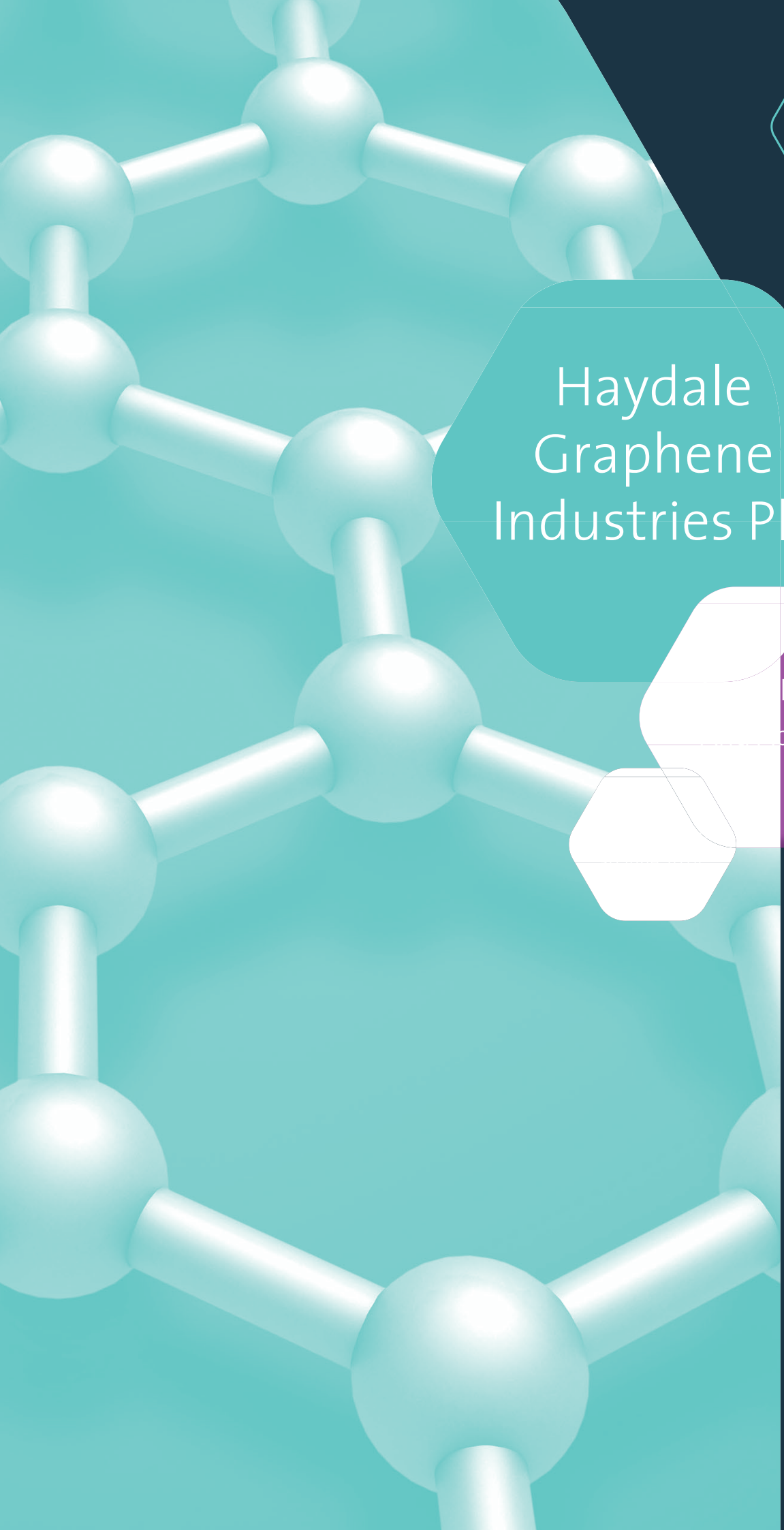

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Haydale Graphene Industries Plc

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Graphene is set to change the way we interact with the world around us

Haydale

Realising graphene commercialisation

Contents

2014 Highlights

Ray Gibbs

Chief Executive Officer, Haydale Graphene Industries plc:

"The last year has been extremely busy both internally on operational capability and in our global marketing effort. Critically we have sourced and positively evaluated a number of graphene suppliers as having access to the right material is crucial to being able to offer the ultimate customer focussed solution.

