions on the voting rights attaching to the Company's Ordinary shares or on the transfer of securities in the Company. Full details of the issued share capital of the Company, including movements in the year, are set out in the notes to the financial statements. Details of share option schemes in place within the Group are set out in the notes to the financial statements.



## DIRECTORS' REPORT CONTINUED

### Financial instruments

Full details of the Group's risk management policies and its exposure to financial risk are set out in note 15 to the financial statements.

### Post balance sheet events

Post balance sheet events are disclosed in note 23 to the financial statements.

### Directors' indemnities and directors' and officers' liability insurance

The Company's Articles of Association permit the Company to indemnify Directors of the Company in accordance with the Companies Act 2006. Directors' and officers' liability insurance is also in place.

### Employees

Further details regarding employees can be found in the Sustainability report (pages 26 and 27).

### Health and safety

Further details regarding health and safety can be found in the Sustainability report (pages 26 and 27).

### Corporate governance

The Corporate governance report is set out on pages 40 to 43.

### Audit information

The Directors confirm that, in so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. A statement by the Directors of their responsibilities for preparing the financial statements is included in the Statement of Directors' responsibilities.

### Information presented in other sections

As permitted by Section 414C(11) of the Companies Act 2006, certain information required by Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be included in a directors' report can be found in the Strategic report on pages 1 to 34. This is the case for information regarding future developments and R&D activities which is included in the Chief Executive Officer's review on pages 8 to 17. Information regarding dividends is contained within the Financial review on pages 32 to 34.

### Independent auditors

Our auditors, RSM UK Audit LLP, have indicated their willingness to continue in office. In accordance with the recommendation of the Audit Committee and Section 489 of the Companies Act 2006, a resolution to re-appoint RSM UK Audit LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

The 2020 Annual General Meeting is to be held at 11.00am on Tuesday 15 December 2020 at Squire Patton Boggs (UK) LLP, 6 Wellington Place, Leeds LS1 4AP.

In light of measures adopted by the UK Government to protect public health in response to the COVID-19 pandemic, and in line with guidance issued by The Chartered Governance Institute (ICSA), the Board of Directors of the Company is of the view that attendance at the AGM by a shareholder, other than for the specific purpose of ensuring that the AGM is quorate, is not essential for work purposes.

The AGM will therefore be convened with the minimum necessary quorum (which will be fulfilled by Directors of the Company). Shareholders must not attend the AGM in person and anyone that seeks to attend the AGM will be refused entry. The business of the AGM will be restricted to the purposes set out in the formal Notice of AGM. There will be no additional presentations or opportunities for the Board of Directors to answer questions.

These steps are being taken to promote the health and wellbeing of the Company's shareholders and employees, but it remains important to the Board of Directors that your votes are counted at the AGM. All shareholders are therefore strongly encouraged to submit their votes on the formal business to be transacted using the proxy form enclosed with the Notice of AGM.

The Chairman of the AGM will propose that each resolution, as set out in the Notice of AGM, is voted on via a poll. This means that each shareholder present in person (which shall only be such number of Directors as is sufficient to ensure that the AGM is quorate) or by proxy will have one vote for each share held.

The Company will continue to monitor developments relating to COVID-19. If a situation should arise which necessitates that the arrangements for the AGM be altered, shareholders will be notified promptly via an RNS announcement and the Company's website.

In normal circumstances, the Company's AGM plays an important role in providing an opportunity for the Company's Directors to engage with shareholders. The Board of Directors would therefore like to thank all shareholders in advance for their co-operation with and understanding of the alternative arrangements that the Company has been required to implement this year.

By order of the Board

**David Blain**  
Company Secretary  
13 October 2020



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected under company law to prepare the Company financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgments and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Applied Graphene Materials plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITOR'S REPORT

to the members of Applied Graphene Materials plc

## Opinion

We have audited the financial statements of Applied Graphene Materials Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2020 which comprise the consolidated Income statement and statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of changes in shareholders' equity, the consolidated and parent company cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to the Group and company accounting policies in the financial statements, which indicate that the Group and Parent company are dependent on raising additional funding in the next twelve months to allow them to meet their liabilities as they fall due. As stated in the Group and company accounting policies, these events or conditions, along with the other matters as set forth in the Group and company accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Summary of our audit approach

<b>Key audit matters</b>	<p><b>Group</b> None.</p> <p><b>Parent Company</b> None.</p>
<b>Materiality</b>	<p><b>Group</b></p> <ul style="list-style-type: none"> <li>• Overall materiality: £366,000 (2019: £474,000).</li> <li>• Performance materiality: £274,000 (2019: £355,000).</li> </ul> <p><b>Parent Company</b></p> <ul style="list-style-type: none"> <li>• Overall materiality: £222,000 (2019: £237,000).</li> <li>• Performance materiality: £166,000 (2019: £178,000).</li> </ul>
<b>Scope</b>	Our audit procedures covered 100% of revenue, total assets and result before tax.

## Key audit matters

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there are no other key audit matters to communicate in our report.



## Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
<b>Overall materiality</b>	Overall materiality: £366,000 (2019: £474,000).	Overall materiality: £222,000 (2019: £237,000).
<b>Basis for determining overall materiality</b>	10% of result before tax.	2.2% of net assets. The percentage applied to the benchmark has been restricted for the purpose of calculating an appropriate component materiality.
<b>Rationale for benchmark applied</b>	The measure has been selected on the basis that this benchmark is of most relevance to the users of the financial statements.	Net assets selected as the parent company is purely a holding company and no income statement is presented.
<b>Performance materiality</b>	Performance materiality: £274,000 (2019: £355,000).	Performance materiality: £166,000 (2019: £178,000).
<b>Basis for determining performance materiality</b>	75% of overall materiality.	75% of overall materiality.
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of £18,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £11,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

The group consists of 2 components, all of which are based in the UK. The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Result before tax
Full scope audit	2	100%	100%	100%
<b>Total</b>	<b>2</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 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.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Applied Graphene Materials plc

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Thornton (Senior Statutory Auditor)**

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Central Square

Fifth Floor

29 Wellington Street

Leeds

LS1 4DL

13 October 2020



# CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
<b>Revenue</b>	1	<b>83</b>	50
Cost of sales		<b>(215)</b>	(472)
<b>Gross loss</b>		<b>(132)</b>	(422)
Other income	4	—	74
Operating expenses		<b>(3,566)</b>	(4,554)
<b>EBITDA</b>		<b>(3,084)</b>	(4,559)
Exceptional costs	2	<b>(168)</b>	—
Depreciation of property, plant and equipment	10	<b>(446)</b>	(343)
<b>Operating loss</b>	2	<b>(3,698)</b>	(4,902)
Finance expense	6	<b>(8)</b>	—
Finance income	6	<b>41</b>	67
<b>Loss before tax</b>		<b>(3,665)</b>	(4,835)
Tax credit	7	<b>476</b>	908
<b>Loss for the year attributable to equity shareholders</b>		<b>(3,189)</b>	(3,927)
Other comprehensive income		—	—
<b>Total comprehensive expense</b>		<b>(3,189)</b>	(3,927)
<b>Loss per share (pence per share)</b>			
Basic	8	<b>(6.4)</b>	(7.9)
Adjusted	8	<b>(6.1)</b>	(7.9)

EBITDA comprises loss before finance income, tax, exceptional costs and depreciation.

# CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 July 2020

	Note	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	9	276	—	155	—
Property, plant and equipment	10	1,420	—	1,645	—
Investments	11	—	196	—	196
Trade and other receivables	13	—	6,294	—	8,332
		1,696	6,490	1,800	8,528
<b>Current assets</b>					
Inventories	12	74	—	52	—
Trade and other receivables	13	281	790	171	952
Corporation tax recoverable		482	—	1,323	—
Cash and cash equivalents		3,685	2,948	6,135	5,837
		4,522	3,738	7,681	6,789
<b>Total assets</b>		<b>6,218</b>	<b>10,228</b>	<b>9,481</b>	<b>15,317</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities	14	(4)	—	—	—
<b>Current liabilities</b>					
Trade and other payables	14	(929)	(342)	(993)	(241)
<b>Total liabilities</b>		<b>(933)</b>	<b>(342)</b>	<b>(993)</b>	<b>(241)</b>
<b>Net current assets</b>		<b>3,593</b>	<b>3,396</b>	<b>6,688</b>	<b>6,548</b>
<b>Net assets</b>		<b>5,285</b>	<b>9,886</b>	<b>8,488</b>	<b>15,076</b>
<b>Equity</b>					
Called up share capital	16	989	989	989	989
Share premium account	17	27,473	27,473	27,473	27,473
Merger reserve	18	1,231	—	1,231	—
Retained earnings		(24,408)	(18,576)	(21,205)	(13,386)
<b>Total equity</b>		<b>5,285</b>	<b>9,886</b>	<b>8,488</b>	<b>15,076</b>

The Parent Company's loss for the financial year was £5,176,000 (2019: loss of £13,872,000).

The financial statements on pages 57 to 80 were approved by the Board of Directors on 13 October 2020 and were signed on its behalf by:

Adrian Potts  
Chief Executive Officer

David Blain  
Chief Financial Officer

**Applied Graphene Materials plc**

Registered number 08708426





## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 July 2020

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 August 2018</b>	989	27,473	1,231	(17,572)	12,121
Loss for the year and total comprehensive expense	—	—	—	(3,927)	(3,927)
IFRS 2 share based payments	—	—	—	294	294
<b>At 31 July 2019</b>	989	27,473	1,231	(21,205)	8,488
Loss for the year and total comprehensive expense	—	—	—	(3,189)	(3,189)
IFRS 2 share based payments	—	—	—	(14)	(14)
<b>At 31 July 2020</b>	<b>989</b>	<b>27,473</b>	<b>1,231</b>	<b>(24,408)</b>	<b>5,285</b>

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 July 2020

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
<b>At 1 August 2018</b>	989	27,473	192	28,654
Loss for the year and total comprehensive expense	—	—	(13,872)	(13,872)
IFRS 2 share based payments	—	—	294	294
<b>At 31 July 2019</b>	989	27,473	(13,386)	15,076
Loss for the year and total comprehensive expense	—	—	(5,176)	(5,176)
IFRS 2 share based payments	—	—	(14)	(14)
<b>At 31 July 2020</b>	<b>989</b>	<b>27,473</b>	<b>(18,576)</b>	<b>9,886</b>

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENT**

for the year ended 31 July 2020

	Note	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
<b>Operating activities</b>					
Net cash used in operations	21	(3,465)	(184)	(4,184)	(284)
Corporation tax received		1,316	—	—	—
Finance income		41	40	69	69
<b>Net cash used in operating activities</b>		<b>(2,108)</b>	<b>(144)</b>	<b>(4,115)</b>	<b>(215)</b>
<b>Investing activities</b>					
Loans advanced to subsidiary undertakings		—	(2,745)	—	(4,125)
Purchase of intangible assets		(121)	—	(77)	—
Purchase of property, plant and equipment		(221)	—	(116)	—
<b>Net cash used in investing activities</b>		<b>(342)</b>	<b>(2,745)</b>	<b>(193)</b>	<b>(4,125)</b>
<b>Net decrease in net cash and cash deposits</b>		<b>(2,450)</b>	<b>(2,889)</b>	<b>(4,308)</b>	<b>(4,340)</b>
Net cash and cash deposits at 31 July 2019		6,135	5,837	10,443	10,177
<b>Net cash and cash deposits at 31 July 2020</b>		<b>3,685</b>	<b>2,948</b>	<b>6,135</b>	<b>5,837</b>
Net cash and cash deposits include:					
Cash (maturity less than 95 days)		3,685	2,948	6,135	5,837
<b>Net cash and cash deposits at 31 July 2020</b>		<b>3,685</b>	<b>2,948</b>	<b>6,135</b>	<b>5,837</b>



# GROUP AND COMPANY ACCOUNTING POLICIES

## General information

The principal activity of Applied Graphene Materials plc (the Company) is that of a holding company for a group of companies which is involved in the manufacture, dispersion and development of applications for graphene. The Company and the Group operate principally in the United Kingdom.

The Company is limited by shares, incorporated and domiciled in the United Kingdom and its registered number is 08708426. The address of the registered office is The Wilton Centre, Redcar, Cleveland TS10 4RF. The Company was incorporated on 27 September 2013.

The Company has elected to take the exemption permitted by Section 408 of the Companies Act 2006 not to present the Parent Company's income statement.

For the preparation of these consolidated financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 August 2019.

During the year, the Group adopted IFRS 16 Leases (IFRS 16) for the first time. IFRS 16 replaces IAS 17 Leases (IAS 17). The Group previously classified leases between "finance leases" that transferred substantially all the risks and rewards incidental to ownership of the asset to the Group and "operating leases".

The main change on application of IFRS 16 is the accounting for "operating leases", where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight line basis over the lease term. Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except "low value" and "short term" leases where lease payments are recognised on a straight line basis over the lease term.

