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**Applied Graphene Materials plc**  
AIM Admission Document

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**N+1** SINGER

Nominated Adviser and Broker

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.**

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This document does not constitute an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA. Accordingly this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority or any other competent authority.

**Application will be made for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by London Stock Exchange plc (the "London Stock Exchange"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM, no other such applications have been made or will be made.**

The Directors, whose names are set out on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies.

The whole of this document should be read. An investment in the Company is speculative. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.

# APPLIED GRAPHENE MATERIALS PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 08708426)

## Placing of 7,741,937 Ordinary Shares at 155 pence per Ordinary Share and Admission of the Enlarged Share Capital to trading on AIM

*Nominated Adviser And Broker*

**N+1 SINGER**

### SHARE CAPITAL

(immediately following Admission)

*Issued and fully paid Ordinary Shares of 2 pence each*

<i>Number</i>	<i>£</i>
16,890,458	337,809.16

The New Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place, and that trading in the Ordinary Shares will commence, on 20 November 2013. The Ordinary Shares are not traded on any other recognised investment exchange and no other applications have been made.

**This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation.** In particular, this document is not for distribution in or into the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia and the Ordinary Shares may not be offered or sold directly or indirectly within the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or to, or for the account or benefit of, any persons within the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 and may not be offered or sold within the United States.

Nplus1 Singer Advisory LLP ("N+1 Singer"), which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of N+1 Singer or for advising any other person in respect of the proposed Placing and Admission. N+1 Singer's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by N+1 Singer as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and N+1 Singer has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

The information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off market) and accordingly no duty of care is accepted in relation to them.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of the Company and at N+1 Singer at One Bartholomew Lane, London EC2N 2AX from the date of this document until the date which is one month from the date of Admission. Additionally, an electronic version of this document will be available on the Company's website, [www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com).



## **FORWARD-LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group’s future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Part I of this document.

The forward-looking statements in this document, including statements concerning projections of the Group’s future results, operations, profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Group are specifically described in Part II of this document headed “Risk Factors”. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group’s actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

## **MARKET AND FINANCIAL INFORMATION**

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based on the Group’s records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

## **CURRENCIES**

Unless otherwise indicated, all references in this document to: (a) “GBP”, “£”, “pounds sterling”, “pounds”, “sterling”, “pence” or “p”, are to the lawful currency of the United Kingdom; (b) “US\$”, “\$”, “US Dollar”, “dollars”, are to the lawful currency of the United States of America; (c) “€” or “Euro”, are to the lawful currency of the European Union; (d) “S\$” or “Singapore Dollar”, are to the lawful currency of the Republic of Singapore.

## TABLE OF CONTENTS

		<i>Page</i>
	<b>PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS</b>	4
	<b>DIRECTORS, SECRETARY AND ADVISERS</b>	5
	<b>DEFINITIONS</b>	6
	<b>GLOSSARY OF TECHNICAL TERMS</b>	10
<b>PART I</b>	<b>INFORMATION ON THE GROUP</b>	12
<b>PART II</b>	<b>RISK FACTORS</b>	29
<b>PART III</b>	<b>FINANCIAL INFORMATION</b>	40
	<b>SECTION A: ACCOUNTANT’S REPORT ON APPLIED GRAPHENE MATERIALS UK LIMITED</b>	41
	<b>SECTION B: FINANCIAL INFORMATION RELATING TO APPLIED GRAPHENE MATERIALS UK LIMITED</b>	43
	<b>SECTION C: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS</b>	70
<b>PART IV</b>	<b>TAXATION</b>	71
<b>PART V</b>	<b>ADDITIONAL INFORMATION</b>	76

## PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

### Placing Statistics

Placing Price	155 pence
Number of Existing Ordinary Shares in issue at the date of this document	9,793,683
Number of Ordinary Shares to be issued pursuant to the Placing	7,096,775
Number of Ordinary Shares to be sold pursuant to the Placing	645,162
Total number of Placing Shares	7,741,937
Number of Ordinary Shares in issue following the Placing and Admission	16,890,458
Percentage of Enlarged Share Capital represented by the New Shares	42.0 per cent.
Market capitalisation upon Admission at the Placing Price	£26.2 million
Number of Ordinary Shares in respect of which Options are outstanding upon Admission	1,199,364
Number of Ordinary Shares in respect of which Warrants are outstanding upon Admission	337,809
Fully diluted number of Ordinary Shares immediately following Admission*	18,427,631
Estimated gross proceeds of the Placing receivable by the Company	£11 million
Estimated net proceeds of the Placing receivable by the Company	£9.9 million
ISIN	GB00BFSSB742
SEDOL	BFSSB74
TIDM	AGM

*\*Assuming exercise in full of the Options and Warrants*

### Expected Timetable of Principal Events

2013

Publication of this document	18 November
Admission effective and dealings in the Ordinary Shares commence on AIM	8.00 a.m. on 20 November
CREST accounts to be credited	8.00 a.m. on 20 November
Where applicable, share certificates in respect of Placing Shares to be dispatched by	4 December

Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and N+1 Singer.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Dr. Bryan Crawford Dobson ( <i>Non-executive Chairman</i> ) Jonathan Peter Mabbitt ( <i>Chief Executive Officer</i> ) Oliver James Lightowlers ( <i>Chief Financial Officer</i> ) Professor Karl Stuart Coleman ( <i>Chief Technical Director</i> ) Dr. Claudio Marinelli ( <i>Business Development Director</i> ) Nicholas Dominic Edgar ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Oliver James Lightowlers
<b>Registered Office</b>	The Wilton Centre Redcar Cleveland TS10 4RF
<b>Website</b>	<a href="http://www.appliedgraphenematerials.com">www.appliedgraphenematerials.com</a>
<b>Nominated Adviser and Broker</b>	N+1 Singer One Bartholomew Lane London EC2N 2AX
<b>Legal Advisers to the Company</b>	Ward Hadaway Sandgate House 102 Quayside Newcastle upon Tyne NE1 3DX
<b>Legal Advisers to the Nominated Adviser and Broker</b>	Rosenblatt Solicitors 9-13 St. Andrew Street London EC4A 3AF
<b>Auditors to the Company and Reporting Accountants</b>	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW
<b>Registrar</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Public Relations Adviser to the Company</b>	Hudson Sandler 29 Cloth Fair London EC1A 7NN

## DEFINITIONS

<b>“Act”</b>	the UK Companies Act 2006, as amended from time to time
<b>“Admission”</b>	admission of the issued and to be issued share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AGMUK”</b>	Applied Graphene Materials UK Limited, the wholly owned subsidiary of the Company, a company incorporated in England and Wales with registered number 07330136
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies issued by the London Stock Exchange from time to time
<b>“A Ordinary Shares”</b>	A ordinary shares of 2 pence each in the capital of the Company, each of which will be converted into an Ordinary Share on Admission
<b>“Articles”</b>	the articles of association of the Company as at the date of Admission
<b>“Board” or “Directors”</b>	the current board of directors of the Company, whose names are set out on page 5 of this document
<b>“BPR”</b>	business property relief
<b>“Business Day”</b>	a day (other than Saturdays or Sundays or public holidays) on which the banks are open for business in London
<b>“certificated”, or “in certificated form”</b>	the description of a share or other security that is not in uncertificated form (that is, not in CREST)
<b>“City Code”</b>	the UK City Code on Takeovers and Mergers
<b>“Companies Acts”</b>	has the meaning contained in section 2 of the Act
<b>“Company”, or “Applied Graphene”</b>	Applied Graphene Materials plc, a company incorporated in England and Wales with registered number 08708426
<b>“Corporate Governance Code”</b>	the UK Corporate Governance Code published in September 2012 issued by the Financial Reporting Council
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time)

<b>“Disclosure and Transparency Rules”</b>	the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA, as amended from time to time
<b>“EIS”</b>	the Enterprise Investment Scheme
<b>“EMI Options”</b>	the Enterprise Management Incentive options as further described in paragraph 7.1 of Part V of this document
<b>“Enlarged Share Capital”</b>	the issued share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the New Shares
<b>“EU”</b>	the European Union
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited
<b>“Existing Ordinary Shares”</b>	the existing A Ordinary Shares and Ordinary Shares in issue prior to the Placing
<b>“Financial Conduct Authority” or “FCA”</b>	the Financial Conduct Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“Group”</b>	the Company and its subsidiary, AGMUK
<b>“HMRC”</b>	Her Majesty’s Revenue and Customs
<b>“HSE”</b>	health, safety and environmental
<b>“IHT”</b>	inheritance tax
<b>“IP2IPO”</b>	IP2IPO Limited, a company incorporated in England and Wales with registered number 04072979, a wholly owned subsidiary of IP Group
<b>“IP Group”</b>	IP Group plc, a company incorporated in England and Wales with registered number 04204490
<b>“ISDX Growth Market”</b>	ICAP Securities and Derivatives Exchange Growth Market, a market for unlisted securities with a regulatory framework dedicated to the needs of smaller companies
<b>“ISIN”</b>	International Securities Identification Number
<b>“Lock-in Agreement”</b>	the lock-in and orderly marketing agreement dated 18 November 2013 entered into between the Company, N+1 Singer and the Locked-in Shareholders, details of which are set out in paragraph 12 of Part V of this document
<b>“Locked-in Shareholders”</b>	together IP2IPO, NETF, North East POC Fund, the University, the Directors and any other holders of Existing Ordinary Shares
<b>“London Stock Exchange”</b>	London Stock Exchange plc



<b>“NETF”</b>	The North East Technology Fund LP (registered number LP13737), a fund managed by Top Technology Ventures Limited (a subsidiary of IP Group)
<b>“New Shares”</b>	7,096,775 new Ordinary Shares to be issued by the Company pursuant to the Placing
<b>“Northstar”</b>	Northstar Equity Investors Limited, a company incorporated in England and Wales with registered number 05104995, trading as Northstar Ventures
<b>“North East POC Fund”</b>	North East Finance (Subco) Limited, a company incorporated in England and Wales with registered number 07039229, a company which holds the North East Proof of Concept Fund, which is managed by Northstar
<b>“N+1 Singer”</b>	Nplus1 Singer Advisory LLP and its affiliates, nominated adviser and broker to the Company
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Options”</b>	together, the EMI Options and the Unapproved Options
<b>“Ordinary Shares”</b>	ordinary shares of 2 pence each in the capital of the Company
<b>“Panel”</b>	the UK Panel on Takeovers and Mergers
<b>“Placing”</b>	the conditional placing by N+1 Singer of the Placing Shares at the Placing Price pursuant to and on the terms and conditions set out in the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 18 November 2013 relating to the Placing between (1) the Company, (2) the Directors and (3) N+1 Singer, further details of which are set out in paragraph 12.1 of Part V of this document
<b>“Placing Price”</b>	155 pence per Placing Share
<b>“Placing Shares”</b>	the New Shares and the Sale Shares
<b>“Registrars”</b>	Capita Registrars Limited
<b>“Sale Shares”</b>	the 645,162 Ordinary Shares to be sold by the Selling Shareholder pursuant to the Placing
<b>“SDRT”</b>	stamp duty reserve tax
<b>“Selling Shareholder”</b>	Professor Karl Coleman, a director of the Company, whose business address is at The Wilton Centre, Redcar, Cleveland TS10 4RF
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“TIDM”</b>	tradable instrument display mnemonic
<b>“UK Listing Authority”</b>	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA

<b>“Unapproved Options”</b>	the unapproved options, as further described in paragraph 7.2 of Part V of this document
<b>“uncertificated” or “in uncertificated form”</b>	Ordinary Shares held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“University” or “Durham University”</b>	University of Durham
<b>“US”</b>	the United States of America
<b>“VAT”</b>	UK Value Added Tax
<b>“Warrant Instrument”</b>	the instrument creating the Warrants described in paragraph 12.5 of Part V of this document
<b>“Warrants”</b>	the warrants to be granted by the Company as described in paragraph 12.5 of Part V of this document
<b>“VCT”</b>	Venture Capital Trust

Note: any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

## GLOSSARY OF TECHNICAL TERMS

<b>“allotrope”</b>	one or more forms of an elementary substance; for example diamond and graphite are allotropes of carbon
<b>“barrier films”</b>	a film with low permeability to gases, water or volatile compounds
<b>“bottom-up manufacturing process”</b>	built up from simple molecular precursors
<b>“carrier mobility”</b>	how quickly an electron can move through a material when placed in an electric field
<b>“CNT”</b>	carbon nanotube
<b>“composite”</b>	made by combining two or more dissimilar materials to create a product, typically with improved properties over the original materials
<b>“CVD”</b>	chemical vapour deposition, a process where a volatile chemical is decomposed over a surface or substrate
<b>“dielectric”</b>	an electric insulator that can be polarised by an applied electric field
<b>“domain”</b>	uniform region within a material
<b>“electrostatic”</b>	build-up of electric charge on the surface of an object
<b>“EMI shielding”</b>	electromagnetic interference shielding
<b>“exfoliation”</b>	procedure using chemical reaction or mechanical force to isolate thin layers of graphene from bulk graphite
<b>“graphene nanoplatelets”</b>	short stacks of platelet shaped graphene sheets
<b>“graphite”</b>	a natural mineral and an allotrope of carbon with a layered structure
<b>“HDPlas™”</b>	a term used by Haydale Limited for plasma treated carbon materials
<b>“high aspect ratio nanomaterial” or “HARN”</b>	a material where one or two of the three dimensions of a particle are much smaller than the other dimension(s) and where any of these dimensions are in the nanometre range ( $10^{-9}\text{m}$ ); fibres are an example of a high aspect ratio material
<b>“hydrocarbon”</b>	a chemical compound that contains only the elements carbon and hydrogen
<b>“m”</b>	metre, a unit of length
<b>“MEMS”</b>	microelectromechanical systems
<b>“multiwalled nanotubes”</b>	concentric cylinders with an internal diameter the order of a nanometer ( $10^{-9}\text{m}$ )
<b>“nameplate capacity”</b>	the designed capacity of a facility

<b>“nanomaterial”</b>	a material or particle where one of the three dimensions is in the nanometre range ( $10^{-9}\text{m}$ ), but typically less than 100 nanometres
<b>“nanometre”</b>	unit of length, equal to one billionth of a metre ( $10^{-9}\text{m}$ )
<b>“nanotube”</b>	a cylindrical structure, with a diameter the order of a nanometre ( $10^{-9}\text{m}$ )
<b>“optoelectronics”</b>	electronic devices that source, detect and control light, converting electrical-to-optical or optical-to electrical signals
<b>“planar”</b>	flat 2-dimensional plane
<b>“polymer”</b>	a large molecule composed of repeated subunits (monomers)
<b>“polymeric”</b>	a material which is a polymer
<b>“precursor”</b>	a compound that participates in a chemical reaction and produces another compound
<b>“proprietary”</b>	the ownership by AGMUK of know-how and / or pending patent application(s) in respect of the process and product
<b>“substrate”</b>	a surface of a material on which a process is conducted

# **PART I**

## **INFORMATION ON THE GROUP**

### **1. Introduction**

The Group has developed a scalable, proprietary bottom-up manufacturing process for the production of high purity graphene nanoplatelets. In addition, it has experience and expertise in handling and dispersing graphene into value-added intermediates for commercial partners.

Highlights in respect of the Group include:

- The Directors believe that the Group currently has the largest capacity graphene production facility in Europe.
- The commercial strategy of the Group is to be a value-added supplier of graphene-based performance materials to partners manufacturing products incorporating graphene.
- Graphene, in its purest form, is a material with an unsurpassed combination of electrical, thermal and mechanical properties.
- There are a wide range of potential applications for graphene. Whilst the market is currently limited due to the relative infancy of the material, significant growth is anticipated by the Directors over the next five years as the market for graphene applications develops.
- The Group's initial target applications are in polymer composites, paints and coatings and lubricants, with further potential target applications in energy storage, such as batteries and supercapacitors, and in electronics, such as thermal management solutions, encapsulants and material for printed electronics.
- The Directors believe that the high purity of the graphene that the Group produces and the number of its potential applications means that the Group has the opportunity to generate growing revenue streams as commercial applications of graphene develop.

### **2. History and Background**

Applied Graphene Materials UK Limited, formerly Durham Graphene Science Limited, was founded by Professor Karl Coleman, with its operations and processes based on technology that he initially developed at Durham University. AGMUK was incorporated as a limited company on 29 July 2010, following the spin-out from Durham University, and secured proof of concept funding of £0.10 million from North East POC Fund on 30 July 2010.

In December 2011, AGMUK secured additional seed funding of £0.60 million from IP2IPO, NETF and North East POC Fund for the development of a commercial-scale production facility at its site at the Wilton Science Park on Teesside. This was followed by a further investment by the same investors of £0.7 million in December 2012 primarily to fund the completion and commissioning of this facility and to begin engagement with commercial partners. The assignment from the University to the Group of all relevant patent applications relating to the process for the production of graphene used by the Group, along with the related know-how, was effected in December 2012. Further details of these patent applications are set out in paragraph 9 of this Part I.

Applied Graphene was incorporated as a private limited company on 27 September 2013 to be the holding company of AGMUK, which it acquired on 21 October 2013. The Company was re-registered as a public limited company on 24 October 2013.



Currently, the Group has a plant with a nameplate capacity of one tonne of graphene nanoplatelets per annum based at its Wilton facility and a team of ten staff. The Group has collaboration arrangements in place with nine commercial partners, which range from feasibility assessments to a detailed research agreement investigating uses of graphene in various application areas. Further details of these arrangements are set out in paragraph 7 of this Part I.

### **3. An Overview of Graphene and its Key Properties**

Graphene has a molecular structure comprising a single layer of carbon atoms bonded in a hexagonal structure. It is a single layer of graphite, which conversely can be thought of as a stack of graphene sheets. Graphene in its purest form is usually thought of as being a single sheet of carbon atoms, although the term graphene is generally accepted to apply to materials that are up to ten layers thick, the properties of which can be different to those of pure single-layer graphene. A sheet of graphene can likewise vary in size from nanometres to centimetres across.

Graphene was first isolated in 2004 by Andre Geim and Konstantin Novoselov at Manchester University. They used sticky tape to remove single layers from the surface of graphite and deposit them on a silicon wafer. The isolation of graphene was a breakthrough for which Geim and Novoselov ultimately won the 2010 Nobel prize for Physics.

In its purest form, graphene possesses an unsurpassed combination of electrical, mechanical and thermal properties, which gives it the potential to replace existing materials in a wide range of applications and, in the long term, to enable new applications. The three key properties of graphene for the Group's intended applications are detailed below.

#### *Electrical Properties*

Defect free, pure graphene has been shown to have extremely high charge carrier mobility, meaning that electrons are able to move along a sheet of graphene at a high velocity. As a result, graphene may be suitable for applications where extremely high electrical conductivity is required or, alternatively, it can be added to material in low concentrations to create or improve electrical conductivity in the material.

#### *Mechanical Strength*

The mechanical strength of defect free, pure graphene has been measured on individual sheets, and found to be generally higher than the corresponding properties for steel and structural plastic fillers such as carbon nanotubes. This strength derives from the nature of the strong carbon-carbon bonds within a sheet of graphene, and the conformation of the sheet itself. This opens up the possibility for using either sheets of pure graphene in applications where the strength can be exploited directly or adding graphene to other materials to improve their mechanical strength.

#### *Thermal Conductivity*

Defect free, pure graphene has been shown to have a very high thermal conductivity. The addition of graphene to a polymer can significantly increase the thermal conductivity of the polymer, which may be exploited in a range of applications of polymer composites. There is also the potential that pure graphene may be used in applications such as integrated electronics where thermal conductivity is critical.

Graphene has also been shown to be optically transparent and highly impermeable to both gases and liquids, but it is primarily the three key properties set out above that the Group intends to exploit in the roll out of its business model and strategy, as further detailed in paragraph 6 of this Part I.

#### 4. Applications of Graphene and Market Opportunity

The Directors believe that the commercial value of graphene for the Group lies in the ability to transfer its intrinsic properties described in paragraph 3 above into other materials, thus creating higher value products possessing specifically enhanced characteristics.

Due to its properties, graphene has been described as a disruptive technology with the potential to enable enhanced products in various sectors including aerospace, automotive, paints and coatings, communications, electronics, optoelectronics, lubricants, energy storage and sensors, amongst others.

Potential examples of the uses of graphene include, but are not restricted to:

- composites;
- energy storage (batteries and supercapacitors);
- thermally-conductive lubricants that reduce wear and friction;
- conductive paints to reduce the use of volatile organic compounds;
- flexible touch screens in consumer electronics;
- high-sensitivity biological and chemical sensors;
- high-speed photodetectors for enhanced data transmission;
- next-generation transistors in electrical circuits and computer chips;
- water filtration membranes; and
- tennis racquets and other sporting goods.

There is active research into the potential applications of graphene globally, with governments, universities and the EU investing significant amounts of money into research and applications development in recognition of graphene's international strategic importance. For example:

- the EU has announced €1 billion of funding over ten years under the EU Graphene Flagship Programme to fund and coordinate application development activities for graphene commercialisation<sup>(1)</sup>;
- the UK Government has announced funding of over £60 million into graphene research, of which a £50 million fund was announced in 2011, and the Engineering and Physical Sciences Research Council announced an additional £10 million in 2012<sup>(2)</sup>;
- South Korea has announced that it is planning to spend approximately US\$40 million over six years on helping companies to develop graphene that will be used for touch screen panels and organic light emitting diode panels<sup>(3)</sup>; and
- the National University of Singapore has announced that it has invested more than S\$40 million in setting up a graphene research centre<sup>(4)</sup>. In addition, in 2011, the National Research Foundation of Singapore awarded grants amounting to S\$60 million for the growth, study and commercialisation of two dimensional crystals beyond graphene, and the study of new uses of graphene<sup>(5)</sup>.

Source:

(1) European Commission, Graphene and Human Brain Project win, largest research excellence award in history, as battle for sustained science funding continues, January 2013

(2) The Guardian, 'Super-material' graphene gets government backing, 27 December 2012

(3) Graphene Tracker, 21 May 2013

(4) The Sunday Times, 24 March 2013

(5) The NUS Graphene Research Centre, NTV Research Report 2010/11

The Directors believe that there are a substantial number of companies worldwide who are reported to be working on and pursuing applications for graphene in their respective sectors. These include companies such as Samsung and IBM.