With the funding now in place we look forward with optimism as we are already seeing benefits from the sales, marketing and distribution agreements recently signed. We are experiencing strong interest, in particular from the composite market, arising from the exceptional results reported in June 2014 by the US based independent research organisation Aerospace Corporation. We see this sector as being one of the earliest adopters of graphene enhanced products. Our technical credibility and unique functionalisation process has been further endorsed by the UK's National Physical Laboratory.

We believe that the significant progress made over the last year: technically, financially and commercially has created the building blocks to enable us to deliver on our planned growth."

Composites: ▸200% increase in strength

Haydale's functionalised materials proven to increase tensile strength in epoxy composites by >200% and >125% increase in toughness.

Inks/coatings: collaboration partner

Leading to fast prototyping and product development in conductive inks/pastes, barrier films, 2D & 3D printing.

Proven scale up

2nd generation reactor commissioned with 2 more on order for 2014. Interest from 'centres of excellence' in possible reactor licences.

£8.4 million raised

AIM IPO in April 2014 raised £6.6 million, with a further £1.8 million pre-IPO.

£425,000

£425,000 of grant funded projects secured since IPO.

What is graphene?

- Thinnest imaginable material
- Largest surface area *(c.2,630 m^2 per gram)*
- Strongest material ever measured (theoretical limit)
- Stiffest known material *(stiffer than diamond)*
- Most stretchable crystal *(up to 20% elasticity)*
- Record thermal conductivity *(outperforming diamond)*
- Completely impermeable to gases
- Conducts electricity in the limit of no electrons

Strategically positioned for growth

WHAT WE ARE:

Solutions provider with a "patent applied for" enabling technology

Value added process for both raw material suppliers and manufacturers

Not a manufacture of graphene

WHAT WE OFFER:

Dry environmentally friendly, low temperature, low pressure plasma process that treats nanomaterials enbabling uniform dispersion

Simple one stage process that functionalises and can remove impurities

Options to get the best result:

- the right material with
- the correct functionalisation
- to optimise the properties of graphene and other nano particles

Wider future market outside of graphene using other nanomaterials

Sourcing the correct material for your specific application or product is characterised by complexity.

- A multitude of target markets, such as inks and coatings, polymers and composites, energy, electronics, transport and an endless list of consumer product markets, each require different material specifications, performance and cost targets for specific applications
- Many types of 'graphene' are potentially available, each defined by a different set of properties depending on its form; average flake size, number of layers, purity and the chemical groups existing on the flake surface
- Available production techniques with each method delivering a different material, cost structure, repeatability and scalability

Given the associated complexity, sourcing the correct material is a big challenge for product and application manufacturers. 'One size fits all' solutions do not deliver over the materials already in use, with factors including impure materials, the wrong surface chemistry and the level of functionalisation required for specific applications often to blame.

The solution? To source the right material with the right level of functionalisation for the specific application or product, together with a scalable, low energy and dry functionalisation process.

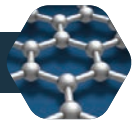
As graphene is inherently inert, the challenge for industry is to incorporate and integrate graphene with a target material. Tailored functionalisation – the customised modification of a material's surface chemistry – is fundamental to this, and is crucial to achieving homogeneous dispersion, the key barrier to commercialising graphene.

Haydale Strategic Direction

Functionalisation is carried out through a low pressure plasma process that is able to treat both organic mined powders and other synthetically produced nanomaterial powders. Haydale's plasma process can utilise a wide range of chemical gases and vapours, whereby the nanomaterials can be tailored to the customer needs. Our process was positively commented on by the National Physical Laboratory in February 2014.

Researchers and commentators generally note the vast array of possible applications for graphene. We have focussed on four key sectors to provide significant sales growth:

1 MATERIALS



Access to the right nanomaterials is crucial to being able to offer the ultimate customer focussed solution. In November 2013 we agreed an exclusive distribution arrangement and a supply contract with AMG Mining AG. Since then we have seen, evaluated and qualified many different suppliers to provide us with a broad range of materials to choose from. All have to be able to demonstrate continuity of supply and consistency of product which are critical components in the supply chain.