The Group has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 August 2019. Therefore, the comparative figures are as previously reported under IAS 17. The Group has applied this approach subject to the transition provisions set out below:

- For all contracts that existed prior to 1 August 2019, the Group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- Rely on previous assessments of whether leases are onerous as an alternative to performing an impairment review. There were no onerous leases as at 1 August 2019.
- A single discount rate has been applied to portfolios of leases with similar characteristics.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

As at 1 August 2019, the Group recognised right-of-use assets and a lease liability of £174,000 in the statement of financial position.

The amounts recognised for leases at 1 August 2019 have been measured as follows:

- The lease liability is measured at the present value of the remaining lease payments at 1 August 2019, discounted at the lessee's incremental borrowing rate of 8% at that date.
- The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above.

The following other new standards and amended standards, none of which have had a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial period commencing 1 August 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015–2017 Cycle

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements and which are considered potentially relevant, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations

The Directors anticipate that the adoption of the amendments to standards in future periods will have no material impact on the recognition and measurement of assets and liabilities and the associated performance of the Group or the Company when the relevant standards and interpretations come into effect.

## GROUP AND COMPANY ACCOUNTING POLICIES CONTINUED

### Basis of accounting

The consolidated financial statements of the Group have been presented under the historical cost accounting convention, with the exception of share based payments at fair value, and in accordance with IFRS as adopted by the European Union, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The financial statements are prepared in Pounds Sterling, which is also the functional currency. Monetary amounts in the financial statements have been rounded to the nearest £'000.

### Going concern

As a group developing new applications for recently discovered materials, the Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the commercialisation programme and raise additional working capital on an ad hoc basis to support the Group's activities. The Group has no bank facilities and has been meeting its working capital requirements from cash resources. At the year end, the Group had cash and cash equivalents amounting to £3.7 million (2019: £6.1 million).

The Directors have prepared cash flow forecasts for the Group for the period to July 2022 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period.

The cash flow forecasts based on non-discretionary cash requirements include normal operating costs for operations together with all committed development expenditure. They indicate that the Group currently has sufficient cash resources to meet liabilities as they fall due for at least the next twelve months.

However, the above scenario does not meet the commercial expansion envisaged by the Board following the launch of new products and significant increase in distribution achieved recently. In order to deliver the commercial expansion of the Group and its strategy, the forecasts indicate that the Group will need to raise additional funding for its working capital needs as cash, while being available up to the end of the financial year ended 31 July 2021, would run out in October 2021 based on these forecasts.

The Board remains confident that the Group will be able to secure the required funding through equity issue or other financial instruments. However, the timing and availability of funding sources is currently outside of the control of the Board and none of this funding is committed at the date of these financial statements. This condition represents a material uncertainty regarding the use of the going concern basis.

Whilst noting the material uncertainty above, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

### Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses from intra-group transactions, are eliminated.

### Foreign currencies

#### Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the relevant exchange rates prevailing at the balance sheet date. Exchange gains and losses are taken to the income statement.

### Revenue

Revenue is recognised at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business and is shown net of value-added tax. The Group primarily earns revenues from the sale of graphene based products and dispersions. Revenues are recognised following dispatch.

### Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as other income on a systematic basis over the time periods that the costs, which it is intended to compensate, are expensed (including any periods of grant monitoring). Where the grant relates to an asset, it is recognised as deferred income and released in equal amounts over the expected useful life of the related asset (after also taking account of any periods of grant monitoring). Owing to the stage of the Group's development as a business primarily engaged in research, management attributes this income to the Group's principal activities and has presented grant income above the gross profit line in the income statement.



## Investments

Investments are stated at cost, less any provisions for impairment, which the Directors consider to be a reasonable approximation to fair value.

## Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. Intangible assets, which comprise licences and intellectual property, are amortised to the income statement using the straight line method over the shorter of their estimated useful life and period of contractual rights. The estimated useful life and period of contractual rights is expected to be 20 years.

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Plant and machinery	five to ten years straight line
Fixtures and fittings	five years straight line
Computer equipment	three years straight line
Right-of-use assets	over the life of the lease
Construction in progress	not depreciated

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

## Leases

On commencement of a contract which gives the Group the right to use assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a “short term” lease (term is twelve months or less with no option to purchase the lease asset) or a “low value” lease (where the underlying asset is £4,000 or less when new).

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise. Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate and any residual value guarantees.

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss. Variable lease payments are not included in the measurement of the lease liability as they are not dependent on an index or rate and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Rentals payable under short term or low value operating leases are charged to the income statement on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

## Impairment of non-current assets

At each reporting date, the Group and Company review the carrying values of their non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable value is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable value. Any impairment loss identified is immediately recognised in the income statement.

## Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first in, first out method. Appropriate provisions for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

## GROUP AND COMPANY ACCOUNTING POLICIES CONTINUED

### Financial instruments

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. All financial instruments are currently measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### Recognition of financial assets and financial liabilities

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

### Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

### Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### Trade receivables

Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value and are subsequently measured at amortised cost less provision for impairment.

### Intra-group receivables

Intra-group receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

### Cash

Cash comprises cash on hand, demand deposits and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash has a maturity period of 95 days or less which is used to meet working capital requirements. The Directors therefore judge it appropriate to treat these as cash.



## Financial instruments continued

### Trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method. This method allocates interest expense over the relevant period by applying the “effective interest rate” to the carrying amount of the liability.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Share based payments

The Group issues share options to certain employees which are measured at fair value and are recognised as an expense in the income statement with a corresponding increase in retained earnings. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The options are equity settled.

The fair value of these payments is measured at the date of each grant using an appropriate option pricing model, and is recognised over the period during which employees become unconditionally entitled to the awards. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to retained earnings.

### Employee benefits

The Group operates a defined contribution pension scheme. Contributions to the defined contribution pension scheme are charged to the income statement in the financial year to which the contributions relate. The contributions paid by the Group and the employees are invested within the individual pension funds in the month following the month of deduction.

### Exceptional costs

Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements are referred to as exceptional costs. Such items are disclosed separately within the financial statements.

### Research and development

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

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

Development costs not meeting these criteria for capitalisation are expensed as incurred. No development costs have been capitalised to date.

### Current and deferred tax

The tax expense or credit represents the sum of the tax currently payable or receivable together with the movement in deferred tax.

The tax currently receivable is based on the taxable loss for the year and includes the benefit of research and development tax credits. Taxable loss differs from the loss before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's receivable for current tax is calculated using tax rates that have been enacted or substantively enacted as at the balance sheet date.