Graphene was first isolated only in 2004. Accordingly, there are currently a limited number of products incorporating graphene on the market. The primary market for graphene today is research and development. The Directors expect that the number of applications and, consequently, demand for graphene will grow rapidly as a result of the current research activities. Further information on projected graphene market growth is set out in paragraph 7 of this Part I.

The Directors believe that a major challenge to unlock the potential of graphene is the development of a process to manufacture good quality graphene material reproducibly and on a commercial scale.

## **5. Graphene Production**

The production of graphene currently takes one of two different types of approach; either top-down or bottom-up. Top-down approaches involve breaking apart the stacked layers of graphite to yield single graphene sheets, whereas bottom-up approaches involve synthesising graphene from alternative carbon-containing sources, typically hydrocarbons. There is an inherent relationship between the method of production and the form of the graphene produced and, therefore, the application for which the graphene is best suited.

### *Top-down approaches*

Top-down approaches to graphene production start out with a bulk graphite precursor. The stacked layers of graphite within the precursor are then broken apart to yield single graphene sheets. A range of approaches to achieve this have been developed, with the most common based around the exfoliation of graphite in solvents. The main challenges for all top-down processes are the need to separate the layers without damaging the sheets, and preventing the re-agglomeration of the sheets once they have been separated.

These top-down approaches produce graphene nanoplatelets. However, as a result of the chemicals and processes involved in exfoliation within such approaches, the graphene which is produced is often partially oxidised and / or contaminated with heavy metals, toxic solvents and other residues. Graphene nanoplatelets produced by the exfoliation of graphite typically also contain a significant proportion of graphitic (or graphite-like) material, where the individual layers have not been adequately separated.

### *Bottom-up approaches*

Bottom-up approaches start with a molecular carbon precursor. The carbon-carbon bonds within the precursor are then rearranged to form graphene sheets, typically requiring chemical reaction at high temperature. An approach widely used to achieve this is chemical vapour deposition (“CVD”) onto a substrate, where the decomposition of carbon-containing precursor takes place over a metal substrate, most commonly copper. The graphene formed during the decomposition process is deposited on the surface of the metal, creating a graphene film. These films can be large and are typically made up of smaller graphene domains.

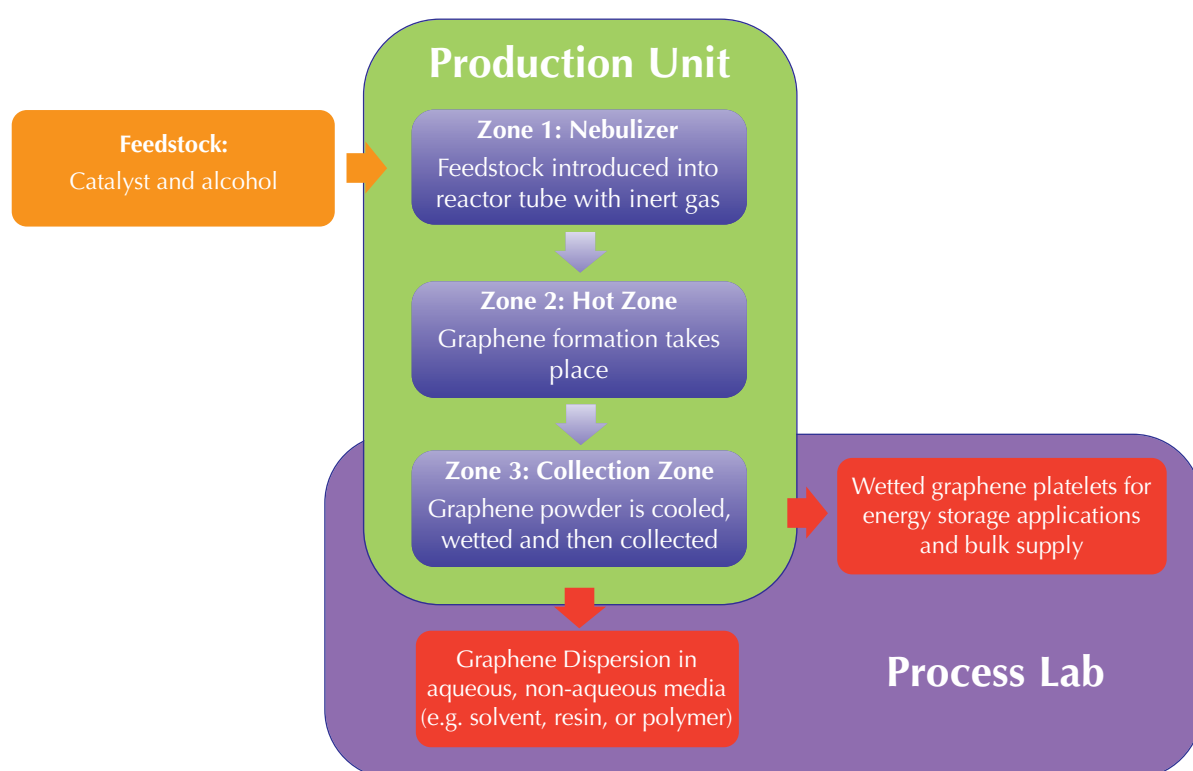
A key consideration in the production of graphene via CVD is the need to separate the graphene film from the metal substrate. This is typically done by first adding a polymer layer to the surface of the graphene and then using harsh chemical etchants to eat away the metal and leave the graphene sheet attached to the polymer. The graphene sheet is then usually rolled onto another plastic and removed by heating and peeling away. Although a complex and multi-stage approach, the transfer processes have recently been demonstrated using roll to roll techniques, suggesting it may be suitable for industrial-scale production of graphene films.

The graphene films produced by CVD are suited to applications in electronics as a replacement for indium tin oxide (“ITO”) (for example, in touch screen technology) and in barrier films, but due to the process of production and separation from the metal substrate, they are not generally suited to the same applications as nanoplatelets.

#### *The Group’s Process*

The Group has developed a proprietary process for manufacturing graphene nanoplatelets which is similar to a CVD process, but without requiring a metal substrate. The Group’s process involves feeding an available organic feedstock based on alcohol into a flow-through reaction chamber maintained at a high temperature. The heat causes the decomposition of the feedstock and the formation of the graphene nanoplatelets which are then collected at the output of the chamber. The by-products created during the process, which are mainly water-soluble sodium salts, can be recovered and re-processed into feedstock materials, with the graphene nanoplatelets being isolated.

A schematic of the Group’s process is shown below:



The Directors believe that there are a number of advantages to the Group’s proprietary process over other nanoplatelet production technologies:

- it is based on sustainable, readily available raw materials (graphite is not a source material);
- it does not require a substrate (many existing processes result in graphene being deposited on a substrate from which it needs to be separated);
- the by-product is non-toxic and water soluble;
- it can be produced in a continuous process; and
- it produces a high purity graphene product with minimal graphite content and no heavy-metal contamination.

The Group’s process is covered by a filed patent application, further information on which is set out in paragraph 9 of this Part I.

During March 2013, the Group completed the commissioning of a production unit utilising the above proprietary process at its Wilton site, with a nameplate capacity of one tonne of graphene nanoplatelets per annum.

## **6. The Group's Business Model and Strategy**

The Directors' objective is to create value for Shareholders through the sale of graphene-based specialty chemical products that add value to manufacturers' products in a range of sectors. The strategy is to be a value-added partner, rather than simply becoming a commodity producer of graphene, as further described below.

The Group's short term strategy is to enter into collaboration arrangements with a wide range of manufacturers in different application areas which will utilise the Group's expertise in the dispersion and preparation of graphene with the intention of jointly developing products that exploit the properties of the Group's graphene nanoplatelets. The Board's intention is for the Group to generate revenues from the supply of graphene to these manufacturers in a form that is readily handled and incorporated into these manufacturers' existing production processes. By selling such graphene-based intermediates the Directors believe that the Group will be able both to provide increased value to its partners and to maximise its own margins.

The Directors will also consider expanding the Group's capabilities and product range through the acquisition of assets and intellectual property where this will create additional value for Shareholders.

### *Graphene Manufacturing Capacity*

The Group currently has a nameplate capacity of one tonne of graphene per annum, which the Directors believe to be the largest capacity of any graphene production facility in Europe. The Directors believe that the Group has the capability to expand this capacity in line with demand by adding additional modular units over the next two to three years to create a production capacity of up to eight tonnes per annum. The Directors intend that a proportion of the proceeds of the Placing will be applied towards such purpose. Further, in the event that demand supports the construction of additional capacity in the longer-term, the Group would intend to develop a larger capacity unit in the range of 30-50 tonnes per annum. The Directors believe that the anticipated cost of a larger capacity unit is between £7.5 million and £10 million. In the event that the Company does experience a level of demand requiring the construction of such a unit, it may need to raise additional finance for this larger capacity. The Directors do not currently anticipate licensing the Group's manufacturing technology, but may consider doing so in future.

### *Development of Graphene-Based Intermediates*

In addition to the manufacture of graphene nanoplatelets, the Group possesses experience and expertise in handling, preparing and dispersing graphene into solutions. Whilst there is significant commercial interest in graphene due to its combination of mechanical, electrical and thermal properties, it is a relatively new material and the Directors believe that many product manufacturers do not have sufficient expertise to incorporate it into their products in such a way as to optimise the impact of graphene's properties. The Directors have therefore taken the decision that instead of the Group becoming a volume supplier of raw graphene nanoplatelets to third parties, it will focus on the development of value-added graphene-based intermediates that can be added into products.

The Group is currently working with major manufacturers through various collaborations, with the aim of developing graphene based formulations that can be readily incorporated into such manufacturers' products using their existing production processes. The Group has a variety of arrangements with nine commercial partners in different application areas, largely structured such that the Group and the partner work together to assess the feasibility of incorporating the Group's graphene nanoplatelets to enhance the properties of the partner's existing products. The Group provides expertise in the preparation and handling of graphene within such partner engagements,



with the partner providing product or application input. Under these arrangements the Group retains all intellectual property in its pre-existing technology and processes, and will generally retain ownership of any new know-how or intellectual property it develops relating to the preparation of graphene into the form required by the partner. In some cases, the partners will own any new know-how or intellectual property relating to the actual use of the graphene material in their products.

It is the Directors' intention that, following a successful collaboration, the Group will then typically seek to enter into a commercial material supply agreement with the development partner. Whilst there is no guarantee that the partner will purchase graphene from the Group in the event of a successful development program, the Directors believe that the differing characteristics of nanoplatelets produced using the different graphene production methods outlined in paragraph 5 above, means that, in the Directors' opinion, there is currently a low risk of substitution for an alternative source of graphene.

At present, the Group is working with one or two lead customers in each selected application area. The Group has not provided any customers with exclusivity in their application area, other than relating to new intellectual property created in the course of particular projects, and the Directors believe that there are still many distinct application areas for the Group to exploit.

Although the Directors believe that it would be unrealistic to expect all of the current and future commercial engagements to result in successful product development and commercial material supply agreements for its graphene nanoplatelets and graphene-based intermediates, the Group has already made progress towards developing a portfolio of projects within different application areas. The Directors believe that, given the prominence of its partners in their respective application areas, the majority of these projects offer the potential for a significant revenue stream in the event of successful product development.

## **7. Potential Market Size, Applicable Markets and Customers for the Group**

The properties of graphene mean that it has the potential for use in applications in a wide range of fields. These include, but are not limited to, transparent conductors, conductive inks, conductive adhesives, EMI shielding, energy storage and supercapacitors, barriers in packaging and water purification, transistors, sensors, paints and coatings, lubricants and high-strength polymeric composites.

The total global market for nanomaterials is expected to grow strongly to reach US\$19.6 billion by 2015<sup>(6)</sup>. Within this broader market segment, a recent report suggests a market for graphene products of US\$195 million by 2018, with growth at a compound annual rate of 47.1 per cent. to reach US\$1.3 billion by 2023<sup>(7)</sup>. Total volume demand for graphene is expected to increase from circa 80 tonnes in 2013 to circa 400 tonnes in 2017<sup>(8)</sup>.

In the short-term, it is the Directors' intention for the Group to target applications of graphene in polymer composites, paints, coatings and inks, and lubricants. Beyond this, the Group will also target applications in energy storage and supercapacitors. As outlined in paragraph 6 above, the Group currently has a variety of collaboration arrangements in place with nine commercial partners across a range of application areas and will seek to enter into further collaboration arrangements and to develop further products with additional partners following the Placing. Further information on the existing collaboration arrangements in the different application areas is given below.

Source:

(6) BCC Research 2010, Nanotechnology: A Realistic Market Assessment

(7) BCC Research 2013, Graphene: Technologies, Applications and Markets

(8) Future Markets Inc. 2011, The World Market for Graphene to 2017

### *Polymer Composites*

Polymer composites are widely used in a range of applications including aerospace, construction, automotive and sporting goods (amongst others).

Graphene has appeal for use as a filler in polymer composites due to the electrical, thermal and mechanical properties described in paragraph 3 above. Depending on the nature of the polymer matrix and the concentration of the graphene, it has been shown to significantly increase the electrical conductivity of an otherwise poorly conducting polymer, to deliver electromagnetic shielding, to significantly increase melting temperature, to deliver increased mechanical strength and to reduce the permeability of the polymer against gases.

The Group is targeting a number of applications for graphene in polymeric composites. In consumer goods, the Group has a signed research agreement with Dyson and Procter & Gamble alongside the University of Sheffield and Durham University in March 2013 to, amongst other things, incorporate the Group's graphene nanoplatelets into polymeric composites capable of delivering performance improvements to existing consumer products. The Group is also seeking to use graphene nanoplatelets to create mechanically strong and electrically conductive polymer composites for use in the aerospace industry and satellites, and has agreements in place with two companies in this field.

### *Paints, Coatings and Inks*

When dispersed in a solvent, graphene has the ability to alter the properties of the resulting fluid and consequently it has a number of potential applications in paints, coatings and inks. Electrically conductive and chemically inert graphene-loaded paints may reduce marine corrosion and result in ships having lower drag, thereby reducing fuel consumption and maintenance requirements. Graphene-loaded polymer 'paints' could potentially be coated onto vehicles using electrostatic spray painting, thereby reducing both the use of volatile organic compounds and the associated costs. As a thermally conductive coating, printed films loaded with graphene nanoplatelets could potentially be used in electronic devices to cool more efficiently. An electrically-conductive graphene-loaded ink could potentially be used as radio-frequency identification tags in logistics, or as a security measure to deter theft.

The Group is currently targeting a range of applications of graphene nanoplatelets in paints and coatings with commercial partners, including research agreements with a European paints and coatings manufacturer and a European producer of films and coatings.

### *Lubricants*

Graphene has at least two potential applications within lubricants as follows:

- as a dry lubricant, graphene has the potential for use in microelectromechanical systems, where the use of bulk graphite or other dry lubricants is not possible or desirable. As this appears at this stage to be best suited to films created by CVD approaches, the Group is not targeting this application; and
- in bulk liquid lubricants, due to the improved thermal conductivity offered by graphene and graphene's ability to reduce friction and help extend wear performance.

The Group is targeting applications in this latter area and has a research agreement with a UK-based lubricant manufacturer.

### *Energy Storage and Supercapacitors*

Traditional capacitors all rely on a dielectric material positioned between two electrodes. Supercapacitors, by contrast, use an electrochemical double layer that can be the thickness of atoms, and are therefore around 1,000 times thinner than any practicable capacitor dielectric. This thin separation between electrodes means that a large amount of electrical charge can be stored in a tiny

volume. One of the key factors in the performance of supercapacitors is the surface area of the material used, with a high surface area yielding high performance.

In its purest form, graphene has a very high surface area of 2,630 m<sup>2</sup> per gram, which means that it has the potential to deliver a significant performance enhancement to supercapacitors. The higher charge density and capacitance per unit volume may enable applications in conventional electronics and in heavy engineering. Whilst a number of challenges remain to demonstrate that graphene is able to deliver against this, the Directors believe that this market has high potential for the use of graphene nanoplatelets.

#### *Other applications*

In addition to the above collaborations, the Group is also working with the following partners:

- a US company developing impermeable films for food packaging; and
- a thin film producer, with operations in the UK and the US, developing thermal management film for mobile / portable devices.

### **8. Competition and Competitive Advantage**

There are many organisations involved in graphene research and production, ranging from university spin-outs and other small start-ups through to large multinationals. The Directors believe that the Group currently has the largest graphene production capacity in Europe.

The Directors believe that the Group's competition can be split into two groups, direct and indirect. Direct competition comes from companies working to supply graphene nanoplatelets, or products incorporating graphene nanoplatelets, to the market. Indirect competition comes in the form of alternative competing technologies working to penetrate the market for similar applications to those on which the Group is focused.

The Directors do not consider the many companies that are attempting to produce graphene films using CVD onto substrates to be in competition with the Group at present, as they believe that there is a limited overlap between target application areas.

Direct competitors producing graphene nanoplatelets include the US-based companies Angstrom Materials, Inc., Vorbeck Materials Corporation, Inc. and XG Sciences, Inc. These three companies are involved in the commercialisation of graphene technology from universities, using top-down production methods that rely on the exfoliation of mined graphite.

Angstrom Materials, Inc. has a facility located in Dayton, Ohio and is focused on energy storage applications of graphene. Angstrom Materials, Inc. is a spin-off from Nanotek Instruments, Inc. Vorbeck Materials Corporation, Inc. is a speciality materials company which manufactures and supplies graphene, primarily for the electronics industry. Vorbeck Materials Corporation, Inc. was founded in 2006 and licenses its technology from the University of Princeton. In October 2012, Vorbeck Materials Corporation, Inc. increased the production capacity of its facility located at Jessup, Maryland to 40 tonnes per annum<sup>(9)</sup>. XG Sciences, Inc. was founded in 2006 and manufactures and sells graphene nanoplatelets for use in advanced materials and energy applications. XG Sciences, Inc. announced in August 2012 the commencement of commercial production at its 80 tonnes per annum newly built facility located at Lansing, Michigan<sup>(10)</sup>.

Source:

(9) Vorbeck Materials Corporation, [www.vorbeck.com/news/onlinestorelaunch.html](http://www.vorbeck.com/news/onlinestorelaunch.html), 24 October 2012

(10) XG Sciences Inc., <http://xgsciences.com/wp-content/uploads/2012/10/x-sciences-dedicates-new-manufacturingfacility.pdf>, 16 August 2012.

Graphene Nanochem plc, amongst a number of other business activities, produces graphene using its Catalyx™ process which uses metal and organic catalyst particles to decompose carbon-containing gases into elemental carbon. The company stated in March 2013 that it has plans to expand its one tonne per annum production plant located in Malaysia to 250 tonnes per annum<sup>(11)</sup>.

In the UK, the only competitors that the Directors are aware of who are manufacturing graphene nanoplatelets are Haydale Limited, a wholly owned subsidiary of Innovative Carbon Limited, and Thomas Swan & Co Limited. Haydale Limited produces nanoplatelets using its top-down HDPlas™ process, and claims to have developed graphene-based inks that can be used in smart packaging, printed batteries, electrochemical sensors, flexible displays and potentially in touch screens. Thomas Swan & Co Limited is working in collaboration with Trinity College Dublin to develop a top-down process to produce graphene.

The Directors believe that the Group faces indirect competition from producers of nanomaterials, particularly carbon nanotubes and multiwalled nanotubes, which in some circumstances carry similar performance properties to graphene. Known commercial-scale producers of carbon nanotubes include Arkema SA and Nanocyl NV.

The Directors believe that the graphene nanoplatelets produced by the Group's proprietary manufacturing process have a lower proportion of graphite and other contaminants than those derived from alternative production methods, and therefore the Directors believe that the Group's nanoplatelets have the potential to deliver a greater improvement in material properties when added to a final product.

## **9. Intellectual Property**

The Directors are aware of the importance of patent protection, both for the defence of its core manufacturing process and for enhancing the commercial value of the products and applications it identifies and develops.

The Group's key intellectual property rights can be broadly categorised as patent applications and proprietary know-how and trade secrets primarily associated with its plant and manufacturing process. This intellectual property was either developed at Durham University and subsequently assigned to the Company, or has been developed by the Group's employees or persons seconded to the Group by the University. In relation to intellectual property developed by employees of the Group, protection is afforded to the Group through its employment agreements which confirm that all intellectual property rights and know-how developed by employees of the Group are the property of the Group. The Group's Chief Technical Director, Professor Karl Coleman, is involved in the research and development activities of the Group and his activities are provided pursuant to a secondment agreement in place between the University and AGMUK which provides that all intellectual property and know-how created in the course of Professor Coleman's work for the Group belongs to AGMUK. Further, the Group's confidential information and trade secrets are protected by non-disclosure agreements entered into between the relevant Group company and its directors and employees, its commercial partners and its prospective partners.

AGMUK is currently the owner of two families of patent applications covering processes for manufacturing graphene nanoplatelets. The first of these families covers part of the current process and is now into the national phase, with applications pending in the European Patent Office, China, Japan, South Korea, India and the US. The second family is in the international phase. Ownership of both of these patent families was assigned to AGMUK from Durham University on 18 December 2012. AGMUK has also developed substantial confidential know-how associated with the manufacturing process covered by the aforementioned patent families, as well as trade secrets in and relating to techniques for the preparation and dispersion of the graphene nanoplatelets produced by such process.

Source:

(11) Graphene Nanochem plc (formerly BioFutures International plc) announcement 8 March 2013

The Directors intend to use a proportion of the proceeds of the Placing to pursue patent protection for various additional processes and applications, particularly in the control of the production process and in relation to the development of specific formulations of graphene for use in particular applications.

## **10. Current Trading and Prospects**

Since commencing operations in 2010, the Group has devoted substantially all of its financial resources to the research underpinning, and the development of, its manufacturing process and applying for registered patent protection for the same. As a result, the Group has been, and is, loss making (as reflected in its historical financial statements), funded primarily by private placements of shares with specialist venture capital investors.

The Placing is expected to provide the Group with funding to pursue its proposed strategy as set out in paragraph 6 of this Part I. The Group aims to achieve profitability within the medium term through the supply of graphene-based intermediates to commercial partners for incorporation into their products. The Directors believe that commercial success in a limited number of the Group's target application areas should be sufficient to achieve this objective.