2 INKS AND COATINGS

The agreement with the Welsh Centre for Printing and Coating (WCPC) signed in July 2014 has enabled us to deliver a high quality and consistent commercially available graphene-based ink. Together, we aim to investigate further opportunities to exploit functionalised graphenes and other nanomaterials for areas such as transparent conductive films, barrier coatings and 3D printing.

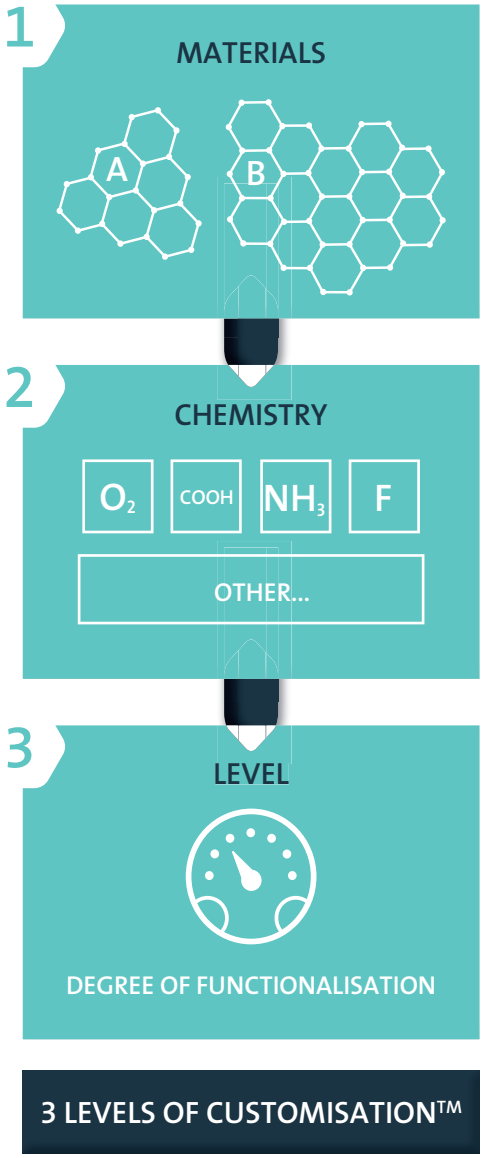
3 POLYMERS & COMPOSITES

We announced in June 2014 the results of some independent research by The Aerospace Corporation in the USA, that demonstrated substantial improvements in epoxy composite strength and stiffness. For this market, the Haydale plasma process has the potential to offer functionalised nanomaterials for the enhancement of polymers and composites, whilst maintaining structural integrity. This leads to opportunities to reduce weight in composite systems, thereby eliminating a key barrier to the commercialisation of graphenes.

4 ENERGY HARVESTING & STORAGE

We are working on a number of strategic alliances in a complex market. Our team of energy experts have identified a number of specialist sectors for exploitation where our novel materials and functionalisation can make a difference.

Within the past year Haydale has signed a series of distribution and partnership agreements to underpin the strategic direction of the Group.



3 LEVELS OF CUSTOMISATION™

The Haydale Process

We have an established processing and treatment facility for effective handling of these nanomaterials; in 2014, Haydale was awarded with ISO9001 and ISO14001 accreditations.

Haydale has developed a patent pending proprietary scalable plasma process HDPlas® to functionalise graphene and other nanomaterials. This enabling technology provides Haydale with a rapid and highly cost efficient method of supplying tailored solutions to both raw material suppliers and product manufacturers.

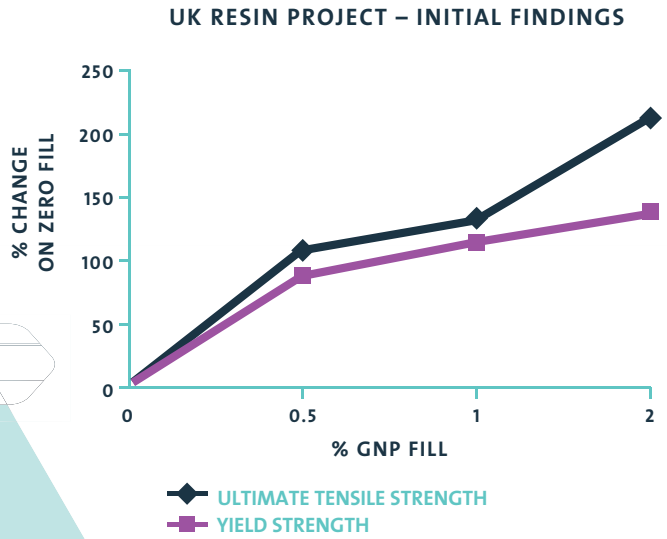
Functionalisation is integral to good matrix dispersion, to improve the properties and performance of the host material and ensures it delivers as specified.