## GROUP AND COMPANY ACCOUNTING POLICIES CONTINUED

### Current and deferred tax continued

Research and development tax credits for the year are calculated after having taken into account the level of research and development work carried out during the year.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax 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 to allow all or part of the asset to be recovered.

Deferred tax is calculated with reference to rates that are substantively enacted at the balance sheet date and expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the related deferred tax is also dealt with as an addition or reduction in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's and Company's accounting policies.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant judgments and estimates set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

### Judgments involving estimation – Group

#### Equity settled share based payments

The estimation and judgment related to share based payment expenses includes the selection of an appropriate valuation option pricing model, consideration as to the inputs necessary for the valuation model chosen, and the estimation of the number of awards that will ultimately vest. Inputs subject to estimation relate to the future volatility of the share price which has been estimated based on the historical observed volatility from trading in the Company's shares, over a historical period of time between the date of the grant and the date of exercise.

Management has used a Monte-Carlo model to calculate the fair value of the awards which include market based performance conditions. The Black-Scholes method has been used for the options awarded to staff during the year as they do not include market based performance conditions. The share based payment credit for the period was £14,000 (2019: charge £294,000) and further disclosure of inputs relevant to the calculations is set out in note 19 to the financial statements.

### Research and development tax credits

Research and development tax credits for the year ended 31 July 2020 totalling £476,000 (2019: £700,000) have been calculated using estimates and judgments consistent with the prior year detailed computation submitted to and approved by HMRC. Estimation is applied in assessing the amount of time allocated to R&D programmes and is used in concluding upon the extent to which the Group's activity will qualify for the enhanced relief. Further disclosures relating to research and development tax credits are included in note 7 to the financial statements.

### Impairment of non-current assets

At each reporting date the Directors review the carrying values of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Having completed this review the Directors have concluded that there is no impairment charge during the year.

In drawing their conclusions on this matter, the Directors have considered the market capitalisation of the Group at 31 July 2020. They note that Group net assets of £5.3 million are substantially below market capitalisation of £9.9 million. On the assumption that market capitalisation is a reliable proxy for fair value, this would suggest that there is no impairment within the Group balance sheet. The carrying value of non-current assets totalled £1.9 million (2019: £1.8 million) and is disclosed in notes 9 and 10 to the financial statements.



## **Judgments involving estimation – Group continued**

### **Deferred tax assets**

Deferred tax assets and liabilities require management judgment in determining the amounts to be recognised. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

In previous years the Group has not recognised a deferred tax asset in relation to the Group's cumulative tax losses. Having given due consideration to whether it is pertinent to recognise a deferred tax asset the Board has determined that there has been no substantive change in circumstances and as such has concluded that it is not appropriate to recognise a deferred tax asset at this time. The unprovided asset of £3,001,000 (2019: £1,891,000), as included in note 7 to the financial statements, will only be recognised once it is probable that future taxable profits will be available against which the asset can be utilised.

### **Capitalisation of development costs**

The Group's accounting policy in respect of development costs is set out above. The Directors have exercised their judgment in assessing whether development costs incurred during the year meet the conditions set out in IAS 38. Having carefully considered the expenditure in the year and the current state of development of the business, the Directors have concluded that no such costs should be capitalised as there is currently insufficient evidence that any asset will probably generate future economic benefits. This judgment will be reviewed on an ongoing basis.

Research and development costs totalling £1,465,000 (2019: £2,285,000) have been expensed during the year, as disclosed in note 2 to the financial statements.

## **Judgments involving estimation – Company only**

### **Recoverability of intercompany receivables**

Amounts owed by subsidiary undertakings represent loans made to the Company's main subsidiary undertaking at a rate of 8% per annum until 31 July 2019 and from 1 August 2019 the loan was made interest free. The gross loan advanced by the Company is £28.5 million (2019: £25.6 million). Whilst the loan is legally repayable on demand, the Company has confirmed to the subsidiary undertaking that it does not intend to demand repayment within at least one year.

In accordance with IFRS 9 Financial Instruments, as the subsidiary undertaking cannot repay the loan at the reporting date, the Company has made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, a lifetime expected credit loss (ECL) of £11.2 million (2019: £11.2 million) has been provided.

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgment, in particular determining the probability weighted likely outcome for each scenario considered. The Directors' assessment of ECL included repayment through future cash flows over time (which are inherently difficult to forecast for the Company at its current stage of development) and also the amount that could be realised through an immediate sale of the subsidiary undertaking. The Directors' assessment of repayment through future cash flows included a scenario where the loan was not recovered in full.

Given the quantum of the provision recorded at 31 July 2020, the outcome is materially sensitive to the key assumptions inherent in the calculation. However, in light of the IAS 36 impairment provision recorded at 31 July 2020 and described below, any change in the recorded ECL provision would be equally offset by an adjustment to the IAS 36 provision and there would be no change in Company net assets.

The carrying value of amounts owed by subsidiary undertakings at 31 July 2020 was £7.0 million (2019: £9.2 million) and is disclosed in note 13 to the financial statements.

On application of IFRS 9 an adjustment totalling £2,000,000 was made to the opening balance sheet position at 1 August 2018.

### **Impairment of Parent Company net assets**

Following the recording of the expected credit loss described above, the Company's net assets totalled £14.7 million (2019: £21.1 million). This was above the market capitalisation of the Group at 31 July 2020 of £9.9 million (2019: £15.1 million). In accordance with IAS 36, the Directors have considered whether this situation was an indicator of impairment and concluded that an impairment review should be performed at 31 July 2020.

In light of the development of the Group in the period, and the delays encountered in respect of making substantive commercial progress with regard to revenue generation, the Directors concluded that the value in use calculated in accordance with IAS 36 was lower than fair value. This conclusion was in part due to much of the anticipated revenue growth for the Group being in the longer term and the restrictive nature of growth assumptions permitted by IAS 36 after five years. Accordingly, the Directors have recorded a further IAS 36 impairment provision against the Company balance sheet (as part of amounts owed by subsidiary undertakings) reducing the net assets to the market capitalisation at that date of £9.9 million (2019: £15.1 million). The key estimate made by the Directors in this regard relates to the use of market capitalisation as a measure of fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Segmental information

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. The Group has one operating segment: the manufacture, dispersion and development of applications for graphene. 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. As the business evolves this is an area that will be assessed on a regular basis and additional segmental reporting will be provided at the appropriate time.

During the year ended 31 July 2020, there were two significant customers which generated revenue of £22,000 and £9,000 (2019: £9,000 and £5,000).