## **11. Directors, Senior Management and Employees**

### **Directors**

The Board currently comprises the independent non-executive Chairman, four executive directors and one non-executive director. The Board intends to appoint an additional independent non-executive director shortly after Admission once a suitable candidate has been identified.

A short biography of each director is set out below.

### ***Dr. Bryan Dobson, aged 60, Non-executive Chairman***

Bryan has over 33 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 plc 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 US, Belgium and the Netherlands. He is also currently a non-executive director of the Newcastle upon Tyne Hospitals NHS Foundation Trust and of Revolymmer plc, an AIM listed technology company which designs, develops and formulates polymers for consumer goods. Bryan holds a Bachelor of Arts from the University of Cambridge and a PhD from the University of Newcastle upon Tyne. He joined Applied Graphene in April 2012 as Chairman.

### ***Jonathan Mabbitt, aged 51, Chief Executive Officer***

Jonathan is an experienced Managing Director with 25 years' experience in senior positions in manufacturing and engineering. From 2008 to October 2012, Jonathan was Managing Director of Umeco Composite Structural Materials, one of two divisions within Umeco plc, a £250 million revenue business listed on the London Stock Exchange's Main Market. Prior to that, between 2006 and 2008, Jonathan was the Managing Director of Advanced Composite Group Limited, a subsidiary of Umeco plc, which was acquired in 2004. In this role he was responsible for 350 people and led the company through a period of significant organic growth and targeted acquisitions in the UK and the US. Jonathan also held the positions of Group Operating Director, General Manager, Sales Manager and Technical Sales Engineer with Advanced Composite Materials Limited, having joined in 1984. Jonathan left Umeco plc following its acquisition by Cytec Industries, Inc. in July 2012. Jonathan's technical expertise is broad with an in-depth knowledge of advanced composite materials. He holds a BEng from the University of Sheffield. Jonathan was appointed Chief Executive in July 2013.



***Oliver Lightowlers, aged 41, Chief Financial Officer***

Oliver was appointed as Chief Financial Officer in October 2013, having previously been Chief Financial Officer of Ensus Limited, a UK producer of bioethanol and high protein animal feed. Ensus was acquired by CropEnergies AG from the Carlyle Group in July 2013. He qualified as a Chartered Accountant with Coopers & Lybrand and is a graduate of UMIST (Management Sciences). Before Ensus, Oliver was Group Finance Director of Spice plc, a provider of outsourced support services, principally to the utility sector, which listed on AIM in 2004 and moved to the Official List in 2008. Spice was acquired by private equity firm Cinven in 2010 for an enterprise value of £350 million.

***Professor Karl Coleman, aged 41, Chief Technical Director***

Karl is a Professor of Inorganic Chemistry at Durham University, having previously been in the chemistry departments at the University of Oxford and the Université de Strasbourg. 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 since 2000 has focused on nanoscience and nanotechnology, particularly the chemistry of carbon nanotubes. He has been funded by the Engineering and Physical Sciences Research Council and the Royal Society and he has authored / co-authored over 75 publications in peer reviewed journals which have accumulated over 2,500 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, and the Times Higher Education Research and Innovation Award 2012. He is the secretary of the Chemical Nanosciences and Nanotechnology subject group of the Royal Society of Chemistry. Karl established the Company in 2010 and whilst he is employed by Durham University, he is seconded to Applied Graphene for two and a half days per week.

***Dr. Claudio Marinelli, aged 45, Business Development Director***

Claudio has extensive experience in the commercialisation of emerging technologies, including product development and marketing and business strategy. He was Open Innovation Director and later Business Management Director for Nokia Research between 2008 and 2012 where he was responsible for the strategic and operational oversight of the portfolio for research and development collaboration at 13 Nokia sites. He also co-led Nokia's Impact and Tech Transfer work packages within the European Commission Future and Emerging Technologies' Graphene Flagship proposal, a ten year, €1 billion project with over 80 industrial and academic partners. Prior to joining Nokia, Claudio was Entrepreneur-in-Residence at the University of Cambridge for Advance Nanotech, a US seed investment fund specialising in academic spin-offs, between 2006 and 2007. From 2001 to 2002 Claudio was Senior Device Engineer at Luxnet Corp, a California based start-up company supplying optoelectronic and telecommunication components. Other previous roles include Senior Research Associate in photonics at the Engineering Department of the University of Cambridge. Claudio holds a Laurea degree in Physics from the University of Trieste, Italy, a PhD in Electronic Engineering from the University of Bristol and an MBA from the Judge Business School at the University of Cambridge. Claudio joined the Group in July 2013, after consulting for six months on a part-time basis, and is responsible for customer engagement, sales and product and application development.

***Nick Edgar, aged 36, Non-executive Director***

Nick is an investment manager in IP Group's Newcastle-based team which manages the Finance for Business North East Technology Fund. Nick has a wealth of transactional experience investing across more than 30 companies. He is currently board observer on a range of early-stage portfolio businesses in diverse sectors including software and digital, cleantech and advanced manufacturing. Nick is a member of the Institute of Chartered Accountants of Scotland and holds a finance-specific MBA from Manchester University.

### **Senior management and employees**

The Group currently has ten staff, including the executive directors and Professor Karl Coleman who is seconded from the University as described above. Further details of the breakdown of the roles of these employees is set out in paragraph 11 of Part V of this document. Short biographies of senior management are set out below.

#### ***Kevin Yeomans, aged 50, Senior Scientist***

Since gaining a masters degree in polymer chemistry from McGill University, Montreal, Kevin has had 20 years' experience as a scientist and technical manager in the fields of medical devices, forensic science and latterly in the alternative energy sector. Kevin has led materials-based research at Smith and Nephew plc, Tissuemed Limited and ITM Power plc and has managed teams of scientific specialists at the government owned Forensic Science Service. He has been a Member of the Royal Society of Chemistry and a Chartered Chemist for 18 years. He joined the Group in 2013 and is responsible for applications development alongside Chris Herron.

#### ***Brian Wailes, aged 41, Development Scientist***

Brian is a Chartered Chemist and has worked for 20 years in the public analysts' sector with a focus on analytical techniques and processes to various legislative methods. He brings with him a wealth of managerial and safety experience within a modern laboratory environment. He has also worked in waste management and chemical processing at Solvent Resource Management, and at Newcastle University in the School of Chemistry. He joined the Group in 2012 and is responsible for the operation of the plant and processing. He is also the Laboratory Safety Supervisor.

#### ***Bob Sievert, aged 56, Process Engineering Manager***

Bob is a Chartered Chemical Engineer and has worked for 35 years in many aspects of chemical plant design, process development, scale-up and project delivery. He has led engineering input to multidisciplinary projects in the chemical industry at all project stages. Activities have included screening research and development proposals, guiding research and development towards optimal solutions, front end engineering, detailed engineering design, hazard and relief studies, commissioning, operation and post start-up improvements. Bob's experience spans batch and continuous processes, speciality and commodity chemicals and laboratory and large-scale plants. He joined the Group in 2012 and is responsible for the development of the production process.

#### ***Dr. Chris Herron, aged 28, Applications Scientist***

Chris has a masters degree and PhD in chemistry from Durham University and during his time there he led various projects dealing with innovative ways to produce, purify, modify and apply both carbon nanotubes and graphene to several sectors. He joined the Group in 2012 and is responsible for applications development alongside Kevin Yeomans.

### **12. Employee Share Schemes**

In the period following Admission, the Company intends to adopt employee share option schemes to incentivise and retain key employees in the following forms:

- an EMI Share Option Scheme (with the ability to grant non-EMI options where the individual does not qualify for EMI options), although the Company has no current intention to issue options under this scheme; and
- a HMRC approved Save as You Earn ("SAYE") share option scheme. It is not intended to adopt this scheme until the Company has sufficient employees to justify such a scheme.

### **13. Dividend Policy**

Following Admission, when it is commercially prudent to do so and subject to the availability of distributable reserves, the Directors may approve the payment of dividends. However, at present, the Directors consider that it is more prudent to retain cash to fund the expansion of the Group and, as a result, feel it is inappropriate to give an indication of the likely level or timing of any future dividend payout.

### **14. The Placing**

The Placing is being carried out through N+1 Singer and comprises:

- (i) 7,096,775 Ordinary Shares to be issued by the Company at a price of 155 pence per Ordinary Share to raise £11 million (before expenses); and
- (ii) 645,162 Ordinary Shares to be sold by the Selling Shareholder at a price of 155 pence per Ordinary Share for an aggregate amount of approximately £1 million. The Company will not receive any proceeds from the Sale Shares being sold by the Selling Shareholder (all of which will be paid to the Selling Shareholder after the deduction of placing commission and stamp duty).

N+1 Singer has entered into the Placing Agreement with the Company, the Directors and the Selling Shareholder. Under the Placing Agreement, N+1 Singer has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the New Shares at the Placing Price and, as agent for the Selling Shareholder, to use reasonable endeavours to procure purchasers of the Sale Shares at the Placing Price. The majority of the Placing Shares are being placed with institutional investors.

The Placing is conditional, *inter alia*, on Admission taking place on or before 20 November 2013 (or such later date as the Company and N+1 Singer may agree, but in any event not later than 20 December 2013) and on the Placing Agreement becoming unconditional and not being terminated prior to Admission.

The New Shares will be issued credited as fully paid and the Sale Shares will be sold and transferred credited as fully paid and the Placing Shares will, on Admission, rank *pari passu* in all respects with all other Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The Selling Shareholder has undertaken that the Sale Shares will be sold fully paid and with full title guarantee. The New Shares to be issued by the Company pursuant to the Placing will represent approximately 42.0 per cent. of the Enlarged Share Capital. On Admission the Company will have a market capitalisation of approximately £26.2 million at the Placing Price.

Further details of the Placing Agreement are set out in paragraph 12.1 or Part V of this document.

### **15. Reasons for Admission and Use of Proceeds**

The Directors believe that Admission will assist the Group in its development by:

- raising its profile in the sector in which it operates;
- providing investment to fund growth as further described below;
- increasing access to capital should further finance be required to expand the business of the Group;
- providing opportunities for the Board to use the Ordinary Shares as acquisition capital for targets identified by the Board where the staff base, intellectual property, knowledge of graphene applications and / or existing routes into likely target customers of the Group has the potential to add substantial value; and

- providing a market on which the Ordinary Shares can be traded, which will give increased liquidity and a market valuation for the Company's equity which, in conjunction with the proposed share option schemes, will assist the Group in attracting, retaining and incentivising high calibre employees.

The net proceeds of the Placing receivable by the Company are approximately £9.9 million and, based on currently anticipated demand, are expected to be used as follows:

- headcount and infrastructure – expansion and broadening of the engineering, production, technical and business development teams to support additional product development and enhancements to the Company's dispersion and preparation capabilities;
- capital expenditure – to increase production capacity to approximately eight tonnes per annum;
- collaboration projects – enhancement of existing, and development of new, intellectual property and know-how with external partners; and
- working capital requirements – funding working capital to support anticipated future growth.

It is estimated that approximately 50 per cent. of the net proceeds of the Placing will be used to fund capital expenditure and working capital, with the remaining 50 per cent. being used to fund the other activities set out above.

The Placing will also provide the Selling Shareholder with a partial realisation of his holding in the Company, which will help to provide additional liquidity for the Ordinary Shares post Admission.

## **16. Lock-in and Orderly Market Agreement**

The Existing Shareholders, who on Admission will be the holders of 11,038,521 Ordinary Shares in aggregate, representing 65.4 per cent. of the Enlarged Share Capital, have undertaken to the Company and N+1 Singer, and in accordance with rule 7 of the AIM Rules, not to dispose of any interests in Ordinary Shares for a period of 12 months from Admission and for a further 12 months thereafter to deal in their Ordinary Shares only through N+1 Singer, for so long as they are broker to the Company, with regard to maintaining an orderly market, except in certain limited circumstances. The terms of this undertaking will not apply to the transfer of the Sale Shares by the Selling Shareholder.

Further details of these arrangements are set out in paragraph 12.4 of Part V of this document.

## **17. Admission, Settlement and CREST**

Application has been made to the London Stock Exchange for all of the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that dealings in the Enlarged Share Capital will commence, at 8.00 a.m. on 20 November 2013.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

The ISIN number of the Ordinary Shares is GB00BFSSB742. The TIDM is AGM.

## **18. Corporate Governance and Board Practices**

The Directors intend to take account of the requirements of the Corporate Governance Code for Small and Mid-Size Quoted Companies of the Quoted Companies Alliance to the extent that they consider it appropriate and having regard to the Company's size, board structure, stage of development and resources.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Directors have established an audit committee, a remuneration committee and a nomination committee with formally delegated rules and responsibilities. Each of these committees will meet as and when appropriate save in the case of the remuneration and audit committees which will meet at least twice each year.

As described in paragraph 11 of this Part I the Board intends to appoint an additional independent non-executive director shortly after Admission once a suitable candidate has been identified.

Immediately post Admission, the Audit Committee will be comprised of Bryan Dobson and Nick Edgar and will be chaired by Bryan Dobson. The additional independent non-executive director, when appointed, will also sit on the Audit Committee. The Audit Committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Group.

On Admission, the Remuneration Committee will be comprised of Bryan Dobson and Nick Edgar and will be chaired by Bryan Dobson. The additional independent non-executive director, when appointed, will sit on the Remuneration Committee. The Remuneration Committee will review and make recommendations in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees under the intended share option scheme.

Immediately post Admission the Nomination Committee will be comprised of Bryan Dobson and Nick Edgar and will be chaired by Bryan Dobson. The Nomination Committee will monitor the size and composition of the Board and the other Board committees, be responsible for identifying suitable candidates for board membership and monitor the performance and suitability of the current Board on an ongoing basis.

## **19. Share Dealing Code**

The Company will, with effect from Admission, adopt a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

## **20. Relationship Agreement**

Immediately following Admission, IP2IPO and NETF, which is a fund managed by Top Technology Ventures Limited, will be entitled to exercise or control the exercise of voting rights, in respect of approximately 20.4 per cent. and 14.5 per cent. of the Enlarged Share Capital, respectively. IP2IPO and Top Technology Ventures Limited are both subsidiaries of IP Group. The parties will have the ability to exercise a controlling influence on the business of the Group and may cause or take actions that are not in, or may conflict with, the best interests of the Company or its Shareholders as a whole. Accordingly, the Company and N+1 Singer have entered into a relationship agreement



with such parties which regulates the relationship between them and the Group and ensures that the Company and the Group is capable of carrying on its business independently and at an arm's length from such parties. Further details of the Relationship Agreement are set out in paragraph 12.7 of Part V.

## **21. Taxation**

Information regarding taxation is set out in Part IV of this document.

**Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.**

## **22. The City Code**

The City Code applies to quoted public companies and, in addition, unquoted public companies whose central management and control remain in the UK. Accordingly the City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares or interests therein were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Ordinary Shares or interests therein by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

Further information on the City Code is set out in paragraph 5 of Part V of this document.

## **23. Further Information**

**You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II of this document and the additional information set out in Part V of this document.**

## **PART II**

### **RISK FACTORS**

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in the Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

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 Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, 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 Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

#### **1. Risks Factors Relating to the Business and Operations of the Group**

##### ***1.1 Acceptance of the Group's products***

The success of the Group will depend on the market's acceptance of, and attribution of value to, the graphene formulations produced by the Group based on graphene nanoplatelets produced through its proprietary process and the benefits of incorporating the same into customers' production processes. There can be no guarantee that this acceptance will be forthcoming, that an acceptable value will be placed upon them or that the Group's graphene products will succeed as an alternative to other new products from both other producers of graphene nanoplatelets and producers of nanomaterials.

The development of a market for the Group's products is affected by many factors, some of which are beyond its control, including the emergence of newer, more successful technologies and products and the cost of production of the Group's products. Notwithstanding the technical merits of a product developed by the Group, there can be no guarantee that its targeted customer base for the product will purchase or continue to purchase the product. If a market fails to develop or develops more slowly than anticipated, the Group may be unable to recover losses incurred in the development of its products and may never achieve profitability. In addition, the Directors cannot guarantee that the Group will continue to develop, manufacture or market its products if market conditions do not support the continuation of such products.

##### ***1.2 Early stage of operations***

Whilst the Group has made initial limited product sales for research and development projects with partners, it is still at an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies. In particular, the Group's future growth and prospects will depend on its ability to develop products with commercial partners for applications which have sufficient commercial appeal, to manage growth and to continue to improve operational, financial and management information and quality control systems on a timely basis,

whilst at the same time maintaining effective cost controls. Any failure to improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations.

There can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board or at all. The development of the Group's revenues is difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated.

### **1.3 Commercialisation risk**

The Group has, and will continue to enter into, arrangements with third parties in respect of the development, production and commercialisation of products based on graphene nanoplatelets where appropriate. The Group's principal route to market is expected to be through product development partnerships with market-leading companies in particular applications leading to material supply agreements. The Group does not intend to operate large-scale product manufacturing operations outside of the production and preparation of graphene nanoplatelets. The Directors believe that the strategy has the potential to reduce risk by protecting the Group from having to incur significant direct sales and marketing expense and by utilising the established commercial footprint of potential future partners.

The Group's long-term success will depend both on its ability to progress from its existing collaborations to material supply agreements and on its negotiation of appropriate terms for any future supply agreements. Furthermore, the Group's negotiating position in agreeing terms of either joint development or supply may be affected by its size and limited cash resources relative to potential development partners with substantial cash resources and established levels of commercial success. An inability to enter into such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to reduced payments and / or delays in the Group's commercialisation strategy and this may have a significant adverse effect on the Group's business, financial condition and results.

The results of any research and development undertaken with a partner under any of its collaborations may not meet the required specifications or expectations of that partner or be successful, attractive or acceptable in product trials. Accordingly, there can be no assurance that any of the existing collaborations or future collaborations with the Group's partners will result in a material supply arrangement with those partners on favourable terms or at all, or that the Group will achieve any revenue, profitability or cash flow from such activities.

The loss of, or changes affecting, the Group's relationships with commercialisation partners could adversely affect the Group's results or operations and the Group will have limited input on the product strategies adopted by any of its partners. Furthermore, there is a risk that development partners may reprioritise within their product portfolio resulting in the Group achieving sales below that which the Directors anticipate. In any such arrangement, the Group will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group's development partners may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group will, at least in the short term following Admission, be dependent on a relatively small number of commercial partners. If any of these companies were to cease to work with the Group, it could potentially have a material impact on the trading, financial condition and prospects of the Group.

#### **1.4 Competition risk**

The Group may face significant competition from organisations which have greater capital resources than it and / or which have a product offering competitive to that of the Group, to the detriment of the Group. The Directors are aware of three US-based companies with significant manufacturing capacities that are producing graphene nanoplatelets using an alternative production approach, and there are a number of smaller competitors also seeking to increase their production capacity and capability. There is no assurance that the Group will be able to compete successfully in the marketplace in which it seeks to operate.

#### **1.5 Development of the market for graphene and the risk that graphene will not achieve commercial success**

Although there are numerous potential applications for graphene and potentially a large global market, there is no guarantee that graphene will become a widely accepted material for use on a commercial scale. Even if graphene does become widely accepted, the conversion of current interest into wide scale commercial adoption may take longer than anticipated and the Group may also be unsuccessful in its effort to realise commercial and financial benefits from this wider acceptance.

#### **1.6 Risk of competing materials**

There is a risk that technological advances in existing materials or in potential substitute materials may occur at a faster rate than the advances of graphene, which may impede the commercial progress of graphene. As a consequence, there could be little or no commercial demand for graphene. This would have a significant adverse effect on the Group's business.

#### **1.7 Capacity of graphene production and pricing**

The commercial applications of graphene are currently limited. The Directors believe that, at present, the aggregate global manufacturing capacity for graphene exceeds the aggregate demand from customers. The Directors are aware of historical situations where new materials have been developed and the expansion of production capacity in advance of market demand has resulted in a decrease in the price of the material to a level where financial returns are limited.

The development of the market for graphene is at an early stage and there can be no assurance that demand for graphene will grow in line with the Directors' expectations. In the event that production capacity greatly exceeds customer demand, the Group may not be able to negotiate favourable pricing for the supply of graphene or its graphene-based intermediates and there is no assurance that the Group will achieve any revenue, profitability or cash flow from such activities.

#### **1.8 Existing capacity and proposed scaling up of production**

Whilst the Group's existing nameplate production capacity is approximately one tonne per annum, the Group has not operated the production facility for a whole calendar year. Although the Directors believe that the Group will be able to produce one tonne of graphene per annum, there is no certainty that this will be achieved.

It is the Group's intention to scale up the existing production facility in order to increase output to approximately 8 tonnes and then potentially up to 50 tonnes per annum (the latter is likely to require additional financing over and above the amount being raised by the Placing). Whilst the Directors are confident that this increase in production can be achieved, the Group has not yet demonstrated its technology at such capacities. Failure to operate at the increased capacities would have a significant adverse effect on the growth of the Group's business and its financial position.

#### **1.9 Plant expansion**

Any delay or possible problems with the proposed expansion of the plant to increase capacity could have an adverse effect on the financial performance of the Group. Considerable capital expenditure

will be required for such expansion, and the length of the construction period and capital required to complete any plant expansion may be affected by different factors, such as disputes with workers or contractors, price increases, shortages of construction materials, accidents, or unforeseen difficulties or changes in government policies. Such events may give rise to delays or cost over-runs and there can be no guarantee that the proposed projects will be operational within the expected timeframe or within the budgeted cost, which could have an adverse effect on the Group's financial position and results of operations.

#### ***1.10 The Group's production process is subject to operating risks***

The production process is potentially exposed to the risks of fire, breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, sabotage, labour disputes, lock-outs, potential unavailability of services of its external contractors, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect the Group's operating results.

#### ***1.11 The Group could be required to relocate from its premises at short notice***

The Group occupies its premises on the Wilton Science Park on Teesside under a tenancy at will, which can be terminated with immediate effect by either party, although the Board has no reason to believe that the landlord will exercise its right to do so in the foreseeable future. In the event that the Group was required to leave its existing premises, then the Board is confident that alternative, appropriate premises could be found and the Group's manufacturing facility relocated. However, such a forced move would cause business disruption and could have a significant effect on the Group's business in the short term.