We believe the HDPlas® functionalisation process provides a scalable, environmentally sustainable solution to this challenge, paving the way for commercialisation through the tailored functionalisation of graphene via plasma.

This functionalisation method is a low temperature, low energy, plasma patent-pending process that can functionalise with a range of chemical groups, including but not limited to O_2, COOH, NH_3, and F. The process allows for the degree of functionalisation to be tailored to specific customer requirements – good (homogeneous) dispersion optimises the material properties and performance, ensuring that the required results are consistently achieved.

COMPOSITES

We announced in June 2014 the results of independent research by the Aerospace Corporation in the USA, which demonstrated substantial improvements in epoxy composite strength and stiffness. In recent tests conducted by Haydale, in collaboration with a specialist composite testing house, using a standard polyester resin mixed with Haydale functionalised GNPs, Haydale achieved over a 200% improvement in ultimate tensile strength (a measure of material toughness) using just 2% loading of Haydale's GNPs. These excellent results will now be demonstrated to the composite industry.



LICENSING

Licensing is a key part of our sales strategy and we are pleased with the initial discussions held with a number of blue-chip organisations to date on the possibility of licensing our technology and our reactors to the customers own locations. We have ordered a reactor for delivery in Q1 2015 to act as our 'licensing demonstrator' – capable of processing multiple tonnes.

GRANT FUNDING

Since April 2014 we have secured grant funded work worth over £425,000, including one current and one future project partly funded by Innovate UK. In October 2014, we start on a European project in conjunction with the German based Fraunhofer Group (and others) to develop a high resolution roll to roll printing of bio-compatible graphene/protein multilayers for bio medical applications. In addition, we have been included in a successful UK defence contract feasibility study to develop a prototype coating for a novel hydrophone under water system.

Flexible graphene transistors

Chairman's Statement

John Knowles, Chairman

I am very pleased to present the Company's first set of published results as a public company following our IPO on the AIM market of the London Stock Exchange on 14 April 2014 ("Admission"). I am further pleased to report that we are successfully implementing our strategy of using partnerships and collaborations with world renowned companies to obtain early sales of our graphene products. This will allow us to establish a leading position in the emerging graphene market and will also lead to licensing opportunities for our plasma technology. As part of our strategy we will also consider suitable acquisitions where these provide access to sales in our target markets.

Inevitably there is a lack of understanding at this stage of development over the performance of and use of graphene. Our aim is to use our unique technology to create understanding and acceptance of graphene by commercialising it and other related nanomaterials as quickly and effectively as possible. Industry is looking for a means to capitalise on the outstanding properties of graphene and our patent applied for graphene functionalisation technology using plasma reactors provides the material which delivers the advantages required for commercialisation. Graphene in its pure form is not necessarily immediately useful and needs various forms of chemical functionalisation to be effective. This is the Haydale speciality.

As is normal with a new technology, there are many challenges we have already faced and overcome during the year under review. We have made substantial operational progress with our new technical team, production capability, and a new improved plasma reactor which will significantly improve our sales potential. This progress is further outlined in the Strategic Report.

This year has been focussed on putting the essential elements in place for the future growth we expect from a fast moving and exciting sector. This growth does of course require substantial further work and I am pleased to say we have already announced positive developments since our Admission, in particular the significant results achieved by Aerospace Corporation in doubling the strength of epoxy composites using our functionalised graphene nanoplatelets. In the period, we have also generated significant new leads from major companies, which will allow us to broaden our commercial pipeline and customer base, in order to deliver significant financial growth over the coming years.

Fundraising

The financial year ended 30 June 2014 was a busy and exciting one for the Group, culminating in our AIM IPO in April 2014 which raised gross proceeds of £6.6 million. In addition, the Group raised £1.9 million pre-IPO also in the financial year under review. This delivered total funds of approximately £7.9 million to the Group.