The Group's revenue by geographic location based on the customer's location is as follows:

	2020 £'000	2019 £'000
UK	50	12
Europe	14	18
Rest of World	19	20
	83	50

## 2 Operating loss

	2020 £'000	2019 £'000
<b>Operating loss is stated after charging:</b>		
Operating leases	—	232
Wages, salaries, social security, pension costs and IFRS 2 share based payments	2,198	3,098
Research and development expense*	1,465	2,285
Depreciation of property, plant and equipment	446	343

\* Included within research and development expense are staff costs totalling £1,219,000 (2019: £1,678,000) which are also included as part of wages and salaries included above and in note 3.

The operating loss is stated after charging exceptional costs of £168,000 (2019: £nil) relating to redundancy costs arising from the realignment of the Group's activities and a reduction in costs.

### Services provided by the Group's auditors

During the year the Group obtained the following services from its auditors at costs as detailed below:

	2020 £'000	2019 £'000
<b>Audit services</b>		
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	23	18
Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	12	9
<b>Non-audit services</b>		
Fees payable to the Company's auditors and their associates for other services:		
– other services	—	7
	35	34



### 3 Directors and employees

The aggregate payroll costs of employees, including Directors, were:

	2020 £'000	2019 £'000
Wages and salaries	1,843	2,435
Social security costs	236	244
Other pension costs	133	125
IFRS 2 share based payments	(14)	294
	<b>2,198</b>	3,098

All Directors of the Group are employed by the Company, and the Company includes no other employees. The remuneration of the Directors (which forms part of these financial statements) is set out in the Remuneration report on pages 48 and 49.

At 31 July 2020 outstanding pension contributions totalling £4,000 (2019: £13,000) are included in other creditors.

The average number of persons employed by the Group during the year was:

Group	2020 £'000	2019 £'000
Engineering, technical and production	20	28
Other	7	9
Directors	6	6
<b>Average monthly number of employees</b>	<b>33</b>	43

### 4 Other income

	2020 £'000	2019 £'000
Other income – grants	—	74
	<b>—</b>	74

### 5 Obligations under leases

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

	Group 2020 £'000	Group 2019 £'000
Operating leases which expire:		
– not later than one year	—	157
– one to three years	—	26
	<b>—</b>	183

From 1 August 2019, the Group has recognised right-of-use assets for leases, except short term and low value leases. See note 10 for further information.

### 6 Net finance income

	Group 2020 £'000	Group 2019 £'000
Interest receivable on bank deposits	41	67
Interest on lease liabilities	(8)	—
<b>Net finance income</b>	<b>33</b>	67

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 7 Tax on loss

	2020 £'000	2019 £'000
<b>Current tax</b>		
Corporation tax:		
Current year	(476)	(700)
Adjustments in respect of prior years	—	(208)
<b>Total current tax</b>	<b>(476)</b>	<b>(908)</b>
<b>Deferred tax</b>		
UK deferred tax	—	—
Adjustments in respect of prior years	—	—
<b>Total deferred tax</b>	<b>—</b>	<b>—</b>
	<b>(476)</b>	<b>(908)</b>

The tax assessed for the year is the same (2019: the same) as the UK corporation tax rate of 19% (2019: 19%). The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate as follows:

	2020 £'000	2019 £'000
<b>Loss before tax</b>	<b>(3,665)</b>	<b>(4,835)</b>
Tax at the UK corporation tax rate	(696)	(919)
Expenses not deductible for tax purposes	289	58
Income not taxable	(19)	—
R&D expenditure	351	412
Movements on unrecognised deferred tax balances	75	384
R&D tax credit provision in respect of prior year	—	(208)
R&D tax credit provision in respect of current year	(476)	(700)
Other timing differences	—	65
<b>Tax credit for the year</b>	<b>(476)</b>	<b>(908)</b>

Other timing differences relate to permanent and temporary timing differences which are not allowable for taxation purposes.

Deferred tax assets totalling approximately £3,001,000 (2019: £1,891,000) have not been recognised.

Legislation to reduce the UK corporation tax rate from 19% to 17% with effect from 1 April 2020 was substantively enacted at 30 April 2019. Further legislation to cancel this reduction was substantively enacted at 30 April 2020. A rate of 19% (2019: 17%) has been applied in the measurement of the Group's deferred tax assets in the year.

## 8 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:

	2020 million	2019 million
Weighted average number of shares for basic earnings per share	49.4	49.4

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 Group was loss making for the years ended 31 July 2019 and 31 July 2020; therefore, the dilutive effect of share options has not been disclosed since this would decrease the loss per share for each of the years reported.



## 8 Earnings per share continued

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:

	2020 £'000	2019 £'000
<b>Basic earnings</b>	<b>(3,189)</b>	(3,927)
Exceptional costs	168	—
<b>Adjusted earnings</b>	<b>(3,021)</b>	(3,927)
<b>Loss per share (pence per share)</b>		
Basic	<b>(6.4)</b>	(7.9)
<b>Adjusted loss per share (pence per share)</b>		
Basic	<b>(6.1)</b>	(7.9)

## 9 Intangible assets

Group	Intellectual property £'000	Total £'000
<b>Cost</b>		
At 1 August 2018	78	78
Additions	77	77
At 31 July 2019	155	155
Additions	121	121
<b>At 31 July 2020</b>	<b>276</b>	<b>276</b>
<b>Accumulated amortisation</b>		
At 1 August 2018	—	—
Charge for the year	—	—
At 31 July 2019	—	—
Charge for the year	—	—
<b>At 31 July 2020</b>	<b>—</b>	<b>—</b>
<b>Net book value</b>		
<b>At 31 July 2020</b>	<b>276</b>	<b>276</b>
At 31 July 2019	155	155

The intellectual property is in relation to patent costs. These patents have not yet been granted; therefore, no amortisation has been charged in relation to these for the year. The costs relating to patents that have been granted were incurred before 2012 and were not capitalised as they were either incurred before the formation of the spin-out from Durham University or were expensed in the income statement.