#### ***1.12 Research and development risk***

The Group is engaged in the manufacture of graphene nanoplatelets and the preparation of these platelets into formulations appropriate for incorporation into existing customer products. The Company is therefore involved in complex scientific areas and new product development and industry experience indicates a high incidence of delay or failure to generate results. There is no guarantee that the Group will be successful in its research and product development. Much of the Group's technology and intellectual property portfolio is at an early stage of development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new technology solutions or identify specific market needs that can be addressed by technology solutions developed by the Group.

#### ***1.13 Technological advances in graphene production***

Graphene production is a very active area of research and development, and it is expected that technological advances in graphene production will continue to occur and new technologies may develop. Advances in the process of producing graphene nanoplatelets or films from either graphite or carbon-containing precursors could allow the Group's competitors to produce products faster and more efficiently and at substantially lower cost than the Group. If the Group is unable to adapt or incorporate technological advances into its operations, its production facilities could become less competitive. Further, it may be necessary for the Group to incur significant expenditure to acquire any new technology and retrofit its current processes in order to incorporate new technologies and remain competitive.

#### ***1.14 Intellectual property***

The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property, covering its manufacturing process, additional processes and applications, including in relation to the development of specific formulations of graphene for use in particular



applications. The intellectual property on which the Group's business is based is a combination of patent applications and proprietary know-how. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group. There is a risk that certain objections which have been raised by patent offices in relation to the patent applications which have been filed by the Group may prevent those patent applications from being granted.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any patent applications held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group). In addition, no assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented technology.

Once granted, a patent can be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents, against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group's intellectual property rights and activities. There is no assurance that obligations to maintain the Group's or partners' know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

Any claims made against the Group's intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group's resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and / or require the Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly to defend. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims would not have a material adverse effect on the Group's business, financial condition or results.

There is a risk that certain objections which have been raised, or may be raised in the future, by patent offices in relation to the patent applications which have been filed by the Group, may prevent those patent applications from being granted. If the patent applications are not granted, the consequence is that the techniques and processes described in the patent applications would not be protected and would be in the public domain. The Group would then continue to rely on the confidential know-how it has developed in related, ancillary or other processes and techniques it uses, such as the techniques it has developed for the dispersion of graphene nanoplatelets. In addition, the Group would pursue new patent applications for such related, ancillary and other processes and techniques it has developed.

### ***1.15 Third party intellectual property***

Although the Board believes that the Group's current products, products in development and processes do not infringe the intellectual property rights of any third parties, it is impossible to be aware of all third party intellectual property. No assurance can be given that third parties will not in the future claim rights in or ownership of the patents and other proprietary rights from time to time held by the Group. As further detailed above, substantial costs (both financially and in management time) may be incurred if the Group is required to defend its intellectual property.

### ***1.16 Management of growth***

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on its management and operational, financial and personnel resource. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth.

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

### ***1.17 Dependence on key executives and personnel and the ability to attract and retain appropriately qualified personnel***

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. Whilst the Group has entered into employment or secondment arrangements with each of its key personnel with the aim of securing their services, the Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. The loss of the services of any of the executive Directors, members of senior management, secondees or other key employees could have a material adverse effect upon the Group's business and results of operations. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

### ***1.18 Health, safety and environmental risks***

The Group's operations will be subject to numerous HSE requirements in the jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials. Many HSE laws and regulations are becoming increasingly stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Directors believe that the Group's procedures comply with applicable regulations, any failure to comply with HSE laws and regulations could result in the Group incurring costs and / or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group's results of operations and financial condition.

Accidents or mishandling involving hazardous substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and / or regulator enforcement proceedings, both of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of the Group's business could result in significant additional costs to replace, repair and insure the Group's assets, which could negatively affect the Group's business, prospects, operating results and financial condition.

The Group cannot predict the impact of new or changed HSE laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those

requirements, continue to develop and change. To the extent that any of the requirements impose substantial costs or constrain the Group's ability to expand or change its processes, the Group's business, prospects, operating results and financial condition may suffer as a result.

The Group is aware that it will require a permit from the Environment Agency in respect of the commercial production of graphene. The Group will submit an appropriate application for such a permit at the appropriate time. The Directors are not aware of any reason why such permit would not be granted, however, there is no guarantee that such a permit would be granted and failure to obtain such a permit would have a significant adverse effect on the business of the Group.

### ***1.19 Safety of handling graphene***

Graphene is a relatively new material with a limited number of studies into its effects on biological systems.

CNTs are a material closely related to graphene. There have been concerns raised recently over the potential toxicity of CNTs, with much of the concern related to their fibre-like geometry, potentially allowing them to penetrate cell membranes. The UK Health and Safety Executive earlier this year published a guide to using CNTs and other HARNs in the workplace, which outlines regulatory requirements, handling procedures and risk management protocols for the manufacture, handling, storage and shipping of these materials. Whilst graphene is not a fibre due to its extended planar geometry, the Directors believe that the Group is acting prudently by following the Health and Safety Executive guidelines for the handling of HARNs in its procedures for handling graphene nanoplatelets.

However, there is no guarantee that evidence will not emerge that graphene has a deleterious effect on biological systems, which may limit the potential applications of graphene nanoplatelets, require the Group to expend additional funds on safety measures, and potentially have a material adverse effect on the Group's business, financial position or prospects.

### ***1.20 Insurance***

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the business, financial condition and results of operations of the Group.

### ***1.21 Product liability***

Some of the Group's product and pipeline product applications are designed for use in industries which are highly regulated. There is a risk that the Group may lose contracts or could be subject to fines or penalties for any non-compliance with the relevant industry regulations. Furthermore, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks.

### ***1.22 Disaster recovery***

The Group depends on the performance, reliability and availability of its plant, equipment and information technology systems. Any damage to, or failure of, its equipment and / or systems could result in disruptions to the Group's operations. The Group's disaster recovery plans (which are currently in place for financial systems and are in contract negotiations for other IT systems) may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group's business, financial position or prospects.

### ***1.23 The expenditure required by the Group may be more than currently anticipated***

There is a risk that the amount that the Group anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect or that the Group may

be unable to raise the amounts required (if at all). Costs may be greater than planned, or timings may vary from those targeted, which could have a material adverse effect on the implementation of the Group's strategy and its business, financial condition and results of operations.

The proceeds of the Placing are expected to be sufficient to implement the Board's strategy in the short to medium term. However, if the Group fails to generate sufficient cash through the sale of its products, it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and / or the ongoing operating costs of the Group. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a pre-emptive basis to then existing shareholders, the percentage ownership of such shareholders may be substantially diluted.

#### **1.24 Counterparty risk**

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

## **2. General Risks**

### **2.1 Investment Risks**

An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's business, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value.

### **2.2 Economic conditions and current economic weakness**

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to generate a profit.

In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain this might have an adverse impact on the Group's operations and business results.

### **2.3 Force Majeure**

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

### **2.4 Taxation**

The taxation implications of investing in the Company are dealt with in Part IV of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax reliefs referred to in this document are those currently available and their application depends on the individual circumstances of investors. The information given in this document relates only to UK investors and investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status, or the tax applicable to holding Ordinary Shares, or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Group, affect the Company's ability to provide returns to Shareholders and / or alter the post-tax return of Shareholders. Statements in this document concerning the taxation of the Company, the Group and / or its investors are based upon current law and practice which are subject to change.

### **2.5 EIS and VCT relief**

Clearance has been received from HMRC that the Company's business qualifies for EIS relief and is a qualifying business for VCT relief. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief, neither the Company nor the Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Company nor the Directors give any warranties or undertakings that EIS relief or VCT relief, if granted, will not be withdrawn. Investors must take their own advice and rely on it. If the Company carries on activities beyond those disclosed to HMRC, then Shareholders may cease to qualify for the tax benefits.

### **2.6 Legal risks**

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Group that are governed by laws outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks may be limited.

### **2.7 Securities traded on AIM**

AIM securities are not admitted to the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.



## **2.8 *The trading price of the Ordinary Shares is likely to be volatile, and investors might not be able to sell their shares at or above the Placing Price***

An active or liquid market in the Ordinary Shares may not develop upon completion of the Placing or, if it does develop, it may not be sustainable. The Placing Price may not be indicative of the market price of the Ordinary Shares after Admission and therefore it may vary from the market price of the Ordinary Shares after Admission. As a result of these and other factors, investors may be unable to sell their Ordinary Shares at or above the Placing Price.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the countries in which the Group may do business;
- foreign currency exchange fluctuations and the denominations in which the Group may conduct business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;
- sales of the Ordinary Shares by the Directors or other Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

## **2.9 *There can be no guarantee that any future capital raisings will be successful. If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, the Company's share price and trading volume of the Ordinary Shares could decline***

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

### ***2.10 Dilution of Shareholders' interests as a result of additional equity fundraising***

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pre-emptive basis to existing shareholders, the percentage ownership of the existing shareholders may be reduced. Shareholders may also experience subsequent dilution and / or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

### ***2.11 If the Group fails to maintain proper and effective internal controls, its ability to produce accurate and timely financial statements could be impaired and investors' views of the Group could be harmed***

The Group has systems and controls in place to allow it to produce accurate and timely financial statements. If any of these systems or controls were to fail, the Group may be unable to produce interim and annual financial statements accurately or fail to produce them on a timely basis. As such, investors may have concerns both over the lack of available financial information and the controls that the Group has in place, which could adversely affect the Company's share price.

### ***2.12 Dividends***

There is no current intention to pay dividends in the short to medium term. There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

### ***2.13 Currency and foreign exchange***

A portion of the Group's business may be carried out in the future in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Group's accounts, which could have a material impact on the Group's financial position or result of operations, as shown in the Group's accounts going forward.

The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Group.

## **PART III**

### **FINANCIAL INFORMATION**

The Directors of Applied Graphene Materials plc (the “Company”) are required to prepare the financial information in a form consistent with that which will be adopted in the Company’s next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of AGMUK for that period.

In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that AGMUK will continue in business.

Section A of this Part III sets out a report from KPMG LLP, the Reporting Accountants, required by Paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and given for the purpose of complying with that paragraph and for no other purpose.

Historical financial information for the Company has not been presented in this document. The Company was incorporated on 27 September 2013 and has not traded for any period since incorporation. Save for the issue of one subscriber share of £1.00 and the subsequent acquisition of AGMUK by way of a share for share exchange, as detailed in paragraph 12 of Part V, the Company has the following contracts and obligations: service agreements with directors of the Company; letters of appointment for directors of the Company; other arrangements as set out in paragraph 12 of Part V; and engagement letters with advisers.

The historical financial information for AGMUK is set out in Section B of this Part III. This financial information comprises information for AGMUK for the 368 day period from incorporation to 31 July 2011 and the financial years ended 31 July 2012 and 31 July 2013.

The unaudited pro forma statement of net assets of the Group is set out in Section C of this Part III. This unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Placing on the Group’s net assets as if the Placing had taken place on 31 July 2013.

## SECTION A

### ACCOUNTANT'S REPORT ON APPLIED GRAPHENE MATERIALS UK LIMITED



The Directors  
Applied Graphene Materials plc  
The Wilton Centre  
Redcar  
Cleveland  
TS10 4RF

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

18 November 2013

Dear Sirs,

#### **Applied Graphene Materials UK Limited (formerly Durham Graphene Science Limited)**

We report on the financial information set out on pages 43 to 69 for the 368 day period ended 31 July 2011, and the years ended 31 July 2012 and 31 July 2013. This financial information has been prepared for inclusion in the AIM admission document dated 18 November 2013 of Applied Graphene Materials plc (the 'Company') on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the admission document.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 18 November 2013, a true and fair view of the state of affairs of Applied Graphene Materials UK Limited as at 31 July 2011, 31 July 2012 and 31 July 2013 and of its profits/losses, cash flows and recognised gains and losses for the 368 day period ended 31 July 2011, and the years ended 31 July 2012 and 31 July 2013 in accordance with the basis of preparation set out in note 1.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

*KPMG LLP*



## SECTION B

### FINANCIAL INFORMATION RELATING TO APPLIED GRAPHENE MATERIALS UK LIMITED

#### Applied Graphene Materials UK Limited

#### Statement of Comprehensive Income

		<i>Period ended 31 July 2011</i>	<i>Year ended 31 July 2012</i>	<i>Year ended 31 July 2013</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Revenue</b>		882	1,326	11,410
Administrative expenses	6	(29,846)	(260,352)	(757,524)
Share-based payment charge	20	—	—	(23,867)
Other operating income	8	7,082	1,500	—
<b>Loss from operations</b>	6	(21,882)	(257,526)	(769,981)
Finance income	9	22	432	278
Finance costs	10	(6,998)	(3,139)	(2)
<b>Loss before taxation</b>		(28,858)	(260,233)	(769,705)
Taxation	11	—	—	19,916
<b>Loss for the year</b>		(28,858)	(260,233)	(749,789)
Other comprehensive income		—	—	—
<b>Total comprehensive loss for the year attributable to shareholders</b>		<u>(28,858)</u>	<u>(260,233)</u>	<u>(749,789)</u>
Basic loss per share	12	<u>(4,762.05p)</u>	<u>(14,887.47p)</u>	<u>(28,422.63p)</u>

All operations were continuing throughout each financial period or year.

## Statement of Financial Position

	Note	31 July 2011 £	31 July 2012 £	31 July 2013 £
<b>Assets</b>				
Property, plant and equipment	13	8,441	6,921	11,331
<b>Non-current assets</b>		<u>8,441</u>	<u>6,921</u>	<u>11,331</u>
Trade and other receivables	14	3,204	33,696	26,173
Cash and cash equivalents	15	82,139	471,880	459,951
<b>Current assets</b>		<u>85,343</u>	<u>505,576</u>	<u>486,124</u>
<b>Total assets</b>		<u>93,784</u>	<u>512,497</u>	<u>497,455</u>
<b>Liabilities</b>				
Trade and other payables	16	(15,544)	(97,859)	(82,940)
Loans	17	(106,998)	—	—
<b>Current liabilities</b>		<u>(122,542)</u>	<u>(97,859)</u>	<u>(82,940)</u>
<b>Net current (liabilities)/assets</b>		<u>(37,199)</u>	<u>407,717</u>	<u>403,184</u>
Provisions for liabilities and charges	11	—	—	(2,266)
<b>Non-current liabilities</b>		<u>—</u>	<u>—</u>	<u>(2,266)</u>
<b>Total liabilities</b>		<u>(122,542)</u>	<u>(97,859)</u>	<u>(85,206)</u>
<b>Net (liabilities)/assets</b>		<u>(28,758)</u>	<u>414,638</u>	<u>412,249</u>
<b>Equity</b>				
Share capital	19	100	225	291
Share premium account	19	—	703,504	1,426,971
Profit and loss reserve		(28,858)	(289,091)	(1,015,013)
<b>Equity attributable to shareholders of the parent</b>		<u>(28,758)</u>	<u>414,638</u>	<u>412,249</u>

## Statement of Changes in Equity

	Share capital £	Share premium £	Profit and loss reserve £	Total equity £
<b>Balance at 29 July 2010 (date of incorporation)</b>	—	—	—	—
Total comprehensive loss for the period	—	—	(28,858)	(28,858)
<i>Transactions with shareholders</i>				
Issue of equity share capital	100	—	—	100
<b>Balance at 31 July 2011</b>	100	—	(28,858)	(28,758)
Total comprehensive loss for the year	—	—	(260,233)	(260,233)
<i>Transactions with shareholders</i>				
Issue of equity share capital	125	703,504	—	703,629
<b>Balance at 31 July 2012</b>	225	703,504	(289,091)	414,638
Total comprehensive loss for the year	—	—	(749,789)	(749,789)
<i>Transactions with shareholders</i>				
Share-based payment charge	—	—	23,867	23,867
Issue of equity share capital	66	723,467	—	723,533
<b>Balance at 31 July 2013</b>	291	1,426,971	(1,015,013)	412,249

For an explanation of components of shareholders' equity see note 3.2.

## Statement of Cash Flows

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>Cash flow from operating activities</b>			
Loss before taxation	(28,858)	(260,233)	(769,705)
Adjustments for:			
Depreciation of property, plant and equipment	628	2,184	3,147
Share-based payment charge	—	—	23,867
(Increase)/decrease in trade and other receivables	(3,204)	(30,492)	7,523
Increase/(decrease) in trade and other payables	15,544	82,315	(14,919)
Finance costs	6,998	3,139	2
Finance income	(22)	(432)	(278)
<b>Cash used in operations</b>	<u>(8,914)</u>	<u>(203,519)</u>	<u>(750,363)</u>
Tax credit received	—	—	22,182
<b>Net cash used in operating activities</b>	<u>(8,914)</u>	<u>(203,519)</u>	<u>(728,181)</u>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	(9,069)	(664)	(7,557)
Finance income	22	432	278
Finance costs	—	—	(2)
<b>Net cash used in investing activities</b>	<u>(9,047)</u>	<u>(232)</u>	<u>(7,281)</u>
<b>Cash flow from financing activities</b>			
Addition to/(reduction in) borrowings	100,000	(100,000)	—
Proceeds from the issue of shares	100	703,629	723,533
Interest on loans	—	(10,137)	—
<b>Net cash generated from financing activities</b>	<u>100,100</u>	<u>593,492</u>	<u>723,533</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>82,139</u>	<u>389,741</u>	<u>(11,929)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>—</u>	<u>82,139</u>	<u>471,880</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>82,139</u></u>	<u><u>471,880</u></u>	<u><u>459,951</u></u>

## Notes to the Financial Information

### 1. General information

AGMUK was incorporated on 29 July 2010 and is domiciled in the UK. AGMUK's principal activity is research and development of the synthesis of graphene and its registered office address is shown on page 5 of this document.

### Basis of preparation

This financial information ("Financial Information") has been prepared on a going concern basis under the historical cost convention and is in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. IFRS includes interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of the Financial Information requires management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information in this Part III (b) does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

### Change in accounting policies

#### (i) *New standards, amendments and interpretations effective for the first time in the year ended 31 July 2013*

The following new standards, amendments and interpretations have become effective for the current financial year. These changes have not had a significant impact on AGMUK:

- IAS 1 (amended): Presentation of Financial Statements, presentation of other comprehensive income
- IAS 12 (amended): Income Taxes, recovery of underlying assets

#### (ii) *Standards, amendments and interpretations not yet effective*

At the date of approval of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

- Amendments to IFRS 1: First time adoption of IFRS – Government loans
- Amendments to IFRS 1: First time adoption of IFRS – Severe hyperinflation and removal of fixed dates for first time adopters
- IFRS 9: Financial Instruments and subsequent amendments
- IFRS 10: Consolidated Financial Statements
- IFRS 12: Disclosure of Interests in Other Entities
- Amendments to IFRS 10, 11, 12: Transitional guidance
- Amendments to IFRS 10, 12 and IAS 27: Investment entities
- IFRS 13: Fair Value Measurement
- IAS 19 (revised): Employee Benefits



- IAS 27 (revised): Separate Financial Statements
- IAS 28 (revised): Investments in Associates and Joint Ventures
- Amendments to IAS 32 and IFRS 7: Financial Instruments, on asset and liability offsetting
- Amendments to IAS 36: Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting
- IFRIC 20: Stripping costs in the production phase of a surface mine
- IFRIC 21: Levies
- Amendments resulting from Annual Improvements 2009-2011 Cycle

At this point in time it is not expected that these standards will have a significant impact on the financial statements. The Board are aware of the effective dates and will continue to review the potential impact on the financial statements.

## **2. Summary of significant accounting policies**

The principal accounting policies adopted are set out below.

### **2.1 Going concern**

AGMUK conducts scientific research and development. As noted in Part I “Information on the Group”, AGMUK has invested significantly in developing an innovative process for the manufacture of high specification graphene. The directors believe that this investment positions AGMUK for a transformational year in 2014, to deliver on developing application specific graphene enhanced materials.

As at 31 July 2013, AGMUK had cash balances of £459,951. This cash is considered sufficient to support the day to day operations of AGMUK for a period of six months from the balance sheet date. After this time, AGMUK will require additional funding in order to continue realising its assets and discharging its liabilities in the normal course of business. The directors have a high degree of certainty that there will be a receipt of funds from the Company following its listing of shares and admission to the Alternative Investment Market. Should this new funding not be forthcoming the directors intend to take steps to mitigate the cash outflows to provide sufficient time to undertake a further funding round with existing investors, which the directors have no reason to believe will not be successful.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that AGMUK has adequate resources to continue in operation for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial information.

### **2.2 Foreign currencies**

#### *(a) Functional and presentational currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which AGMUK operates (“the functional currency”) which is UK Sterling (£). The Financial Information is presented in UK Sterling (£), which is AGMUK’s presentational currency. All amounts are rounded to the nearest £.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the

settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net profit or loss in the statement of comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### **2.3 Revenue recognition**

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. AGMUK primarily earns revenues from the sale of graphene based products and from commercial collaborations entered into with third parties.

Product sales revenues are recognised once the goods have been despatched.

Revenues from JDAs is recognised over the period of the agreement based on the percentage of completion. Depending on the contractual terms, revenue is recognised based on the level of work completed to date in respect of each agreement.

The difference between the amount of revenue recognised and the amount invoiced on a particular contract is included in the statement of financial position as deferred income. Amounts included in deferred income are expected to be recognised within one year and are included within current liabilities.

### **2.4 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 income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

### **2.5 Internally generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are only capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- technical feasibility of the completed intangible asset;
- the probability of future economic benefits;
- the reliable measurement of costs;
- the ability and intention of AGMUK to use or sell the intangible asset.

The Directors do not believe that expenditure on development currently meets the criteria for capitalisation. Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

## **2.6 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	5 years straight line
Fixtures and fittings	5 years straight line
Computer equipment	3 years straight line

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

## **2.7 Impairment of property, plant and equipment**

At each reporting date, AGMUK reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, AGMUK estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount 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 amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

## **2.8 Financial Instruments**

Financial assets and financial liabilities are recognised in AGMUK's statement of financial position when AGMUK becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

### **2.8.1 Trade receivables**

Trade 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 statement of comprehensive income when there is objective evidence that the assets are impaired.

### **2.8.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash in 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.

### **2.8.3 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by AGMUK are recorded at the proceeds received, net of direct issue costs.

#### 2.8.4 *Trade and other payables*

Trade 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.

#### 2.8.5 *Financial liabilities – non-current borrowings*

Borrowings, including advances received from related parties are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### **2.9 *Current and deferred tax***

The tax expense / (credit) represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current tax is based upon taxable profit / (loss) for the year. Taxable profit/(loss) differs from net profit / (loss) as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

AGMUK’s liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Credit is taken in the accounting period for research and development tax credits, which have been claimed from HMRC, in respect of qualifying research and development costs incurred. Research and development tax credits have been accounted for on a cash receipts basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the profit nor the accounting period.

The carrying amount of deferred tax assets is reviewed at each reporting 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.

### **2.10 *Operating leases***

Rentals payable under operating leases are charged to income 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.

## **2.11 Share Based Payments**

AGMUK issues equity settled share based payments to certain employees (including Directors).

Equity settled share based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based upon AGMUK's estimate of equity instruments that will eventually vest, along with a corresponding increase in equity. At each reporting date, AGMUK revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense represents the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black Scholes model, taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

## **3. Financial Risk Management**

### **3.1 Financial risk factors**

AGMUK's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. AGMUK's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Board. They identify and evaluate financial risks in close co-operation with key employees.

#### **3.1.1 Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

#### **3.1.2 Credit risk**

Credit risk is the financial loss to AGMUK if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from AGMUK's cash and cash equivalents and receivables balances.

#### **3.1.3 Liquidity risk**

Liquidity risk is the risk that AGMUK will not be able to meet its financial obligations as they fall due. This risk relates to AGMUK's prudent liquidity risk management and implies maintaining sufficient cash. The Board monitors forecasts of AGMUK's liquidity and cash and cash equivalents on the basis of expected cash flow.

### **3.2 Capital risk management**

AGMUK is funded principally by equity although short term loans have been utilised during the period of this Financial Information. The components of shareholders' equity are as follows:

- The share capital and the share premium account arising on the issue of shares.
- The profit and loss reserve reflecting losses incurred to date.

AGMUK's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of AGMUK is managed and adjusted to reflect changes in economic circumstances.

AGMUK funds its expenditure on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity. There are no externally imposed capital requirements.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet AGMUK's commitments and development plans.

### **3.3 Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values because of the short term nature of such assets and the effect of discounting liabilities is negligible.

## **4. Critical accounting estimates and judgements**

Details of AGMUK's significant accounting judgements and critical accounting estimates are set out in this Financial Information and include:

### ***Going concern***

The assessment of AGMUK's ability to execute its strategy by funding future working capital requirements involves judgement. The Directors monitor future cash requirements to assess AGMUK's ability to meet these funding requirements. Further information regarding going concern is outlined in note 2.1.

### ***Recoverability of deferred tax assets***

Deferred tax assets are recognised only to the extent that it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future probability and is therefore inherently uncertain. To the extent that assumptions regarding future probability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit to the statement of comprehensive income in the period in which the change occurs.

### ***Research and development costs***

The assessment of when research and development expenditure meets the recognition criteria required for capitalisation requires judgement as to the technical feasibility and commercial viability of products and ideas that are under development. These judgements are highly subjective and, to the extent that actual circumstances differ, there can be an increase or decrease in the amount of expenditure expensed to the income statement.

## **5. Segmental Information**

The Directors consider that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business. The information reported to AGMUK's Chief Executive Officer, who is considered to be the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of AGMUK. AGMUK has therefore determined that it has only one reportable segment under IFRS8, which is "research and development of graphene". AGMUK's revenue and results and assets for this one reportable segment can be determined by reference to AGMUK's statement of comprehensive income and statement of financial position.

AGMUK carries out all of its activities from a single location in the UK and as such only has a single geographic segment.

During the year ended 31 July 2013, AGMUK had 2 customers who generated more than 10 per cent. of total revenue. These customers generated 47 per cent. and 42 per cent. of revenue.



During the year ended 31 July 2012, AGMUK had 2 customers who generated more than 10 per cent. of total revenue. These customers generated 80 per cent. and 20 per cent. of revenue.

During the year ended 31 July 2011, AGMUK had 2 customers who generated more than 10 per cent. of total revenue. These customers generated 61 per cent. and 25 per cent. of revenue.

## 6. Loss from operations

Loss for the period/year has been arrived at after charging:

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
Staff costs (note 7)	—	39,751	171,470
Depreciation on owned property, plant and equipment	628	2,184	3,147
Operating lease costs			
– Land and buildings	—	845	17,621
	<u>—</u>	<u>845</u>	<u>17,621</u>

The aggregated administrative expenses and the share-based payment charge by nature is as follows:

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
Staff costs, recruitment and other HR	—	50,026	186,670
Premises and equipment	—	845	20,399
Consumables and materials	1,592	15,584	12,160
Subcontract research costs	7,625	137,555	433,171
Patent and IP costs	7,800	20,792	2,330
Insurance	641	3,184	6,024
Professional fees and marketing costs	5,792	19,740	93,449
IT and telecoms	20	1,718	2,733
Depreciation	628	2,183	3,147
Other expenses	5,748	8,725	21,308
	<u>29,846</u>	<u>260,352</u>	<u>781,391</u>

## 7. Staff costs

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>The average number of employees (excluding executive directors) employed was:</b>			
Operations and project management	—	1	3
	<u>—</u>	<u>1</u>	<u>3</u>

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>The aggregate remuneration comprised (excluding Directors):</b>			
Wages and salaries	—	14,727	92,115
Social security costs	—	1,607	9,418
	<u>—</u>	<u>16,334</u>	<u>101,533</u>

The remuneration of the Executive Directors, who are the key management personnel of AGMUK, is shown in note 21 – Related Parties.

#### 8. Other operating income

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
Government grants receivable	7,082	1,500	—

#### 9. Finance income

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
Interest on bank deposits	22	432	278

#### 10. Finance costs

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
Interest paid and similar charges	6,998	3,139	2

## 11. Taxation

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>Current tax:</b>			
R & D tax credit	—	—	(22,182)
Deferred tax charge	—	—	2,266
Total tax credit	—	—	19,916

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>Factors affecting the tax charge for the period/year:</b>			
The tax assessed for the period/year is lower than the UK corporation tax rate of 23.67% (July 2012: 25.33%, July 2011: 27.33%)			
Loss before taxation	(28,858)	(260,233)	(769,705)
Tax at the UK corporation tax rate	(7,887)	(65,917)	(182,189)
Expenses not deductible for tax purposes	—	—	83
Movement on unrecognised deferred tax balances	7,887	65,917	183,150
Other timing differences	—	—	1,222
R & D tax credits received in respect of earlier periods	—	—	(22,182)
Tax for the year	—	—	(19,916)

AGMUK has tax losses carried forward of £923,737 (31 July 2012: £150,251; 31 July 2011: £21,827).

### **Deferred tax**

Deferred tax relates to the following:

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
Accelerated depreciation for tax purposes	—	—	2,266
Deferred tax expense	—	—	2,266

### Reconciliation of deferred tax liabilities

	Period ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
<b>Balance at the beginning of the period/year</b>	—	—	—
Tax expense during the period/year	—	—	2,266
<b>Balance at the end of the period/year</b>	—	—	2,266

As at 31 July 2013, AGMUK had unrecognised deferred tax assets totalling £193,985 (31 July 2012: £31,553; 31 July 2011: £4,584), which primarily relate to losses. AGMUK has not recognised this as an asset in the Statement of Financial Position due to the uncertainty in the timing of its crystallisation.

### 12. Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of shares in issue to assume the conversion of all potentially dilutive shares.

The Group has two classes of potentially dilutive ordinary shares: firstly, those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. Secondly, the convertible loans that were outstanding during the period ended 31 July 2011. However, due to losses incurred in all periods there is no dilutive effect from the potential exercise of these dilutive shares.

The Ordinary Shares and the A Ordinary Shares rank *pari passu* in respect of the distribution of profits as if they constituted one and the same class. Therefore, for the purposes of the loss per share calculations below, the weighted average number of shares in issue is the aggregate of the Ordinary and A Ordinary shares.

	Loss for the period/year £	Weighted average number of shares in issue	Loss per share (pence)
Period ended 31 July 2011	(28,858)	606	(4,762.05p)
Year ended 31 July 2012	(260,233)	1,748	(14,887.47p)
Year ended 31 July 2013	(749,789)	2,638	(28,422.63p)

### 13. Property, plant and equipment

	<i>Plant &amp; machinery</i> £	<i>Fixtures &amp; fittings</i> £	<i>Computer equipment</i> £	<i>Total</i> £
<b>Cost:</b>				
<b>At 29 July 2010 (date of incorporation)</b>	—	—	—	—
Additions	7,209	—	1,860	9,069
<b>At 31 July 2011</b>	7,209	—	1,860	9,069
Additions	664	—	—	664
<b>At 31 July 2012</b>	7,873	—	1,860	9,733
Additions	2,778	3,457	1,322	7,557
<b>At 31 July 2013</b>	<u>10,651</u>	<u>3,457</u>	<u>3,182</u>	<u>17,290</u>
<b>Accumulated depreciation:</b>				
<b>At 29 July 2010 (date of incorporation)</b>	—	—	—	—
Charge for the period	451	—	177	628
<b>At 31 July 2011</b>	451	—	177	628
Charge for the year	1,564	—	620	2,184
<b>At 31 July 2012</b>	2,015	—	797	2,812
Charge for the year	1,899	323	925	3,147
<b>At 31 July 2013</b>	<u>3,914</u>	<u>323</u>	<u>1,722</u>	<u>5,959</u>
<b>Carrying amount:</b>				
At 31 July 2011	6,758	—	1,683	8,441
At 31 July 2012	5,858	—	1,063	6,921
<b>At 31 July 2013</b>	<u>6,737</u>	<u>3,134</u>	<u>1,460</u>	<u>11,331</u>

### 14. Trade and other receivables

	<i>As at 31 July 2011</i> £	<i>As at 31 July 2012</i> £	<i>As at 31 July 2013</i> £
Trade receivables	280	3,002	9,710
VAT recoverable	2,033	29,119	9,262
Other receivables	1	1	1
Prepayments and accrued income	890	1,574	7,200
	<u>3,204</u>	<u>33,696</u>	<u>26,173</u>

Contractual payment terms with AGMUK's customers are typically 30 to 60 days.

There are no amounts of overdue debts for which no allowance has been made. 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 AGMUK considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on AGMUK's credit risk management policies, refer to note 18.



## 15. Cash and cash equivalents

	<i>As at 31 July 2011 £</i>	<i>As at 31 July 2012 £</i>	<i>As at 31 July 2013 £</i>
Cash and cash equivalents	<u>82,139</u>	<u>471,880</u>	<u>459,951</u>

All of AGMUK's cash and cash equivalents at 31 July 2013 are at floating interest rates and is denominated in UK Sterling (£).

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value. For details of AGMUK's credit risk management policies, refer to note 18.

## 16. Trade and other payables

	<i>As at 31 July 2011 £</i>	<i>As at 31 July 2012 £</i>	<i>As at 31 July 2013 £</i>
Trade payables	72	59,262	58,913
Other tax and social security	—	1,261	10,027
Other payables	—	—	450
Accruals	15,472	35,086	13,550
Deferred income	—	2,250	—
	<u>15,544</u>	<u>97,859</u>	<u>82,940</u>

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.

The Directors consider that the carrying value of trade and other payables approximate their fair value. All trade and other payables are denominated in UK Sterling (£).

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

## 17. Loans

	<i>As at 31 July 2011 £</i>	<i>As at 31 July 2012 £</i>	<i>As at 31 July 2013 £</i>
<b>Amounts falling due within one year</b>			
Loans	<u>106,998</u>	<u>—</u>	<u>—</u>

The convertible loan outstanding at 31 July 2011 was taken out on 31 July 2010. It was unsecured and carried a 8 per cent. interest charge. On 22 December 2011, the convertible loan (plus accrued interest) was converted to equity share capital (see note 19).

## 18. Financial instruments

AGMUK is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of AGMUK for managing those risks and the methods used to

measure them. Further quantitative information in respect of these risks is presented throughout this Financial Information.

### **Capital risk management**

AGMUK manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. AGMUK is funded principally by equity although short term convertible loans have been utilised during the period of this Financial Information. As at 31 July 2013, no loans were outstanding (31 July 2012: £nil; 31 July 2011: £106,998). The capital structure of AGMUK consists of equity, comprising issued share capital. AGMUK has no externally imposed capital requirements.

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

### **Principal financial instruments**

The principal financial instruments used by AGMUK, from which financial instrument risk arises are as follows:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents

### **Financial assets**

At the reporting date, AGMUK held the following financial assets:

	<i>As at 31 July 2011 £</i>	<i>As at 31 July 2012 £</i>	<i>As at 31 July 2013 £</i>
Cash and cash equivalents	82,139	471,880	459,951
Trade receivables	280	3,002	9,710
Other receivables	2,924	30,694	16,463
	<u>85,343</u>	<u>505,576</u>	<u>486,124</u>

### **Financial liabilities**

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

	<i>As at 31 July 2011 £</i>	<i>As at 31 July 2012 £</i>	<i>As at 31 July 2013 £</i>
Trade payables	72	59,262	58,913
Loans	106,998	—	—
Other payables	15,472	38,597	24,027
	<u>122,542</u>	<u>97,859</u>	<u>82,940</u>

### **Market risk**

AGMUK's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In the period of the Financial Information, both these risks are considered to have been minimal.

### ***Credit risk***

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

AGMUK gives careful consideration to which organisation it uses for its banking services in order to minimise credit risk. AGMUK has a significant concentration of cash held in accounts with one large bank in the UK, an institution with an Aa3 credit rating (long term, as assessed by Moody's). The amounts of cash held on deposit with that bank at each reporting date can be seen in the financial assets table above. All of the cash and cash equivalents held with that bank at each reporting date were denominated in UK Sterling.

The nature of AGMUK's business and 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. AGMUK mitigates the associated risk by close monitoring of the debtor ledger.

At 31 July 2013, AGMUK's trade receivables balance was £9,710 (31 July 2012: £3,002; 31 July 2011: £280). The carrying amount of financial assets recorded in the Financial Information represents AGMUK's maximum exposure to credit risk without taking account of the value of any collateral obtained. In the Directors' opinion, there has been no impairment of financial assets at any point during the period of the Financial Information.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Board of Directors considers the above measures to be sufficient to control the credit risk exposure.

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

### ***Liquidity risk management***

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

At 31 July 2013, AGMUK had £459,951 (31 July 2012: £471,880; 31 July 2011: £82,139) of cash reserves.

### ***Foreign currency risk management***

Historically, AGMUK's exposure to foreign currency risk has been limited, all of its invoicing and the majority of its payments are in UK Sterling. There are no balances held in foreign currencies at each reporting date and it has made no payments in foreign currencies other than the US dollar and the Euro. Accordingly, the Board has not presented any sensitivity analysis in this area as it is immaterial.

### ***Maturity of financial assets and liabilities***

All of AGMUK's non derivative financial liabilities and its financial assets at each reporting date are either payable or receivable within one year.

## 19. Share capital

	<i>Ordinary Shares of £0.10 each No.</i>	<i>A Ordinary Shares of £0.10 each No.</i>
<b>At 29 July 2010 (date of incorporation)</b>	—	—
Issued during the period (i)	751	249
<b>At 31 July 2011</b>	751	249
Issued during the year (ii)	30	1,215
Reclassified during the year (ii)	366	(366)
<b>At 31 July 2012</b>	1,147	1,098
Issued during the year (iii)	31	631
<b>At 31 July 2013</b>	1,178	1,729
	<i>Ordinary Shares of £0.10 each £</i>	<i>A Ordinary Shares of £0.10 each £</i>
<b>At 29 July 2010 (date of incorporation)</b>	—	—
Issued during the period (i)	75	25
<b>At 31 July 2011</b>	75	25
Issued during the year (ii)	3	122
Reclassified during the year (ii)	37	(37)
<b>At 31 July 2012</b>	115	110
Issued during the year (iii)	3	63
<b>At 31 July 2013</b>	118	173

(i) During the period from incorporation to 31 July 2011, AGMUK allotted and issued the following shares:

- On 29 July 2010, 10 Ordinary Shares at a price of £0.10 per share as the subscription capital;
- On 21 December 2010, 741 Ordinary Shares at a price of £0.10 per share;
- On 21 December 2010, 249 A Ordinary Shares at a price of £0.10 per share.

The aggregate consideration received was £100.

(ii) During the year ended 31 July 2012, AGMUK allotted and issued the following shares:

- On 22 December 2011, 895 A Ordinary Shares at a price of £677.37 per share (and aggregate subscription of £606,246, of which £606,157 has been recognised in the share premium account);
- On 22 December 2011, 117 A Ordinary Shares at a price of £0.10 per share as a bonus share issue;
- On 22 December 2011, 366 A Ordinary Shares were reclassified as 366 Ordinary Shares;

- On 22 December 2011, the convertible loan of £110,137 including accrued interest, was converted into 203 A Ordinary Shares. £110,117 has been recognised in the share premium account;
  - On 16 April 2012, 30 Ordinary Shares at a price of £677.37 per share (and aggregate subscription of £20,321, of which £20,318 is recognised in the share premium account);
  - Issue costs amounting to £33,088 have been charged to the share premium account in the year.
- (iii) During the year ended 31 July 2013, AGMUK allotted and issued the following shares:
- On 18 December 2012, 631 A Ordinary Shares at a price of £1,111.11 per share (and aggregate subscription of £701,110, of which £701,047 has been recognised in the share premium account);
  - On 1 July 2013, 31 Ordinary Shares at a price of £1,111.11 per share (an aggregate subscription of £34,444, of which £34,441 has been recognised in the share premium account);
  - Issue costs amounting to £12,021 have been charged to the share premium account in the year.

### ***Share rights***

#### *Income*

Any profits which AGMUK determines to distribute in respect of any financial year shall be distributed amongst the Ordinary Shareholders and the A Ordinary Shareholders *pro rata* according to the respective numbers of Ordinary Shares and A Ordinary Shares held by each of them as if the Ordinary Shares and A Ordinary Shares constituted one and the same class.

#### *Capital*

In the event of (i) an asset sale or (ii) upon a return of assets on a liquidation, reduction of capital or otherwise, the surplus assets of AGMUK remaining after payment of its liabilities will be distributed amongst the various classes of shares, with subscription monies first repaid on the A Ordinary Shares and then on the Ordinary Shares, then, thereafter, the Ordinary Shares and the A Ordinary Shares rank *pari passu*. Neither the Ordinary Shares nor the A Ordinary Shares confer any rights of redemption.

#### *Voting*

Every Ordinary Shareholder and A Ordinary Shareholder has the right to receive notice of and attend and vote at any general meeting of AGMUK.

## 20. Share based payments

### AGMUK – Share Option arrangements

AGMUK has a share option plan under which it grants options over Ordinary Shares to certain Directors and employees of AGMUK. Options are exercisable at a price equal to the market price of AGMUK's shares on the date of the grant. The vesting period for shares is usually 3 years. The options are settled in equity once exercised. If the options remain unexercised for a period after 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves AGMUK before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	<i>Period ended 31 July 2011</i>		<i>Year ended 31 July 2012</i>		<i>Year ended 31 July 2013</i>	
	No	WAEP £	No	WAEP £	No	WAEP £
<b>Outstanding at the beginning of the period/year</b>	—	—	—	—	146	677
Granted during the period/year	—	—	146	677	—	—
<b>Outstanding at the end of the period/year</b>	—	—	146	677	146	677
Exercisable at period/year end	—	—	—	—	90	677

The options outstanding at 31 July 2013 had a weighted average exercise price of £677 and a weighted average remaining contractual life of 9 years.

The fair values were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

	<i>Period ended 31 July 2011</i>	<i>Year ended 31 July 2012</i>	<i>Year ended 31 July 2013</i>
Expected life of options – years	—	6	6
Weighted average exercise price – £	—	677	677
Weighted average share price at grant date – £	—	677	677
Expected volatility – %	—	25%	25%
Risk free rate – %	—	2.02%	2.02%

AGMUK uses historical data to estimate option exercise and employee retention within the valuation model. Expected volatilities are based upon implied volatilities as determined by a simple average of a sample of listed companies based in similar sectors. The risk free rate for the period within the contractual life of the option is based on the UK gilt yield curve at the time of the grant.

AGMUK recognised a charge of £23,867 (31 July 2012: £nil; 31 July 2011: £nil) related to equity settled share based payment transactions during the year. Of this total, all related to employees including Directors. The majority of the options in existence have no performance criteria.



## 21. Related party transactions

### ***Remuneration of key personnel***

The remuneration of the Directors, who are the key management personnel of AGMUK, is shown below:

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>Executive Directors – aggregate</b>			
Short term employee benefits and fees	—	20,500	45,254
	—	20,500	45,254
<b>Non-executive Directors – aggregate</b>			
Share based payments charge	—	—	23,867
Payments to third parties	—	2,917	—
	—	2,917	23,867
<b>Total Directors’ remuneration</b>	—	23,417	69,121

Remuneration and benefits paid to the highest paid Director totalled £27,500 (31 July 2012: £20,500, 31 July 2011: £nil).

### **Amounts outstanding to key personnel**

As at 31 July 2013, £3,098 (31 July 2012: £5,805, 31 July 2011: £nil) was due to Directors of AGMUK in relation to reimbursement of fees and expenses arising in the ordinary course of business.

### Transactions with AGMUK's shareholders

AGMUK has entered into agreements with the University in respect of secondment of staff and consultancy fees. Under an agreement dated 23 December 2011, Dr Karl Coleman is seconded by the University to AGMUK. Under a separate agreement, Michael Bath provides consultancy services to AGMUK.