The Company had no intangible assets in the year ended 31 July 2019 and the year ended 31 July 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 10 Property, plant and equipment

Group	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Right-of-use assets £'000	Construction in progress £'000	Total £'000
<b>Cost</b>						
At 1 August 2018	52	2,011	44	—	656	2,763
Additions	25	77	2	—	12	116
Transfers	—	668	—	—	(668)	—
Disposals	—	(12)	(1)	—	—	(13)
At 31 July 2019	77	2,744	45	—	—	2,866
Right-of-use assets on transition to IFRS 16	—	—	—	174	—	174
Additions	—	34	13	—	—	47
Disposals	—	(2)	(1)	—	—	(3)
<b>At 31 July 2020</b>	<b>77</b>	<b>2,776</b>	<b>57</b>	<b>174</b>	<b>—</b>	<b>3,084</b>
<b>Accumulated depreciation</b>						
At 1 August 2018	(30)	(812)	(40)	—	—	(882)
Charge for the year	(13)	(327)	(3)	—	—	(343)
Disposals	—	3	1	—	—	4
At 31 July 2019	(43)	(1,136)	(42)	—	—	(1,221)
Charge for the year	(11)	(282)	(3)	(150)	—	(446)
Disposals	—	2	1	—	—	3
<b>At 31 July 2020</b>	<b>(54)</b>	<b>(1,416)</b>	<b>(44)</b>	<b>(150)</b>	<b>—</b>	<b>(1,664)</b>
<b>Net book value</b>						
<b>At 31 July 2020</b>	<b>23</b>	<b>1,360</b>	<b>13</b>	<b>24</b>	<b>—</b>	<b>1,420</b>
At 31 July 2019	34	1,608	3	—	—	1,645

The carrying amount and depreciation of right-of-use assets all relate to property leases.

Differences between the operating lease commitments disclosed at 31 July 2019 under IAS 17 discounted at the incremental borrowing rate at 1 August 2019 and lease liabilities recognised at 1 August 2019 are explained below:

	Liability £'000
Operating lease commitments disclosed as at 31 July 2019	183
Discounted using the lessee's incremental borrowing rate as at 1 August 2019	(9)
Balance at 1 August 2019	174

The Company had no property, plant and equipment in the year ended 31 July 2019 and the year ended 31 July 2020.





## 11 Investments

Company	Investment in subsidiaries £'000
<b>Cost</b>	
At 1 August 2018	196
IFRS 2 share based payments relating to subsidiary undertakings	262
IFRS 2 share based payments recharged to subsidiary undertakings	(262)
At 31 July 2019	196
IFRS 2 share based payments relating to subsidiary undertakings	(98)
IFRS 2 share based payments recharged to subsidiary undertakings	98
<b>At 31 July 2020</b>	<b>196</b>
<b>Provision for impairment</b>	
At 1 August 2018	—
At 31 July 2019	—
<b>At 31 July 2020</b>	<b>—</b>
<b>Net book value</b>	
<b>At 31 July 2020</b>	<b>196</b>
At 31 July 2019	196

At 31 July 2020 the Company held more than 20% of the allotted share capital of the following subsidiary undertakings:

	Country of incorporation	Class of share capital	Proportion held by Parent Company	Principal activities
Applied Graphene Materials UK Limited, Office 2, Innovation Centre, Wilton Site, Redcar, Cleveland TS10 4RF	England	Ordinary	100%	Research, development and manufacture of graphene
Applied Graphene Ventures Limited, The Wilton Centre, Wilton, Redcar, Cleveland TS10 4RF	England	Ordinary	100%	Dormant

## 12 Inventories

Group	2020 £'000	2019 £'000
Finished goods	36	12
Spares	38	40
	<b>74</b>	52

The Directors believe that the carrying value of inventories is exceeded by their net realisable value. The amount of inventories recognised as an expense during the year was £6,500 (2019: £61,000).

The Company had no inventories in the year ended 31 July 2019 and the year ended 31 July 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 13 Trade and other receivables

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Amounts owed by subsidiary undertakings	—	6,977	—	9,209
Trade receivables	16	—	3	—
Other receivables	64	47	26	5
Prepayments and accrued income	201	60	142	70
	281	7,084	171	9,284
Non-current	—	6,294	—	8,332
Current	281	790	171	952
	281	7,084	171	9,284

Contractual payment terms with the Group's customers are typically 30 days. There are no provisions for impairment losses in respect of trade and other receivables.

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on the Group's credit risk management policies, refer to note 15. The carrying amounts of the Group's receivables are all denominated in Pounds Sterling.

All classes within trade and other receivables do not contain assets which are considered to be impaired. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The amounts owed by subsidiary undertakings include a loan to Applied Graphene Materials UK Limited for £28,332,000 (2019: £25,587,000) which accrued interest at a rate of 8% per annum until 31 July 2019, after which the loan became interest free. The loan is repayable, in full, on demand by the Parent Company. The Parent Company has confirmed that it does not intend to seek repayment of the loan balance for at least twelve months from the date of these financial statements, other than in a change of control event. The intercompany loan has been impaired by £11,175,000 (2019: £11,197,000) under IFRS 9 and £10,863,000 (2019: £6,057,000) under IAS 36. See page 67 for further details.

£683,000 (2019: £877,000) of the balance relates to trade debt to Applied Graphene Materials UK Limited, which does not accrue interest and is repayable, in full, on demand by the Parent Company.

## 14 Trade and other payables

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Current liabilities				
Trade payables	202	56	229	34
Other tax and social security	37	17	62	15
Accruals and deferred income	664	269	689	192
Lease liabilities	21	—	—	—
Other creditors	5	—	13	—
	929	342	993	241
Non-current liabilities				
Lease liabilities	4	—	—	—
	4	—	—	—



## 14 Trade and other payables continued

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms (2019: 30 to 45 days).

The Directors consider that the carrying value of trade and other payables approximates to their fair value. All trade and other payables are denominated in Pounds Sterling.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

Non-current lease liabilities relate to land and buildings leases which expire in one to five years.

## 15 Financial instruments

The Group and Company are exposed to the risks that arise from their use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Group is funded principally by equity. The capital structure of the Group consists of equity, comprising issued share capital. The Group has no externally imposed capital requirements.

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

### Principal financial instruments

The principal financial instruments used by the Group are as follows:

- trade and other receivables;
- trade and other payables;
- cash; and
- cash deposits.

### Financial assets

At the reporting date, the Group and Company held the following financial assets which represent the maximum risk exposure:

	<b>Group 2020 £'000</b>	<b>Company 2020 £'000</b>	Group 2019 £'000	Company 2019 £'000
Cash	<b>3,685</b>	<b>2,948</b>	6,135	5,837
Trade receivables	<b>16</b>	<b>—</b>	3	—
Amounts owed by subsidiary	<b>—</b>	<b>6,977</b>	—	9,209
Other receivables	<b>64</b>	<b>47</b>	26	5
	<b>3,765</b>	<b>9,972</b>	6,164	15,051

### Financial liabilities

At the reporting date, the Group and Company held the following financial liabilities, all of which were classified as other financial liabilities:

	<b>Group 2020 £'000</b>	<b>Company 2020 £'000</b>	Group 2019 £'000	Company 2019 £'000
Trade payables	<b>202</b>	<b>56</b>	229	34
Other payables	<b>694</b>	<b>269</b>	702	192
	<b>896</b>	<b>325</b>	931	226

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 15 Financial instruments continued

## Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade and other receivables. The concentration of the Group's credit risk is considered by counterparty, geography and currency.