The amounts paid to shareholders in each period (including VAT) were as follows:

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>The University of Durham</b>			
Staff secondment fees	—	23,329	42,989
Arrangement fees for Proof of Concept grant	1,800	—	—
Patent costs	—	25,286	2,796
Consultancy fees	—	32,760	18,720
Laboratory facilities charges and consumables	—	18,900	—
Sponsorship fees	—	880	—
	<u>1,800</u>	<u>101,155</u>	<u>64,505</u>
<b>IP2IPO Limited</b>			
Recruitment and executive search fees	—	12,000	9,000
Travel and subsistence costs	—	497	—
	<u>—</u>	<u>12,497</u>	<u>9,000</u>
<b>Top Technology Ventures Limited</b>			
Investment arrangement fees	—	22,001	10,000
Investor monitoring fees	—	3,000	8,750
Travel and subsistence	—	1,477	958
	<u>—</u>	<u>26,478</u>	<u>19,708</u>
<b>Techtran Group Limited</b>			
Business support fees	—	1,800	5,544
Travel and subsistence	—	495	16
Conference costs recharged	—	485	—
Other office expenses	—	382	210
	<u>—</u>	<u>3,162</u>	<u>5,770</u>

The balances outstanding to shareholders at the end of the period are as follows:

	<i>Period ended 31 July 2011 £</i>	<i>Year ended 31 July 2012 £</i>	<i>Year ended 31 July 2013 £</i>
<b>The University of Durham</b>			
Invoices outstanding: Staff secondment fees	—	6,665	7,522
Invoices outstanding: Consultancy fees	—	4,680	7,800
Invoices outstanding: Sponsorship fees	—	880	—
	<u>—</u>	<u>12,225</u>	<u>15,322</u>
<b>IP2IPO Limited</b>			
Invoices outstanding: Recruitment fees	<u>—</u>	<u>12,497</u>	<u>—</u>
<b>Top Technology Ventures Limited</b>			
Invoices outstanding: Investor monitoring fees	<u>—</u>	<u>2,055</u>	<u>3,051</u>
<b>Techtran Group Limited</b>			
Invoices outstanding: Business support fees	<u>—</u>	<u>617</u>	<u>1,618</u>

## 22. Operating lease arrangements

At the statement of financial position date, AGMUK had no outstanding commitments for future minimum lease payments under non-cancellable operating leases. AGMUK has three tenancy at will agreements in respect of office and manufacturing space. These agreements provide that they can be terminated with immediate effect by either AGMUK or the landlord giving notice in writing at any time.

## 23. Subsequent events

On 21 October 2013 Applied Graphene Materials plc acquired AGMUK via a share-for-share exchange transaction and the shareholders of AGMUK became shareholders, in the same percentages, of Applied Graphene Materials plc and AGMUK became a 100 per cent. subsidiary of Applied Graphene Materials plc. Immediately prior to the transaction the A Ordinary Shares were converted to Ordinary Shares.

On 5 November 2013, Applied Graphene Materials plc submitted an AIM Schedule 1 announcement to the London Stock Exchange.

There have been no other substantial events since the year ended 31 July 2013 that require disclosure.

## 24. First-time adoption of IFRS

AGMUK has previously produced and filed financial statements under UK Generally Accepted Accounting Practice (UK GAAP). For the purpose of the admission document it has produced this Financial Information in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union.

### *Reconciliations between IFRS and UK GAAP*

Certain presentation differences between UK GAAP and IFRS have no impact on reported profit or total equity. Some line items are described differently (renamed) under IFRS compared with previous UK GAAP, although the assets and liabilities included in those line items are unaffected.

For the period ended 31 July 2011 and the period ended 31 July 2012, there are no differences between the presentation of financial statements as produced under UK GAAP and the Financial Information presented in this document under IFRS apart from presentational differences.

For the year ended 31 July 2013, the following reconciliations provide a quantification of the effect of the transition to IFRS, with notes to the reconciliations:

- Net income at 31 July 2013
- Equity at 31 July 2013

The cash flow statement for the year ended 31 July 2013 under IFRS is also the same as under UK GAAP apart from presentational differences.

### *Reconciliation of net income for the year ended 31 July 2013*

	UK GAAP £	IFRS2 Share-based payment charge £	IFRS £
<b>Revenue</b>	11,410	—	11,410
Administrative expenses	(757,524)	—	(757,524)
Share-based payment charge	—	(23,867)	(23,867)
Other operating income	—	—	—
<b>Loss from operations</b>	(746,114)	(23,867)	(769,981)
Finance income	278	—	278
Finance cost	(2)	—	(2)
<b>Loss before taxation</b>	(745,838)	(23,867)	(769,705)
Taxation	19,916	—	19,916
<b>Loss for the year</b>	<u>(725,922)</u>	<u>(23,867)</u>	<u>(749,789)</u>

## Reconciliation of equity at 31 July 2013

	UK GAAP £	IFRS2 Share-based payment charge £	IFRS £
<b>Assets</b>			
Property, plant and equipment	11,331	—	11,331
<b>Non-current assets</b>	11,331	—	11,331
Trade and other receivables	26,173	—	26,173
Cash and cash equivalents	459,951	—	459,951
<b>Current assets</b>	486,124	—	486,124
<b>Total assets</b>	497,455	—	497,455
<b>Liabilities</b>			
Trade and other payables	82,940	—	82,940
Loans	—	—	—
<b>Current liabilities</b>	82,940	—	82,940
<b>Net current assets</b>	403,184	—	403,184
Provisions for liabilities and charges	2,266	—	2,266
<b>Non-current liabilities</b>	2,266	—	2,266
<b>Total liabilities</b>	85,206	—	85,206
<b>Net assets</b>	412,249	—	412,249
<b>Equity</b>			
Share capital	291	—	291
Share premium account	1,426,971	—	1,426,971
Profit and loss reserve	(1,015,013)	—	(1,015,013)
<b>Equity attributable to shareholders of the parent</b>	412,249	—	412,249

### Notes to the reconciliations

- (a) AGMUK has applied IFRS 2 to calculate the fair value of share options using an appropriate pricing model. This expense is recognised over the vesting period. An expense of £23,867 has been recognised in the period ended 31 July 2013. Share options granted and still vesting at 31 July 2013 are recognised within equity at 31 July 2013.
- (b) AGMUK has applied IAS 36 in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified. The estimates used for this analysis were consistent with the estimates used under UK GAAP at the same date.

## SECTION C

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets of the Group set out below has been prepared to illustrate the effect of the Placing on the Group's net assets as if these events had taken place on 31 July 2013. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below:

	<i>Applied Graphene Materials UK Limited Note 1 £</i>	<i>Adjustments to net assets following the Placing Note 2 £</i>	<i>Total £</i>
<b>Fixed assets</b>			
Tangible assets	11,331	—	11,331
<b>Current assets</b>			
Trade and other receivables	26,173	—	26,173
Cash and cash equivalents	459,951	9,900,000	10,359,951
<b>Creditors</b>			
Amounts falling due within one year	(82,940)	—	(82,940)
<b>Net current assets</b>	403,184	9,900,000	10,303,184
<b>Total assets less current liabilities</b>	414,515	9,900,000	10,314,515
<b>Provisions for liabilities</b>	(2,266)	—	(2,266)
<b>Net assets</b>	<u>412,249</u>	<u>9,900,000</u>	<u>10,312,249</u>

*Notes:*

1. The balance sheet of Applied Graphene Materials UK Limited as at 31 July 2013 has been extracted without material adjustment from the "Historical Financial Information" in Section B of Part III for the year ended 31 July 2013. The balance sheet of Applied Graphene Materials plc has not been presented as its inclusion would have no impact on the pro forma net assets of the Group.
2. The net proceeds of the Placing of approximately £9.9 million are calculated on the basis that the Company issues 7,096,775 Ordinary Shares at 155 pence per share, net of estimated expenses in connection with the Placing. The proceeds of the Placing, net of expenses of £1.1 million, have been credited to the called up share capital and share premium accounts of the Company.
3. Save for the adjustment for the net proceeds of the Placing as described in Note 2 above, no adjustment has been made to reflect any trading or other transactions undertaken by the Group since 31 July 2013.



## PART IV

### TAXATION

#### 1. Taxation

- 1.1 The following paragraphs are intended as a general guide only and are based on current United Kingdom legislation and HMRC practice as at the date of this document (both of which are subject to change at any time, possibly with retrospective effect). Except where the position of non-United Kingdom resident shareholders is expressly referred to, these comments deal only with the position of shareholders who are resident in and, in the case of individuals, domiciled in, the United Kingdom for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of shareholders such as dealers in securities, financial institutions, tax exempt organisations and holders that hold (either directly or indirectly) 10 per cent. or more of the shares in the Company. The following paragraphs are not exhaustive and are intended as a general guide only.
- 1.2 Any person who is in any doubt as to his or her own tax position, or is subject to taxation in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional tax adviser.
- 1.3 The comments in this section are intended as a general guide to current United Kingdom tax law and to the current published practice of HMRC as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents) who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.
  - 1.3.1 Non-UK resident and non-UK domiciled Shareholders should consult their own tax advisers.
  - 1.3.2 The position of Shareholders who are officers or employees of the Company is not considered in this section. Such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.
  - 1.3.3 The tax position of certain Shareholders who are subject to special rules such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any Shareholder who has any doubt as to his or her tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who is subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers.
- 1.4 *Taxation of Chargeable Gains*
  - 1.4.1 For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares in the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.
  - 1.4.2 The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

- 1.4.3 A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are not UK tax resident.

#### *Individuals*

- 1.4.4 Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£10,900 for 2013/14) and after taking account of any exemptions and reliefs available to the individual.
- 1.4.5 For individuals, the starting rate for capital gains tax is 18 per cent. This rate applies where the individual's income and gains are less than the upper limit of the income tax basic rate band after taking into account the individual's personal allowance. The basic rate band for 2013/14 is £32,010. The amount of the personal allowance depends on when an individual is born. For individuals born after 5 April 1948 it is £9,440, for those born between 6 April 1938 and 5 April 1948 it is £10,500 and for those born before 6 April 1938 it is £10,660. For those individuals born before 6 April 1948, the age related element of the personal allowance is progressively withdrawn where the individual's income exceeds £26,100. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.
- 1.4.6 For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2013/14, £10,900 for personal representative of deceased persons and trustees for disabled persons and £5,450 for other trustees) will be charged at a flat rate of 28 per cent.
- 1.4.7 Where a Shareholder disposes of the Ordinary Shares at a loss, the loss may be available to offset against other current year gains or carried forward to offset against future gains.

#### *Companies*

- 1.4.8 Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to corporation tax on a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (24 per cent. for the financial year 1 April 2012 to 31 March 2013, reducing to 23 per cent. for the financial year 1 April 2013 to 31 March 2014). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

### 1.5 *Taxation of Dividends*

- 1.5.1 No tax is required to be withheld from dividend payments made by the Company.

#### *Individuals*

- 1.5.2 An individual Shareholder receiving a dividend from the Company also receives a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit) which will be regarded as the top slice of the individual's income.

- 1.5.3 Individual Shareholders whose income is within the basic rate tax band (currently £32,010 after the personal allowance) will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.
- 1.5.4 Individual Shareholders who are subject to the higher rate of income tax (broadly, where income exceeds £32,010 after the personal allowance) will be subject to income tax on the gross dividend at 32.5 per cent., but will be able to set the tax credit off against part of this liability.
- 1.5.5 Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000) will be subject to dividend income tax at 37.5 per cent., but will be able to set the tax credit off against part of this liability.
- 1.5.6 Dividends payable to trustees of discretionary trusts will be subject to dividend income tax at 37.5 per cent. Trustees of life interest trusts and personal representatives of deceased persons will be subject to dividend income tax at 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.
- 1.5.7 Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or any part of it).

#### *Companies*

- 1.5.8 Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company.
- 1.5.9 Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. United Kingdom resident Shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

### 1.6 *Stamp Duty and Stamp Duty Reserve Tax*

- 1.6.1 It was announced in the 2013 Budget that SDRT will be abolished on transactions in shares traded on the small companies markets, such as AIM and the ISDX Growth Market. However, the change will not be effective until April 2014 and HMRC has stated that consultation will take place first.
- 1.6.2 Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), no stamp duty or SDRT will be levied on the issue of Ordinary Shares in registered form.
- 1.6.3 A sale of Ordinary Shares will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent., rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh date of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that

of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.

- 1.6.4 When Ordinary Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.
- 1.6.5 When Ordinary Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will generally be payable.
- 1.6.6 Where a change in beneficial ownership of Ordinary Shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

#### 1.7 *Depository receipt systems and clearance services*

- 1.7.1 Following the European Court of Justice decision in *C-569/07 HSBC Holdings plc and Vidacos Nominees Limited v The Commissioners for Her Majesty's Revenue & Customs* and the First-tier Tax Tribunal decision in *HSBC Holdings plc and The Bank of New York Mellon Corporation v The Commissioners for Her Majesty's Revenue & Customs*, HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when new shares are issued to a clearance service or depository receipt system.
- 1.7.2 Where shares in the Company are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the shares. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable by the clearance service or depository receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depository receipt system. There is an exemption from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in the Company into such an account and on subsequent agreements to transfer such shares within such account.

#### 1.8 *Inheritance Tax*

- 1.8.1 Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to IHT on the value of any Ordinary Shares held by them. IHT may also apply to individual Shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.
- 1.8.2 Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or

appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

- 1.8.3 However, a relief from IHT known as BPR may apply to Ordinary Shares once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

## 1.9 *Enterprise Investment Scheme*

- 1.9.1 The following provides an outline of the EIS tax reliefs potentially available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor as a claim for relief will be conditional upon his or her own circumstances and is subject to holding the shares throughout the relevant three year period.
- 1.9.2 In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to Ordinary Shares.
- 1.9.3 In summary, EIS relief may be available where a qualifying company issues new ordinary shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.
- 1.9.4 EIS income tax relief is available to individuals only – the current relief is 30 per cent. of the amount subscribed for EIS shares to be set against the individual's income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £1,000,000 in EIS subscriptions per tax year. This relief can be "carried back" one tax year (subject to the overriding limit for relief in that tax year). This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription.
- 1.9.5 Very broadly, an individual is connected with the issuing company if, *inter alia*, he or his associates are employees or directors or have an interest in more than 30 per cent. of the Company's ordinary share capital or voting rights.
- 1.9.6 Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year or any income of the previous year.
- 1.9.7 Individuals and trustees who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the Company (as outlined above) and obtain such capital gains tax deferral relief.

## PART V

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names and functions are set out on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company and the Group

- 2.1 The Company was incorporated and registered in England and Wales on 27 September 2013 under the name Sandco 1271 Limited with registered number 08708426, as a private company limited by shares under the Act. The Company changed its name to Applied Graphene Materials Limited on 9 October 2013. The Company was re-registered as a public limited company on 24 October 2013.
- 2.2 The liability of the members of the Company is limited to the amount paid up or to be paid up on its shares.
- 2.3 The Company's registered office and its principal place of business is at The Wilton Centre, Wilton, Redcar, Cleveland TS10 4RF and its telephone number is at +44 (0)1642 438214. The Company is domiciled in England.
- 2.4 The Company's website, at which the information required by Rule 26 of the AIM Rules can be found, is [www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com).
- 2.5 The Company's main activity is that of a holding company.
- 2.6 The Company has, currently, one wholly owned subsidiary, AGMUK, which was incorporated in England and Wales on 29 July 2010 as a private limited company under registered number 07330136 and its principal activity is research and development and the manufacture of graphene as more particularly described in Part I of this document.

#### 3. Share capital

- 3.1 The issued share capital of the Company at the date of this document and following the Placing (assuming full subscription) is and will be as follows:

<i>Issued and fully paid prior to the Placing and Admission</i>			<i>Issued and fully paid following the Placing and Admission</i>	
<i>Nominal Value</i>	<i>Number of Ordinary Shares of 2p each</i>	<i>Number of A Ordinary Shares of 2p each</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares of 2p each</i>
<i>£</i>			<i>£</i>	
195,873.66	3,968,682	5,825,001	337,809.16	16,890,458

- 3.2 On incorporation of the Company, one ordinary share of £1.00 was issued to the subscriber, and was transferred to Jonathan Mabbitt on 27 September 2013.



- 3.3 The following is a summary of the changes in the issued share capital of the Company since its incorporation:
- 3.3.1 by a special resolution dated 21 October 2013, the Company adopted articles of association providing that the share capital of the Company be comprised of A ordinary shares of £0.02 each and ordinary shares of £0.02 each;
  - 3.3.2 on 21 October 2013, in aggregate, 3,968,632 ordinary shares of £0.02 each and 5,825,001 A ordinary shares of £0.02p each were issued to the shareholders of AGMUK, fully paid, in consideration of the acquisition of the entire issued share capital of AGMUK; and
  - 3.3.3 by a special resolution dated 14 November 2013, conditional upon and with effect from Admission, each of the A ordinary shares of £0.02 each and ordinary shares of £0.02 each then in issue were redesignated as Ordinary Shares having the rights set out in the Articles.
- 3.4 By ordinary and special resolutions passed on 14 November 2013:
- 3.4.1 the directors of the Company were authorised, for the purposes of section 551 of the Act to allot relevant securities in the capital of the Company:
    - 3.4.1.1 conditional upon Admission, an aggregate nominal amount of £6,756.18 in connection with the issue of the Warrants as more fully described in paragraph 12.5 of this Part V;
    - 3.4.1.2 up to a nominal amount of £141,935.50 in connection with the Placing; and
    - 3.4.1.3 conditional upon Admission, otherwise than pursuant to sub-paragraphs 3.4.1.1 and 3.4.1.2 above, up to a nominal amount of £112,603.00,
 such authorisation to expire at midnight on 14 November 2014 or at the conclusion of the next annual general meeting (whichever is earlier); and
  - 3.4.2 subject to the passing of the resolution detailed in paragraph 3.4.1 above (the “section 551 Resolution”), the Directors were empowered to allot equity securities pursuant to the section 551 Resolution as if section 561(1) of the Act did not apply, such power being limited to:
    - 3.4.2.1 conditional upon Admission, the allotment of equity securities pursuant to sub-paragraphs described in paragraphs 3.4.1.1 and 3.4.1.2 above of the section 551 Resolution;
    - 3.4.2.2 conditional upon Admission, the allotment of equity securities in connection with an offer to all the holders of Ordinary Shares in proportion (as nearly may be) to the number of Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the Directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems, in or under the laws of any territory or the requirements of any regulatory body or in any stock exchange in any territory or otherwise howsoever); and
    - 3.4.2.3 conditional upon Admission otherwise than pursuant to paragraph 3.4.2.1 above, the allotment of equity securities up to an aggregate nominal amount of £16,890,

such power to expire on midnight on 14 November 2014 or at the conclusion of the next annual general meeting of the Company (whichever is the earlier).

- 3.5 The Company has agreed to grant N+1 Singer warrants over 337,809 Ordinary Shares (representing 2 per cent. of the Enlarged Share Capital) exercisable at the Placing Price until the fifth anniversary of Admission pursuant to the Warrant Instrument more particularly described in paragraph 12.5 of this Part V.
- 3.6 Save as disclosed in paragraphs 3.2, 3.3, 3.5, 3.7, 7 and 12 of this Part V of this document:
- 3.6.1 no share capital of the Company or of any member of the Group is under option or has been agreed conditionally or unconditionally to be put under option;
  - 3.6.2 no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
  - 3.6.3 no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company;
  - 3.6.4 no persons have preferential subscription rights in respect of any share or loan capital of the Company or any subsidiary; and
  - 3.6.5 no amount or benefit has been paid or is to be paid or given to any promoter of the Company.
- 3.7 On Admission there will be a total of 1,199,364 options to subscribe for Ordinary Shares as follows:
- |                    |         |
|--------------------|---------|
| Jonathan Mabbitt   | 343,638 |
| Oliver Lightowlers | 249,306 |
| Claudio Marinelli  | 114,546 |
| Bryan Dobson       | 491,874 |
- A summary of the terms of the options is set out in paragraph 7 of this Part V.
- 3.8 Otherwise than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with application for the Placing Shares to be admitted to AIM.
- 3.9 The Existing Ordinary Shares are, and the New Shares will be, in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. Accordingly, it is intended that following Admission settlement of transactions in the Ordinary Shares may take place within the CREST system if the relevant shareholders so wish.
- 3.10 There are no listed or unlisted securities issued by the Company not representing share capital.
- 3.11 The New Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the issued share capital.

#### **4. Articles of Association**

The Articles, which were adopted conditional upon Admission pursuant to a special resolution of the Company passed on 14 November 2013, contain provisions, *inter alia*, to the following effect:

##### **4.1 Variation of class rights and class meetings**

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may, subject to all statutes (and any regulations subordinate thereto) for the time being in force concerning companies and affecting the Company (the “Statutes”), be varied or abrogated either in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any such shares held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

The provisions of the Articles and of the Statutes relating to general meetings of the Company apply to every separate general meeting of the holders of a particular class of shares except that:

- 4.1.1 no member is entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote may be given except in respect of a share of that class;
- 4.1.2 the necessary quorum (other than at an adjourned meeting) is two individuals, being two members present in person (including by authorised representative) or by proxy together holding not less than one-third in nominal value of the issued shares of that class (excluding any such shares held as treasury shares), unless all the shares of the class are registered in the name of a single member, in which case the quorum is that single member, and where a member is present by proxy, he is treated as holding only the shares in respect of which that proxy or those proxies are authorised to exercise voting rights;
- 4.1.3 if any such separate general meeting is adjourned, the quorum at the adjourned meeting is one individual, being a member present in person (including by authorised representative) or by proxy, holding shares of that class;
- 4.1.4 on a show of hands, every holder of shares of the class in question entitled to vote on the resolution who is present in person has one vote, each authorised person appointed by a corporate Shareholder has one vote and every proxy present who has been appointed by a holder of shares of the class in question entitled to vote on the resolution has one vote, unless he has been appointed by more than one such holder and has been instructed by one or more of such holders to vote for the resolution and by one or more others to vote against it, in which case he has one vote for and one vote against the resolution;
- 4.1.5 any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and
- 4.1.6 on a poll, every holder of shares of the class in question entitled to vote has one vote for every share of the class held by him and his voting rights may be exercised by one or more proxies.

##### **4.2 Convening general meetings**

Annual general meetings of the Company shall be convened in accordance with the Statutes. The directors may convene other general meetings whenever they think fit, and are required

to do so if requisitioned by members in accordance with the Statutes. If the directors fail to convene a general meeting when requisitioned, the meeting may be convened by the requisitionists.