The Group gives careful consideration to which organisation it uses for its banking services in order to minimise credit risk. The Group has significant concentrations of cash, which it has placed on deposit with four institutions, each of which has a minimum credit rating of A (long term, as assessed by Standard & Poor's). At the year end, the cash and cash deposits at each reporting date were denominated in the following currencies:

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Pound Sterling	3,645	2,948	6,115	5,837
US Dollar	29	—	9	—
Euro	11	—	11	—
	3,685	2,948	6,135	5,837

The nature of the Group's business and the current stage of its development are such that individual customers can comprise a significant proportion of its trade and other receivables at any point in time. The Group mitigates the associated risk by close monitoring of the debtor ledger.

At 31 July 2020, the Group's trade receivables balance was £16,000 (2019: £3,000). The carrying amount of financial assets recognised at the year end represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. In the Directors' opinion, there has been no material impairment of any Group financial assets at any point during the year.

No collateral is held by the Group as security in relation to its financial assets.

## Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Directors. The Directors manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cash flow forecasts and medium term working capital projections.

At 31 July 2020, the Group had £3,685,000 (2019: £6,135,000) of cash and cash deposit reserves.

## Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. During the year, both these risks were considered to have been minimal.

## Foreign currency risk management

The Group's exposure to foreign currency risk is limited since the vast majority of its invoicing and the majority of its payments are in Pounds Sterling. There are minimal balances held in foreign currencies at each reporting date and the Group has made no significant payments in foreign currencies other than US Dollar and Euro. Accordingly, no sensitivity analysis has been presented as this is immaterial. As a result of the low level of perceived risk, the Group does not use, or plan to use, any instruments to mitigate foreign exchange risk.

## Interest rate risk management

The Group's exposure to interest rate risk is limited since the Group has no debt, and there is little movement on deposit interest rates. Accordingly, no sensitivity analysis has been presented since this is immaterial. As a result of the low level of perceived risk, the Group does not use, or plan to use, any instruments to mitigate interest rate risk.

## Maturity of financial assets and liabilities

£929,000 (2019: £993,000) of the Group's non-derivative financial liabilities are payable within one year. £4,000 (2019: £nil) of the Group's non-derivative financial liabilities are payable after more than one year. All of the Group's non-derivative financial assets at each reporting date are receivable within one year.



## 16 Called up share capital

	Number of Ordinary shares	Total £'000
<b>Allotted, called up and fully paid</b>		
At 1 August 2018 – Ordinary shares of 2 pence each	49,429,380	989
At 31 July 2019 – Ordinary shares of 2 pence each	49,429,380	989
<b>At 31 July 2020 – Ordinary shares of 2 pence each</b>	<b>49,429,380</b>	<b>989</b>

## 17 Share premium account

	£'000
At 1 August 2018	27,473
At 31 July 2019	27,473
<b>At 31 July 2020</b>	<b>27,473</b>

The share premium account comprises the excess value recognised from the issue of Ordinary shares for consideration above par value.

## 18 Merger reserve

	£'000
At 1 August 2018	1,231
At 31 July 2019	1,231
<b>At 31 July 2020</b>	<b>1,231</b>

The merger reserve is a non-distributable reserve that arose through the application of merger relief to the shares issued in 2013 in connection with the acquisition of Applied Graphene Materials UK Limited.

## 19 Share based payments

The Group operates a number of employee share option schemes, which run over a number of different time periods to reflect when awards have been made to Directors and employees. These schemes include:

- SAYE;
- non-approved executive options; and
- EMI.

The Group's SAYE scheme is open to UK employees of the Group and is not subject to any performance conditions. SAYE takes the form of a monthly savings contract over a three year term, at the end of which participants have the opportunity to acquire shares in the Company at the option price determined at the date of grant.

During the year, the Group has recorded an IFRS 2 credit of £14,000 (2019: charge £294,000). The current year credit arose primarily due to options lapsing on cessation of employment of staff. The majority of the current year charge is derived from three awards made. The fair value of options and significant assumptions used in the calculation of the Group's IFRS 2 charge were as follows:

Grant date	7 May 2020	31 July 2019	31 January 2019
Scheme	EMI/non-approved	EMI/non-approved	EMI/non-approved
Share price at date of grant (£)	£0.095	£0.295	£0.32
Exercise price (£)	£nil	£nil	£nil
Number of participants	20	8	3
Shares under option	1,154,672	250,000	901,164
Vesting period (years)	3	2.3	2.8
Expected volatility (%)	56%	56%	56%
Option life (years)	10	10	10
Expected life (years)	3	3	3
Risk free rate (%)	0.77%	0.77%	0.77%
Expected dividend yield (%)	Nil	Nil	Nil
Fair value per option (£)	£0.095	£0.20	£0.20
Valuation model	Black-Scholes	Monte-Carlo	Monte-Carlo

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**19 Share based payments** continued

The expected volatility is based on the historical observed volatility from trading in the Company's shares, over a historical period of time between the date of the grant and the date of exercise. The expected life is the average expected period to exercise. The risk free rate of return is the implied yield on zero coupon UK Government bonds as at each grant date, with a maturity equal to the expected life of the option. Certain awards will only vest in full if specific performance criteria set out in the Remuneration report are met. For non-market based performance criteria, the Directors have made their best estimate of the number of options that will ultimately vest.

A reconciliation of option movements over the year to 31 July 2020 is shown below:

	2020		2019	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
At 1 August 2019	4,022,910	0.14	3,464,602	0.18
Granted	1,154,672	—	2,044,881	0.12
Forfeited and lapsed	(1,183,837)	0.02	(495,562)	0.24
Cancelled	—	—	(991,011)	0.18
<b>Outstanding at 31 July 2020</b>	<b>3,993,745</b>	<b>0.13</b>	4,022,910	0.14
<b>Exercisable at 31 July 2020</b>	<b>934,962</b>	<b>0.39</b>	591,324	0.43

The weighted average exercise price of options granted in the year was £nil (2019: £0.12). No options were exercised (2019: none) or cancelled (2019: 991,011) during the year.