If at any time there are not within the United Kingdom sufficient directors to call a general meeting, any director may convene a general meeting. If the Company has fewer than two directors and the director (if any) is unable or unwilling to appoint sufficient directors to make up a quorum or to call a general meeting to do so, two or more members may call a general meeting for the purpose of appointing one or more directors.

The Company shall determine the time, being no more than 48 hours (excluding non-working days) before the time fixed for the meeting, by which a person must be entered on the register of members in order to be entitled to attend or vote at a general meeting.

#### 4.3 *Ownership threshold and change of control*

The Articles do not prescribe any ownership threshold above which Shareholder ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

#### 4.4 *Alteration of capital*

The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

#### 4.5 *Transfer of shares*

Shares may be held in uncertificated form and uncertificated shares may be transferred otherwise than by a written instrument in accordance with the rules, procedures and practices of the relevant system (CREST) and the CREST Regulations.

The directors may refuse to register a transfer of any such share if the transfer is in favour of more than four persons jointly or in any other circumstances permitted by those Regulations, except where to do so would disturb the market in the shares.

Transfers of shares in certificated form may be effected by an instrument of transfer in any usual form or in any other form approved by the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:

- (i) is in respect of only one class of share;
- (ii) is in favour of a single transferee or not more than four joint transferees;
- (iii) is duly stamped (if required); and
- (iv) is delivered for registration to the registrar's office, or such other place as the directors have specified and is accompanied by the certificate(s) for the shares to which it relates (except in the case of a financial institution where a certificate has not been issued) and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer and the due execution by the transferor or authority of the person executing the transfer on the transferor's behalf.

In addition, the directors may refuse to register the transfer of a share which is not fully paid provided that such refusal shall not be exercised so as to disturb the market in those shares.

A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

4.6 *Restrictions on voting, dividends and transfer of default shares*

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the Act and is in default in supplying to the Company the information thereby required within the period stipulated in such notice (which must not be less than 14 days after the service of such notice), the board may serve on such member a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares").

A direction notice may direct that the default shares shall not confer on the member concerned any entitlement to attend or vote or speak, either personally or by proxy, at a general meeting or class meeting of the Company.

Where default shares represent at least 0.25 per cent. of the class of shares concerned (excluding any shares of that class held as treasury shares), the direction notice may in addition direct that:

- (i) the whole or any part of any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on the default shares shall be retained by the Company without liability to pay interest or compensation; and/or
- (ii) no transfer of certificated default shares shall be registered unless it is an approved transfer and/or that the holder of any uncertificated default shares shall be divested of the power to transfer such shares unless the transfer is an approved transfer and/or that the holder of any uncertificated default shares must convert such shares into certificated form. For this purpose, an "approved transfer" is a transfer by the acceptance of a takeover offer or a transfer on sale to a *bona fide* unconnected third party (including through a sale through a recognised investment exchange as defined in the FSMA (as amended)).

The terms of a direction notice shall apply as soon as it has been duly served and shall cease to have effect seven days following due compliance, to the reasonable satisfaction of the directors, with the notice under section 793 of the Act or, if earlier, the transfer of any default shares by an approved transfer, but only in respect of the default shares which are transferred.

4.7 *Pre-emption rights*

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of Ordinary Shares beyond those contained in the Act.

4.8 *Redemption and conversion*

The Ordinary Shares are not redeemable or convertible.

#### 4.9 *Participation in profits and assets*

Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to the Ordinary Shares as regards participation in the profits and assets of the Company are as follows:

- (i) any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the Ordinary Shares *pro rata* according to the amounts paid up or credited as paid up on such shares held by them; and
- (ii) the capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of the Ordinary Shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

#### 4.10 *Voting*

On a show of hands, every member present in person has one vote, each authorised person appointed by a corporate Shareholder has one vote and every proxy present has one vote, unless he has been appointed by more than one member and has been instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, in which case he has one vote for and one vote against the resolution.

In the case of a poll every member has one vote for every share held by him and his voting rights may be exercised by one or more proxies.

These voting rights are subject to any special rights or restrictions as to entitlement to vote on a particular resolution or at particular meetings imposed by or pursuant to the Articles or attached to any shares. These include, for example, that a person becoming entitled to a share by reason of a transmission event (such as death or bankruptcy) shall not be entitled to vote with respect to those shares before being registered as holder of such shares.

#### 4.11 *Dividends*

The Ordinary Shares confer no fixed dividend entitlement. The Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors. The directors may from time to time pay such interim dividends as they think fit.

Where the Company has a lien on any share and a sum in respect of which the lien exists is presently payable, the directors may retain any dividend payable in respect of that share instead of enforcing the lien.

In addition, the directors may retain any dividend in the circumstances where a person who has become entitled to a share as a consequence of a transmission event (such as death or bankruptcy) fails to comply within 90 days of receipt of a notice from the directors requiring that person to elect to be registered as the holder of the share concerned or to transfer that share.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years from the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.



## 4.12 *Directors*

### 4.12.1 *Number of directors*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be less than two nor more than ten.

### 4.12.2 *Shareholding qualification*

A director is not required to hold any shares in the Company. A director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

### 4.12.3 *Directors' remuneration and expenses*

Remuneration paid to the directors for their services as officers of the Company shall be such aggregate amount as the directors shall decide, provided that such fees do not exceed the sum of £500,000 per annum or such higher sum as the Company may by ordinary resolution determine, and shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles or any service agreement between the Company or any associated company and the relevant director.

Any director who performs services which, in the opinion of the directors, go beyond the ordinary duties of a director, may be paid such additional remuneration and may receive such other benefits as the directors or the remuneration committee may determine.

The Company may also pay or repay to any director all travelling, hotel and other expenses reasonably and properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise incurred in connection with the business of the Company.

The directors may establish and / or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a director or officer or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and / or contribute to any death and / or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

### 4.12.4 *Interests and conflicts*

The directors are empowered pursuant to section 175 of the Act to authorise any matter which would or might constitute a breach of the duty of a director to avoid a situation in which he has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the directors at any time. Neither the director in question nor any other interested director shall vote on any resolution concerning any such authorisation. Under section 175(3) of the Act, no such authorisation is required in relation to a conflict of interest arising in relation to a transaction or arrangement with the Company.

A director, notwithstanding his office may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise

be interested in, any associated company. In such circumstances the director is authorised to act subject to any guidance from time to time issued by the directors for dealing with conflict situations arising in relation to associated companies. The directors may exercise any voting rights exercisable by the Company in any associated company in such way as they think fit, including voting in favour of any resolution appointing them, or any of them, as directors or officers of the associated company or approving the payment of remuneration to directors or officers of the associated company.

Where a director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company or his duties to the Company and the matter constituting such conflict has been authorised by the directors or by the Company or is otherwise permitted by the Articles, subject to the terms on which any authorisation has been given:

- (i) the director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the Company;
- (ii) the director in question shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a consequence and no contract, transaction or arrangement relating to the relevant matter shall be liable to be avoided on the grounds of his conflict of interests or duties;
- (iii) the director in question need not consider board papers, nor participate in discussion of the directors, relating to the relevant matter; and
- (iv) any director may act in any way authorised by any guidance for dealing with conflicts of interest or duty issued by the directors from time to time.

#### 4.12.5 *Alternate directors*

Any director (other than an alternate director) has the power to appoint as his alternate, to exercise his powers and carry out his responsibilities during his absence (whether for a limited or an unlimited term), either another director or any other person approved for that purpose by a resolution of the directors. The appointment of an alternate director automatically determines: if his appointor terminates the appointment; or on the happening of any event which, if he were a director, would cause him to vacate the office of director; or if he resigns such appointment; or if his appointor ceases for any reason to be a director otherwise than by retiring and being re-appointed at the same general meeting.

An alternate director is entitled to receive notice of meetings of the directors and to attend and, in place of his appointor, to vote and be counted for the purpose of a quorum at any such meeting at which his appointor is not personally present and generally to perform all functions as a director of his appointor in his appointor's absence.

An alternate director may be paid or repaid by the Company such expenses as might properly have been paid or repaid to him if he had been a director but shall not in respect of his office of alternate director be entitled to receive any remuneration from the Company except such part of his appointor's remuneration as his appointor may

direct by notice in writing to the Company. An alternate director shall be entitled to be indemnified by the Company to the same extent as if he were a director.

#### 4.12.6 *Vacation of office*

A director shall cease to be a director on the happening of any of the following events:

- (i) he becomes prohibited by law from acting as a director, or shall cease to be a director by virtue of any provision of the Statutes;
- (ii) not being a director holding executive office for a fixed period, he resigns or offers to resign and the directors resolve to accept such offer;
- (iii) having been appointed for a fixed term, the term expires;
- (iv) he has a bankruptcy order made against him or settles or makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that act;
- (v) he becomes incapable by reason of illness or injury of managing and administering his property and affairs and the directors resolve that his office be vacated;
- (vi) he and his alternate (if any) are absent from meetings of the directors for the greater of six consecutive months and six consecutive meetings without the consent of the directors and the directors resolve that his office be vacated;
- (vii) having retired by rotation at an annual general meeting, he is not re-appointed as a director; or
- (viii) he is removed from office as a director by notice in writing signed by all his co-directors, but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed to be an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company or otherwise.

#### 4.12.7 *Retirement by rotation*

At each annual general meeting of the Company, the following directors shall retire from office and be eligible for re-appointment: (i) any director who has been appointed by the directors since the last annual general meeting and (ii) any director who was not appointed or re-appointed at one of the two preceding annual general meetings.

#### 4.12.8 *Appointment*

The Company may by ordinary resolution appoint any person who is willing to act and is permitted by law to do so to be a director. Without prejudice thereto, the directors have power at any time so to do, but so that the total number of directors shall not thereby exceed any maximum number fixed by or in accordance with the Articles. Any person so appointed by the directors shall hold office only until the conclusion of business at the next annual general meeting.

No person, other than a director retiring at the meeting, shall be eligible for appointment or re-appointment as a director at any general meeting unless: (a) he is

recommended by the directors; or (b) the resolution to propose him is accompanied by notice in writing signed by a Shareholder other than the nominee, containing specified information about the nominee and notifying the Shareholder's intention to propose him for appointment, together with a notice signed by the nominee of his willingness to be appointed.

#### 4.12.9 *Proceedings of directors*

The quorum necessary for the transaction of the business of the directors may be fixed from time to time by the directors and unless so fixed at any other number shall be two.

Questions arising at any meeting of the directors shall be determined by a majority of votes and, subject to the restrictions on voting noted below, each director present has one vote. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The continuing directors or a sole continuing director may act notwithstanding any vacancies but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with the Articles, the continuing directors or director may act only for the purpose of appointing directors or of calling a general meeting to do so. Any additional director so appointed by the directors or director shall hold office until the conclusion of business at the following annual general meeting.

If at the end of any annual general meeting there would otherwise be no directors, each director who retired and offered himself for re-appointment at that meeting will remain in office, notwithstanding that the resolution to re-appoint him was lost, until at least one director is appointed or re-appointed by ordinary resolution. Unless and until he is re-appointed, any such director may act only for the purpose of calling a general meeting to appoint directors and otherwise as may be necessary to comply with any legal or regulatory requirement applicable to the Company or the directors.

A resolution in writing signed by such number of the directors as are for the time being entitled to receive notice of a meeting of directors and comprise together in number not less than a quorum for a meeting of the directors shall be as effective as a resolution duly passed at a meeting of the directors.

#### 4.12.10 *Restrictions on voting*

Save as provided in the Articles, a director shall not vote (or, if he does, his vote shall not be counted) at a meeting of the directors in respect of any contract, arrangement, transaction or any other kind of proposal in which he has a direct or indirect interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. This prohibition does not apply if the director's interest cannot reasonably be regarded as likely to give rise to conflict of interests, or to any resolution concerning any of the following matters:

- (i) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in an offer in which he is or may be entitled to participate;
- (ii) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he does not to his knowledge, directly or indirectly, hold an interest in shares (as that term is defined in sections 820 to 825 (inclusive) of the Act)

representing one per cent. or more of either any class of the equity share capital of, or the voting rights in, such body corporate (excluding any shares, or voting rights attached to any shares, held as treasury shares);

- (iii) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either has been approved, or is conditional on approval, by HMRC for taxation purposes; or relates both to employees and directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
- (iv) any contract or other proposal concerning any insurance which the Company is empowered to purchase and / or maintain for or for the benefit of any persons including directors.

A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

#### 4.13 *Borrowing powers*

Subject to the Statutes and the Articles, the directors may exercise all the powers of the Company to borrow or raise money and mortgage, charge or grant any security over all or any part of its undertaking, property and assets (present and future), and uncalled capital, to create and issue debentures, other loan stock and other securities and to give security, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

The directors shall take all necessary steps, including the exercise of all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any), for securing (as regards subsidiary undertakings, in so far as they are able) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Company and all of its subsidiary undertakings (if any) (other than intra-Group borrowing) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the Company's adjusted total of capital and reserves (as defined in the Articles).

#### 4.14 *Indemnity and insurance*

Subject to the Statutes, but without prejudice to any indemnity to which he may otherwise be entitled, every director, alternate director or secretary (or former director or secretary) of the Company or of any associated company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or discharge of his duties or in the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

The indemnity provisions do not operate to provide an indemnity against any liability attaching to a director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company except as permitted by law.

The directors have power to purchase and/or maintain insurance at the expense of the Company for, or for the benefit of, anyone who is or was at any time a director, alternate director or secretary of the Company or any associated company or who is or was at any time a trustee of any retirement benefits scheme or employee share

scheme in which employees of the Company or any associated company are or were interested, including insurance against any liability incurred by such persons which may lawfully be insured against by the Company in respect of any act or omission in the execution of their powers and/or otherwise in relation to the Company or in connection with their duties, powers or offices in relation to any associated company, or any such retirement benefits scheme or employee share scheme.

4.15 *Untraced shareholders*

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of 12 years, the Company, so far as the directors are aware, has not received any communication from such member or person (in his capacity as member or person entitled by transmission). The net proceeds of any such sale shall belong to the Company.

4.16 *Objects*

The Articles do not contain any restrictions on the objects of the Company.

**5. Mandatory Bids, Squeeze-out and Sell-out Rules Relating to the Ordinary Shares**

5.1 *Mandatory bid*

5.1.1 The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares and / or interests therein were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.1.2 This requirement would also be triggered by any acquisition of Ordinary Shares and / or interest therein by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company. As disclosed in paragraph 6.1.3 of this Part V, IP2IPO (which is a wholly owned subsidiary of IP Group) and NETF (which is a fund managed by Top Technology Ventures Limited, a subsidiary of IP Group) own 22.1 per cent. and 21.7 per cent. of the Company's issued share capital at the date of this document, respectively. Following Admission these parties will own 20.4 per cent. and 14.5 per cent., respectively. Those parties will be deemed to be acting in concert under the City Code, with their combined holding of 34.9 per cent. following Admission being between the aforementioned 30 to 50 per cent. range.

5.2 *Squeeze-out*

5.2.1 Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares to which an offer relates, within four months of making its offer it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in



favour of the offeror and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders.

- 5.2.2 The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

### 5.3 *Sell-Out*

- 5.3.1 The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising.

- 5.3.2 The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 6. **Directors' and Other Interests**

- 6.1 Directors' and other significant interests in the Company's share capital.

- 6.1.1 At the date of this document and immediately following the Placing, the interests of the Directors and their immediate family members and persons connected with them (within the meaning of section 252 of the Act) in the share capital of the Company all of which are legal and beneficial (excluding any Options (details of which are set out in paragraph 7 of this Part V)) (so far as the Directors are aware having made due and proper enquiry of such persons as are connected with each Director) are as follows:

	<i>Prior to the Placing and Admission</i>			<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares of 2p</i>	<i>Number of A Ordinary Shares of 2p</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares of 2p</i>	<i>Percentage of Enlarged Share Capital</i>
<i>Directors</i>					
Dr Bryan Dobson	101,070	Nil	1.0%	115,586	0.7%
Jonathan Mabbitt	104,439	Nil	1.1%	114,116	0.7%
Oliver Lightowlers	Nil	Nil	0.0%	32,258	0.2%
Professor Karl Coleman	2,361,669	Nil	24.1%	1,716,507	10.2%
Dr Claudio Marinelli	Nil	Nil	0.0%	6,452	0.0%
Nicholas Edgar	Nil	Nil	0.0%	Nil	0.0%

Professor Karl Coleman (the Selling Shareholder) is selling 645,162 Ordinary Shares pursuant to the Placing.

- 6.1.2 Save as disclosed in this Part V, immediately following Admission no Director nor any member of a Director's family is expected to have any interest, beneficial or non-beneficial, in the share capital of the Company.
- 6.1.3 Save for the Directors and their connected persons (within the meaning of section 252 of the Act), at the date of this document and immediately following the Placing, so far as the Directors are aware, no person is directly or indirectly interested in more than 3 per cent. of the issued Ordinary Shares other than as set out below:-

	<i>Prior to the Placing and Admission</i>			<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares of 2p</i>	<i>Number of A Ordinary Shares of 2p</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares of 2p</i>	<i>Percentage of Enlarged Share Capital</i>
<i>Shareholders</i>					
IP2IPO Limited <sup>(1)</sup>	Nil	2,159,529	22.1%	3,449,852	20.4%
North East Technology Fund LP <sup>(2)</sup>	Nil	2,129,208	21.7%	2,440,821	14.5%
North East Finance (Subco) Limited <sup>(3)</sup>	Nil	1,536,264	15.7%	1,761,425	10.4%
Ruffer Investments	Nil	Nil	0.0%	1,290,323	7.6%
Durham University	1,233,054	Nil	12.6%	1,233,054	7.3%
Insight Investments	Nil	Nil	0.0%	806,452	4.8%
SandAire Asset Management	Nil	Nil	0.0%	806,452	4.8%

Notes:

(1) IP2IPO Limited is a wholly owned subsidiary of IP Group plc

(2) North East Technology Fund L.P. is a fund managed by Top Technology Ventures Limited, the FCA registered subsidiary of IP Group plc

(3) North East Finance (Subco) Limited, a company which holds the North East Proof of Concept Fund, which is managed by Northstar Equity Investors Limited trading as Northstar Ventures

The figures relating to the percentage of the Enlarged Share Capital are based on the assumption that all of the New Shares are subscribed for under the Placing.

- 6.1.4 Save as described above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. None of the persons listed above as shareholders has voting rights which are different from the voting rights of other holders of Ordinary Shares.
- 6.2 *Directors' remuneration and service agreements.*
- 6.2.1 The Directors have the following service contracts or letters of appointment with the Company:-

6.2.1.1 *Jonathan Mabbitt*

A service agreement dated 14 November 2013 between the Company and Jonathan Mabbitt under which Jonathan Mabbitt is employed as Chief Executive Officer at a salary of £130,000 with no benefits. In the event that the Company raises above £3,000,000 by way of issue of shares, which provision will have effect from completion of the Placing, the salary payable to Jonathan Mabbitt increases to £150,000 and he becomes entitled to the following benefits: a life assurance scheme at a level equal to four times Jonathan Mabbitt's basic salary; a permanent health insurance scheme; a

private medical scheme (such cover to also include Jonathan Mabbitt's dependants); and pension benefits for Jonathan Mabbitt to be determined by the Company taking into account his seniority. This service agreement is terminable on six months' written notice by either party. Jonathan Mabbitt is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of the service agreement and confidentiality undertakings. The agreement provides for a discretionary bonus scheme to be implemented by the Company on a year by year basis. Any entitlement under such bonus is capped at a maximum of 50 per cent. of his salary.

#### 6.2.1.2 *Oliver Lightowlers*

A service agreement dated 14 November 2013 between the Company and Oliver Lightowlers under which Oliver Lightowlers is employed as Chief Financial Officer at a salary of £120,000 with no benefits. In the event that the Company raises above £3,000,000 by way of issue of shares, which provision will have effect from completion of the Placing, the salary payable to Oliver Lightowlers increases to £140,000 and he becomes entitled to the following benefits: a life assurance scheme at a level equal to four times Oliver Lightowlers' basic salary; a permanent health insurance scheme; a private medical scheme (such cover to also include Oliver Lightowlers' dependants); and pension benefits for Oliver Lightowlers to be determined by the Company taking into account his seniority. This service agreement is terminable on six months' written notice by either party. Oliver Lightowlers is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of the Service Agreement and confidentiality undertakings. The agreement provides for a discretionary bonus scheme to be implemented by the Company on a year by year basis, up to a maximum of 50 per cent. of his salary.

#### 6.2.1.3 *Claudio Marinelli*

A service agreement dated 14 November 2013 between the Company and Claudio Marinelli under which Claudio Marinelli is employed as Business Development Director at a salary of £100,000 with no benefits. In the event that the Company raises above £3,000,000 by way of issue of shares, which provision will have effect from completion of the Placing, the salary payable to Claudio Marinelli increases to £120,000 and he becomes entitled to the following benefits: a life assurance scheme at a level equal to four times Claudio Marinelli's basic salary; a permanent health insurance scheme; a private medical scheme (such cover to also include Claudio Marinelli's dependants) and pension benefits for Claudio Marinelli to be determined by the Company taking into account his seniority. This service agreement is terminable on six months' written notice by either party. Claudio Marinelli is subject to non-compete and non-solicitation covenants for a period of 12 months as above, and confidentiality undertakings. The agreement provides for a discretionary bonus scheme to be implemented by the Company on a year by year basis, any entitlement under such bonus is capped at a maximum of 100 per cent. of his salary.

#### 6.2.1.4 *Professor Karl Coleman*

A service agreement dated 14 November 2013 between the Company and Karl Coleman under which Karl Coleman is appointed as a director of the Company at a salary of £25,000 conditional upon Admission, and he becomes entitled to the following benefits: a life assurance scheme at a

level equal to four times of Karl Coleman's salary; a permanent health insurance scheme; and a private medical scheme (such cover to also include Karl Coleman's dependants). This service agreement is terminable on six months' written notice by either party. Karl Coleman is subject to non-compete and non-solicitation covenants for a period of 12 months after termination and confidentiality undertakings. Karl Coleman also provides services to the Group pursuant to a secondment agreement between AGMUK and the University, further details of which are set out in paragraph 12.11 of this Part V.

6.2.1.5 *Dr Bryan Dobson*

An appointment letter dated 14 November 2013 between the Company and Bryan Dobson which provides for remuneration of £22,500 per annum conditional on Admission and is terminable on three months' notice on either side. The letter contains confidentiality provisions.

6.2.1.6 *Nick Edgar*

An appointment letter dated 14 November 2013 between the Company and Nick Edgar which provides for remuneration of £15,000 per annum conditional on Admission and is terminable on three months' notice on either side. Nick Edgar is an employee of IP Group and the letter provides that his remuneration is to be paid to a company which is a subsidiary of IP Group. Upon Admission Top Technology Ventures Limited will be the subsidiary of IP Group receiving Nick Edgar's remuneration. The letter also contains confidentiality provisions.

- 6.2.2 Save as stated above, there are no service agreements existing or proposed between any of the Directors and the Company which are not terminable within six months by the Company without payment of compensation (other than statutory compensation).

6.3 *Loans and guarantees*

There are no loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or guarantees provided by any of the Directors for any member of the Group.

6.4 *Directors' interests in transactions*

Save as disclosed in this document, no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

6.5 *Directors' interests in assets*

Save as disclosed in this document, no Director has or has had any interest, whether direct or indirect in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

6.6 *Further information concerning Directors*

6.6.1 Other than directorships of companies within the Group, the Directors hold, and have previously held during the five years preceding the date of this document, the following directorships or partnerships:

<i>Name</i>	<i>Current Directorships or Partnerships</i>	<i>Past Directorships or Partnerships</i>
Jonathan Mabbitt	Advanced Composites Master Materials Limited Carbon Valley Ltd Mabbitt (Derby) Limited*	Advanced Composite Components Limited Advanced Composites Group Holdings Limited Advanced Composites Group Investments Limited Advanced Composites Group (Primco) Limited Advanced Composites Limited Advanced Composite Materials Limited Cathay Composites Limited Cytec Industrial Materials (Derby) Limited Cytec Industrial Materials (Manchester) Limited Umeco Composites Ltd
Oliver Lightowlers	None	Apollo Heating (Manchester) Limited Atlanta Facilities Limited Aztec Gas Services Limited Bespoke Real Estate Limited Breval Environmental Limited Breval Technical Services Limited Cilantro Acquisitions Limited Cilantro Midco Limited Cilantro Parent Limited Circle Britannia Limited Enserve Group Limited Ensus Limited Ensus UK Limited Facilities Group Services Limited Franchisingpeople.com Limited FSL Properties Gilmour House Limited Gas Call Services Limited Gas Care (Scotland) Limited Gas Heating UK Limited Gas Maintenance & Training Limited GMT Holdings Limited Homerton Heating Limited Liberty Gas Group Limited Liberty Gas Services Limited Mono Services Limited Pargas Limited

<i>Name</i>	<i>Current Directorships or Partnerships</i>	<i>Past Directorships or Partnerships</i>
Oliver Lightowlers (continued)		Service Line (Nationwide) Limited Spice Vehicle Leasing Limited The IT & T Department Limited TTG Global Holdings Limited Vennsys Limited
Bryan Dobson	The Newcastle upon Tyne Hospitals NHS Foundation Trust Revolymmer plc	Uniqema Nederland BV
Karl Coleman	None	None
Claudio Marinelli	Scanner Futures Ltd Asteria Business Development Ltd	None
Nick Edgar	St. Mary's Catholic School Trust North East Technology (FP) L.P.	None

\* This company was originally established to protect the proposed new name of AGMUK and has not traded.

- 6.6.2 Save as disclosed above, none of the Directors has been a director of, or partner in, any company or partnership at any time in the previous five years. None of the Directors has any unspent convictions in respect of indictable offences. None of the Directors has been a bankrupt or entered into an individual voluntary arrangement. None of the Directors was a partner of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed nor has any of the Directors been a partner in any partnership at the time of or within 12 months preceding receivership of any assets of the partnership.
- 6.6.3 There have been no public criticisms of any of the Directors by any statutory or regulatory authority (including recognised professional bodies) and none of the Directors has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.6.4 Save as set out in this paragraph, none of the Directors was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

## **7. Share Option Arrangements**

### **7.1 EMI Options**

- 7.1.1 On 4 October 2013, each of Jonathan Mabbitt and Claudio Marinelli were granted initial EMI Options over shares in AGMUK. Save as to the number of shares in AGMUK under option, the terms of each of the options were substantially the same as each other.
- 7.1.2 On 21 October 2013, Oliver Lightowlers was granted EMI Options over shares in AGMUK. Save as to the number of shares in AGMUK under option, the date of grant and the exercise price, the terms of the EMI Options were substantially the same as the initial EMI Options granted to Jonathan Mabbitt and Claudio Marinelli.



- 7.1.3 On 21 October 2013, Jonathan Mabbitt was granted an additional EMI Option over shares in AGMUK.
- 7.1.4 On 21 October 2013, Claudio Marinelli was granted an additional EMI Option over shares in AGMUK.
- 7.1.5 On 21 October 2013, each of the options referred to in paragraphs 7.1.1, 7.1.2, 7.1.3 and 7.1.4 were surrendered and exchanged for options over shares in the Company.
- 7.1.6 The initial EMI Options (described in paragraphs 7.1.1 and 7.1.2) and the additional EMI Options (described in paragraphs 7.1.3 and 7.1.4) and the replacement Options over shares in the Company (referred to in paragraph 7.1.5) were and are designed to qualify as EMI Options.
- 7.1.7 *Number of Shares under Option*
  - 7.1.7.1 Jonathan Mabbitt's EMI Option that replaced his initial EMI Options, as described in paragraph 7.1.1, is over a total of 323,424 Ordinary Shares.
  - 7.1.7.2 Claudio Marinelli's EMI Option that replaced his initial EMI Options, as described in paragraph 7.1.1, is over a total of 107,808 Ordinary Shares.
  - 7.1.7.3 Oliver Lightowlers' EMI Option that replaced his EMI Options, as described in paragraph 7.1.2, is over a total of 249,306 Ordinary Shares.
  - 7.1.7.4 Jonathan Mabbitt's EMI Option that replaced his additional EMI Options, as described in paragraph 7.1.3, is over a total of 20,214 Ordinary Shares.
  - 7.1.7.5 Claudio Marinelli's EMI Option that replaced his additional EMI Options, as described in paragraph 7.1.4, is over a total of 6,738 Ordinary Shares.
- 7.1.8 *Exercise Price*
  - 7.1.8.1 The exercise price is £0.33 per Ordinary Share in relation to the replacement options for the initial EMI Options.
  - 7.1.8.2 The exercise price is £0.583 per Ordinary Share in relation to the replacement options for the additional EMI Options and for the EMI Option granted to Oliver Lightowlers.
  - 7.1.8.3 In the event of any capitalisation issue (other than an issue of shares pursuant to the exercise of a right given to shareholders of the Company to receive shares in lieu of dividend) or any rights issue or any other pre-emptive offer to shareholders or any consolidation, sub-division or reduction of capital effecting the share capital of the Company (a "Variation of Capital"), the number of Ordinary Shares that may be acquired and the exercise price shall be adjusted in such manner as the Board shall determine to the intent that the value of that option following the Variation of Capital remains, so far as possible, the same as its value before the Variation of Capital.

## 7.1.9 *Vesting of Options*

7.1.9.1 The options become exercisable in respect of the following numbers of Ordinary Shares on the following dates:

	4/10/14	21/10/14	4/10/15	21/10/15	4/10/16	21/10/16
	<i>Replacement options for initial EMI Options</i>	<i>Replacement options for additional EMI Options and Oliver Lightowlers' options</i>	<i>Replacement options for initial EMI Options</i>	<i>Replacement options for additional EMI Options and Oliver Lightowlers' options</i>	<i>Replacement options for initial EMI Options</i>	<i>Replacement options for additional EMI Options and Oliver Lightowlers' options</i>
Oliver Lightowlers	Nil	84,225	Nil	84,225	Nil	80,856
Jonathan Mabbitt	107,808	6,738	107,808	6,738	107,808	6,738
Claudio Marinelli	37,059	2,246	37,059	2,246	33,690	2,246

7.1.9.2 The options shall become exercisable in full on a sale, being the transfer of shares in the Company resulting in the transferee (together with persons acting in concert with the transferee) having the right to exercise 75 per cent. of the total voting rights normally exercisable at a general meeting of the Company.

## 7.1.10 *Lapse of Options*

7.1.10.1 Each option shall lapse:

- 7.1.10.1.1 on the date of a sale provided at least four days' notice of the sale has been given or otherwise four days after the date of a sale; or
- 7.1.10.1.2 on cessation of employment with a Group company, save as set out below; or
- 7.1.10.1.3 ten years following the date of grant of the options; or
- 7.1.10.1.4 14 days after a resolution is passed for the winding up of the Company; or
- 7.1.10.1.5 upon the option holder ceasing to be the legal and beneficial owner of the option or becoming bankrupt.

7.1.10.2 The Board may, in its discretion but with the written consent of NETF, North East Finance (Subco) Limited and IP2IPO so long as they are shareholders in the Company, be entitled to treat the option as:

- 7.1.10.2.1 not having lapsed as a result of the death of the option holder; and
- 7.1.10.2.2 being capable of exercise in accordance with the provisions set out in *Vesting of Options* notwithstanding that, at the time of exercise, the option holder is not a director or an employee of the Company.

## 7.1.11 *Tax Liabilities*

7.1.11.1 None of the options can be exercised unless, prior to such exercise, the option holder shall have made arrangements (including the provision of security) satisfactory to the Company and the Board for the reimbursement or, as the case may be, the payment by the option holder to the Company

of any taxes which the Company is, or will be, required to deduct and/or account for to HMRC in consequence of any such exercise, including (for the avoidance of doubt) income tax and employees' national insurance contributions deductible under the PAYE system and employer's national insurance contributions.

## 7.2 *Unapproved Option*

7.2.1 Bryan Dobson was granted an initial option on 19 July 2012 to acquire 146 ordinary shares in AGMUK at an exercise price of £677.37 per ordinary share, which on 21 October 2013, was surrendered and exchanged for an option over 491,874 Ordinary Shares in the Company at an exercise price of £0.201 per Ordinary Share.

### 7.2.2 *Adjustment of Number of Shares and Exercise Price*

7.2.2.1 The number of Ordinary Shares over which Mr Dobson's option is granted and the exercise price shall be adjusted in such manner as the directors of the Company shall determine following any capitalisation issue, rights issue, subdivision, consolidation or reduction of share capital or any other variation of the share capital to the intent that the total exercise price multiplied by the number of Ordinary Shares that is payable in respect of Mr Dobson's option shall remain unchanged.

### 7.2.3 *Vesting of Options*

7.2.3.1 Bryan Dobson's option is currently exercisable in respect of 303,210 Ordinary Shares. The option becomes exercisable in respect of the balance of 188,664 Ordinary Shares on 30 April 2014.

7.2.3.2 The directors may in appropriate circumstances amend the vesting schedule so as to bring forward the time at which any Ordinary Shares become vested.

7.2.3.3 Mr Dobson's option may also be conditionally exercised in full if there is a general offer for the whole of the issued share capital of the Company or for all the Ordinary Shares or if there are negotiations which contemplates that a person will obtain control of the Company.

### 7.2.4 *Lapse of Options*

Mr Dobson's option shall lapse

7.2.4.1 ten years after the date of grant;

7.2.4.2 the date on which Bryan Dobson ceases to be a non-executive director of the Company by reason of dishonesty, fraud or misconduct;

7.2.4.3 where Bryan Dobson ceases to be a non-executive director of the Company by some reason other than dishonesty, fraud or misconduct;

7.2.4.3.1 as to options which are vested, 39 days after ceasing to be a non-executive director (or such later date as the Directors in their absolute discretion may specify in writing); and

7.2.4.3.2 as to options which are unvested, upon him ceasing to be a non-executive director, unless the Directors determine before cessation that the unvested option may be exercised within 39 days of ceasing to be a non-executive director.

7.2.4.4 the first anniversary of his death

7.2.4.5 the date on which Bryan Dobson ceases to be the legal and beneficial owner of the option, charges the option, becomes bankrupt, or proposes a voluntary arrangement or compromise with his creditors.

7.2.5 *Tax Liabilities*

Bryan Dobson has agreed to indemnify the Company against any tax liability (including employers' national insurance) of which the Company or any Group Company may become liable as a result of the exercise of the option.

## 8. Lock-in and Orderly Market Agreement

The existing shareholders at the date of this document have entered into a lock-in and orderly market agreement with the Company and N+1 Singer, the terms of which are more particularly described in paragraph 12.4 of this Part V.

## 9. Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group, after taking into account the estimated net proceeds of the Placing, will, following the Placing, be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

## 10. Litigation

There are no governmental, legal or arbitration proceedings in which a member of the Group is engaged (including any such proceedings which are pending or threatened of which the Company is aware), nor have there been any such proceedings during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on the Company and / or the Group's financial position or profitability.

## 11. Employees

The table below sets out the number of persons employed by either the Company or its subsidiaries as at 15 November 2013:

<i>Name</i>	<i>Number of employees</i>	<i>Operations</i>	<i>Management</i>	<i>Administration</i>
Applied Graphene Materials plc	4	Nil	4	Nil
AGMUK	6	4	Nil	2

In addition to the employees, AGMUK also engages a consultant to provide services for two days per week through a service company.

## 12. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or AGMUK, during the two years immediately preceding the date of this document and contain any provision under which any member of the Group has any obligation or entitlement which is material at the date of this document:

- 12.1 By an agreement (being the Placing Agreement) dated the same date as this document and made between (1) the Company, (2) the Directors, (3) the Selling Shareholder and (4) N+1 Singer, N+1 Singer has agreed, subject to the fulfilment of certain conditions, to use reasonable endeavours to procure subscribers for, and purchasers of, the Placing Shares, comprising the New Shares and the Sale Shares, at the Placing Price. Such conditions include

Admission taking place not later than 5.00 pm on 20 November 2013 (or such later date as the Company and N+1 Singer may agree, but in any event not later than 20 December 2013).

Subject to the terms and conditions of the Placing Agreement, the Company will pay N+1 Singer, in aggregate, £703,000 in respect of advisory fees and commission relating to the Placing. In addition, pursuant to the terms of the Placing Agreement and the Warrant Instrument, as more fully described in paragraph 12.5 below, N+1 Singer has been granted warrants to subscribe for 2 per cent. of the Enlarged Share Capital at the Placing Price. Subject to the terms and conditions of the Placing Agreement, the Selling Shareholder shall pay N+1 Singer a commission of £40,000.

The Company, the Directors and the Selling Shareholder have each given warranties in favour of N+1 Singer. The Selling Shareholder has agreed to pay any stamp duty and / or stamp duty reserve tax arising on the sale of the Sale Shares.

- 12.2 A nominated adviser and broker engagement letter dated 4 October 2013 between (1) AGMUK (2) N+1 Singer (which was subsequently novated to the Company by AGMUK) pursuant to which the Company has appointed N+1 Singer to act as nominated adviser and broker to the Company for the purposes of the AIM Rules, commencing with effect from Admission and continuing thereafter. The Company has agreed to pay N+1 Singer a fee of £55,000 per annum for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The appointment under the engagement letter as nominated adviser and broker is subject to termination on the giving of not less than three months' written notice by the Company, such notice not to be given until a date at least 12 months following Admission. In certain circumstances N+1 Singer can terminate its appointment with immediate effect.
- 12.3 A share for share exchange agreement dated 21 October 2013 and made between the Company and all the shareholders of AGMUK (the "Transferors") whereby the Transferors agreed to transfer their shares in AGMUK to the Company in consideration for the allotment and issue to each of the Transferors of ordinary shares of £0.02 each and A ordinary shares of £0.02 each in the capital of the Company. The Transferors were each allotted and issued 3,369 ordinary shares of £0.02 each for each ordinary share in the capital of AGMUK and 3,369 A ordinary shares of £0.02 each for each A ordinary share in the capital of AGMUK.
- 12.4 The Locked-in Shareholders have entered into a lock-in and orderly market agreement with N+1 Singer and the Company. The agreement provides that the Locked-in Shareholders shall not dispose of Ordinary Shares in the Company held by them for a period of 12 months from the date of Admission subject to certain exceptions. The Locked-in Shareholders have also agreed that for the period of 12 months following the expiry of the period referred to above, any disposal of Ordinary Shares held by them is, subject to certain exceptions, effected through N+1 Singer. This agreement will not apply to the transfer of Sale Shares by the Selling Shareholder.
- 12.5 The Warrant Instrument constituted by the Company on 18 November 2013, pursuant to which the Company will issue Warrants to N+1 Singer over 337,809 Ordinary Shares (representing 2 per cent. of the Enlarged Share Capital) of the Company. The Warrants are exercisable in whole or in part (in four tranches) at any time up to and including the fifth anniversary of Admission at an exercise price equal to the Placing Price. The Warrants are not transferable save in certain limited circumstances.
- 12.6 A letter dated 8 October 2013 between Top Technology Ventures Limited and AGMUK pursuant to which AGMUK appointed Top Technology Ventures Limited to act as financial adviser and project manager in relation to the Placing and Admission for fee of £50,000 (exclusive of VAT).

- 12.7 A relationship agreement dated 14 November 2013 between the Company, N+1Singer, IP2IPO, NETF and Top Technology Ventures Limited which regulates aspects of the continuing relationship between the Group, IP2IPO, NETF and Top Technology Ventures Limited to ensure that the Group is capable at all times of carrying on its business independently of IP2IPO, NETF and Top Technology Ventures Limited and their associates and that future transactions between the Group and IP2IPO, NETF, Top Technology Ventures Limited and their respective associates are on an arms length basis.
- 12.8 On 21 October 2013, the Company and the shareholders of the Company entered into an investment agreement relating to the operations of the Group, such agreement contains restrictions on the actions of the Group unless the consent of certain shareholders is obtained. On 14 November 2013 the Company and the shareholders of the Company entered into an agreement terminating the agreement referred to above in this paragraph subject to Admission taking place.
- 12.9 AGMUK entered into an agreement dated 25 March 2013 with Techtran Group Limited ("TGL") (a wholly owned subsidiary of IP Group) which is also the holding company of IP2IPO under which TGL provides certain administrative services to AGMUK, such services to be charged at the daily rate of £250 plus VAT. This agreement can be terminated by either party on two months' notice.
- 12.10 Conditional on Admission the Company has entered into an agreement with NETF and North East Finance (Subco) Limited for certain information (subject to certain exceptions) principally where to do so would be a breach of AIM Rules or any other law or regulation to be provided by the Group to enable NETF and North East Finance (Subco) Limited to comply with their fund reporting requirements to North East Finance (Holdco) Limited and any successor.
- 12.11 By a secondment agreement dated 22 December 2011, Karl Coleman was seconded for two and a half days a week to AGMUK from Durham University for a period of one year. This agreement was extended for another year by way of a letter dated 14 December 2012, and by a letter dated 18 October 2013 it has been extended until 22 December 2014. The agreement can be terminated on six months' notice.
- 12.12 On 14 November 2013 Karl Coleman executed a confirmatory assignment of intellectual property rights acknowledging that all rights in the two families of patents relating to the Group's manufacturing process as well as any related know-how or other intellectual property created in the course of his secondment, described in paragraph 12.11, belongs to AGMUK.

### **13. Related Party Transactions**

Save as set out in Part III and paragraphs 7 and 12 of this Part V there are no related party transactions that the Group has entered into during the period covered by the historical financial information set out in Part III up to the date of this document.

### **14. Intellectual Property**

The Directors are aware of the importance of patent protection, both for the defence of its core manufacturing process and for enhancing the commercial value of the products and applications it identifies and develops. The Group is the registered proprietor of two families of patent applications which cover processes for manufacturing graphene nanoplatelets. The first of these families covers part of its current process and is now into the national phase, with applications pending in the European Patent Office, China, Japan, South Korea, India and the US. The second family is in the international phase. In addition, the Group has developed a body of confidential know-how and trade secrets associated with its graphene nanoplatelet manufacturing process and its techniques for the preparation and dispersion of the graphene nanoplatelets.



No assurance can be given that the patent applications will result in granted patents. If the patents are not granted then the Group would continue to rely on confidential know-how associated with its manufacturing processes and techniques for the preparation and dispersion of graphene materials. In addition, the Group would pursue new patent applications for the additional processes and techniques it has developed.

## **15. General**

- 15.1 The accounting reference date of the Company is 31 July.
- 15.2 KPMG LLP has given and not withdrawn its written consent to the inclusion in this document of its report as set out in Section A of Part III of this document and to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears.
- 15.3 N+1 Singer has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears. N+1 Singer, which is regulated by the Financial Conduct Authority, has its registered office at One Bartholomew Lane, London EC2N 2AX.
- 15.4 The estimated amount of the expenses of the Placing and Admission, including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses, which are all payable by the Company is £1.1 million.
- 15.5 The financial information contained in this document does not constitute full statutory accounts as referred to in Section 240 of the Act. No further statements or accounts have been prepared nor delivered to the Registrar of Companies for the Company.
- 15.6 There has been no significant change in the financial or trading position of the Company or the Group since 31 July 2013, being the date on which the report contained in Part III of this document was made up.
- 15.7 The net proceeds of the Placing are estimated at approximately £9.9 million for the Company.
- 15.8 Save in connection with the application for Admission, none of the Existing Ordinary Shares and / or the New Shares have been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in such shares on any such exchange.
- 15.9 Save as disclosed in this document no person (other than the professional advisers referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totaling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 15.10 Save as disclosed in this document, there are no Group investments in progress which are or may be significant.
- 15.11 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by N+1 Singer until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 20 December 2013 application monies will be returned to applicants at their risk without interest.
- 15.12 Save as disclosed in this document, no payment (including commissions) discounts, brokerages or other special terms has been or is to be paid or given to any promoter of the Company or granted in connection with the issue or sale of any share or loan capital of the Company.

- 15.13 There are no arrangements in place under which further dividends are to be waived or agreed to be waived.
- 15.14 Where information in this document has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**16. Availability of Admission Document**

Copies of this document are available during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the Company's registered office, at the office of N+1 Singer for a period of one month after Admission and may also be downloaded from the Company's website.

**18 November 2013**