Options are exercisable at prices ranging between £nil and £1.55. The contractual life of options is generally ten years, which includes a vesting period with performance conditions (other than for the Group's SAYE scheme, where no performance conditions exist). The performance criterion for the grant on 7 May 2020 to all employees (except senior management) is continuing to be in employment with the Group at 7 May 2023 or the release of the interim results for the period to 31 January 2023 if later. Major shareholders were consulted on the granting of these options which were designed to aid staff retention following the realignment of resources carried out in 2019.

**20 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 purchases with shareholders of the Group were recorded, excluding VAT, during the year:

	2020 £'000	2019 £'000
<b>Durham University (shareholder)</b>		
Staff secondment, consultancy and other fees	4	33
<b>Top Technology Limited (controlled by shareholder)</b>		
Non-Executive Director fees	15	15
Conference attendance fees	8	—
<b>IP2IPO (shareholder)</b>		
Non-Executive Director expenses	1	1

The following balances were owed by the Group at the end of the year in respect of the transactions set out above:

	2020 £'000	2019 £'000
Durham University	—	10
Top Technology Limited	8	5



## 20 Related party transactions continued

### 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:

	2020 £'000	2019 £'000
Short term employee benefits (excluding bonuses)	772	746
Bonuses	164	181
National Insurance contributions	112	103
Pension contributions	63	47
Payments to third parties	15	15
IFRS 2 share based payments	(14)	167
	<b>1,112</b>	1,259

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

## 21 Cash flow statement

### Net cash generated from operations

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
<b>Continuing operations</b>				
<b>Loss for the year attributable to equity shareholders</b>	<b>(3,189)</b>	<b>(5,275)</b>	(3,927)	(13,872)
Tax credit	(476)	—	(908)	—
Finance income	(33)	(32)	(67)	(1,797)
Depreciation of property, plant and equipment	446	—	343	—
Exceptional costs	168	—	—	—
<b>EBITDA</b>	<b>(3,084)</b>	<b>(5,307)</b>	(4,559)	(15,669)
Depreciation of property, plant and equipment	(446)	—	(343)	—
Exceptional costs	(168)	—	—	—
<b>Operating loss</b>	<b>(3,698)</b>	<b>(5,307)</b>	(4,902)	(15,669)
Depreciation of property, plant and equipment	446	—	343	—
Disposal of property, plant and equipment	—	—	9	—
IFRS 2 share based payments	(14)	85	294	294
Impairment of intercompany loan	—	4,783	—	15,255
(Increase)/decrease in inventories	(22)	—	4	—
(Increase)/decrease in receivables	(117)	154	24	(123)
(Decrease)/increase in payables	(60)	101	44	(41)
<b>Net cash used in operations</b>	<b>(3,465)</b>	<b>(184)</b>	(4,184)	(284)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 22 Availability of Annual Report

Copies of the Annual Report and Financial Statements and Notice of Annual General Meeting will be posted to the Group's shareholders on Thursday 5 November 2020 and will be made available, along with this announcement, to view from that date on the Group's website at [www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com). Copies may be obtained from the Company Secretary at the registered office of the Company.

The 2020 Annual General Meeting is to be held at 11.00am on Tuesday 15 December 2020 at Squire Patton Boggs (UK) LLP, 6 Wellington Place, Leeds LS1 4AP.

In light of measures adopted by the UK Government to protect public health in response to the COVID-19 pandemic, and in line with guidance issued by The Chartered Governance Institute (ICSA), the Board of Directors of the Company is of the view that attendance at the AGM by a shareholder, other than for the specific purpose of ensuring that the AGM is quorate, is not essential for work purposes.

The AGM will therefore be convened with the minimum necessary quorum (which will be fulfilled by Directors of the Company). Shareholders must not attend the AGM in person and anyone that seeks to attend the AGM will be refused entry. The business of the AGM will be restricted to the purposes set out in the formal Notice of AGM. There will be no additional presentations or opportunities for the Board of Directors to answer questions.

These steps are being taken to promote the health and wellbeing of the Company's shareholders and employees, but it remains important to the Board of Directors that your votes are counted at the AGM. All shareholders are therefore strongly encouraged to submit their votes on the formal business to be transacted using the proxy form enclosed with the Notice of AGM.

The Chairman of the AGM will propose that each resolution, as set out in the Notice of AGM, is voted on via a poll. This means that each shareholder present in person (which shall only be such number of Directors as is sufficient to ensure that the AGM is quorate) or by proxy will have one vote for each share held.

The Company will continue to monitor developments relating to COVID-19. If a situation should arise which necessitates that the arrangements for the AGM be altered, shareholders will be notified promptly via an RNS announcement and the Company's website.

In normal circumstances, the Company's AGM plays an important role in providing an opportunity for the Company's Directors to engage with shareholders. The Board of Directors would therefore like to thank all shareholders in advance for their co-operation with and understanding of the alternative arrangements that the Company has been required to implement this year.

### 23 Post balance sheet events

On 13 October 2020, the Company approved the conversion of the loan receivable from Applied Graphene Materials UK Limited with a value before impairment provisions of £29,014,529 into equity. The Company then subsequently approved the proposal to reduce Applied Graphene Materials UK Limited's share premium account. The consolidated net assets of the Group and the net assets of the Company are unchanged as a result of conversion of the loans receivable from Applied Graphene Materials UK Limited and are unchanged as a result of the proposal to reduce Applied Graphene Materials UK Limited's share premium account. The transactions were and are carried out to strengthen the balance sheet of the subsidiary company.



## CORPORATE INFORMATION

### Directors

**Dr Bryan Dobson**  
Non-Executive Chairman

**Dr Adrian Potts**  
Chief Executive Officer

**David Blain**  
Chief Financial Officer and Company Secretary

**Professor Karl Coleman**  
Chief Scientific Officer

**Mike Townend**  
Non-Executive Director

**Sean Christie**  
Non-Executive Director

**Company number**  
08708426

### Registered office

The Wilton Centre  
Wilton  
Redcar  
Cleveland TS10 4RF

Tel: 01642 438214  
[www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com)

### Independent auditors

**RSM UK Audit LLP**  
5th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

### Solicitors

**Squire Patton Boggs**  
6 Wellington Place  
Leeds LS1 4AP

### Bankers

**HSBC Bank plc**  
1 Saddler Street  
Durham DH1 3NR

### Nominated advisor and broker

**N+1 Singer**  
One Bartholomew Lane  
London EC2N 2AX

### Registrar

**Link Asset Services**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU



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