The Group is utilising these proceeds to, inter alia, expand the Group's operational, sales and marketing capabilities, increase the graphene functionalisation capacity, develop intellectual property and know-how with external partners and they will be sufficient to enable us to deliver our strategic objective of commercialising graphene.

Financial results

Income for the year ended 30 June 2014 amounted to £129,000 (2013: £146,000) and the retained loss was £2.1 million (2013: £1.0 million). Our cash outflow from operating activities was £2.1 million (2013: £0.8 million) and we ended the year with net cash of £5.7 million (2013: £0.05 million). The cash outflow comprised the loss before taxation of £2.2 million (2013: £1.1 million), adjusted for non-cash items and working capital changes.

Operational highlights

During the year under review, the operational highlights for the Group can be summarised as follows:

- On 6 November 2013 Haydale signed a distribution and collaboration agreement with AMG Mining AG for the Haydale HDPlas® functionalised nanomaterials;
- On 2 December 2013 Haydale listed its HDPlas® range of materials for trade on INSCX™ exchange. INSCX™ is the world marketplace for organisations seeking nanomaterials;
- Haydale were awarded grant funded research work worth up to £165,000 over 3 years on bio-medical sensors;
- In January 2014 Haydale were awarded ISO 9001:2008 Quality Management Systems Certification accreditation together with a recently announced award of ISO 14001: 2004 Environmental Management Systems Certification;
- The National Physical Laboratory produced a favourable report in February 2014 in respect of Haydale's unique patent applied for plasma functionalisation process; and
- In June 2014 Haydale announced a significant breakthrough in results from US based research institute, Aerospace Corporation endorsing the use of Haydale's GNPs in achieving more than a 100% increase in structural strength and stiffness for epoxy composites.

In addition, the Group has welcomed five new directors to the Board strengthening its non-executive function and corporate governance capabilities. The Group has recruited key senior management to enhance our technical capabilities, the sales and marketing function and in operational management.

Outlook

The year's results are consistent with our predictions and with market expectations albeit that at this stage of the development of the Company, income was at a low level. We expect a significant increase in income for the current financial year and our market is global. To this extent, we have made several announcements regarding initiatives since the year end seeking to address key markets including the USA and Far East. These initiatives, together with other development opportunities under consideration, lead the Board to believe that the Group is in a strong position to grow its operations, both at home and overseas, and to deliver its business plan for the benefit of all shareholders. In support of these strategic aims we have, since the year end:

- Boosted our sales efforts and have started making good progress with our marketing and distribution partners, InVentures (USA), planarTECH (Far East), and for R&D materials through INSCX™ and the specialist web based supplier, Goodfellow;
- Started to capitalise on the reputation and support from our ink and coating partner, the Welsh Centre for Printing and Coating, with a development program of specialist products;
- Commenced a program of capacity expansion in our production facility to accommodate increases in technical staff and analytical and processing equipment; and
- Are in discussion with a specialist plasma equipment manufacturer Tantec A/S over a long term supply arrangement and in the meantime have already placed an order with two units for delivery in December 2014 and a larger technology demonstrator in early 2015 for future licensees.

I would like to thank the staff, the Board and the Group's external advisers for their hard work over the last year. I would also like to thank Richard Newton-Jones and David Cheyne, who stepped down from the Board earlier this year, for their support and contributions over a number of years.

This will be an important year for Haydale. With the financial strength provided by our IPO, coupled with the support of a strong Board providing a wealth of experience across a wide skill spectrum, the Group is confident of having a successful year. I look forward to reporting on the future developments of the Group.

John Knowles
Chairman

29 September 2014

Strategic Report

The directors present their Strategic Report for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

Haydale Graphene Industries Plc is the AIM listed company with a number of subsidiaries, the principal one being Haydale Limited ("Haydale"). Haydale was incorporated in 2003 and sources, handles and processes nanomaterials with a suite of prototyping and analytical equipment, to facilitate the commercial application of, initially, graphenes for customers worldwide. Our process is, however, equally applicable to other nanomaterials.

Haydale is strategically well positioned in that it can source the most appropriate graphene and other nanomaterials feedstock from suppliers that, in conjunction with its unique proprietary plasma treatment (known as functionalisation), produces a tailored customer focussed solution. This is one that enables the nanoparticles (e.g. graphene) to disperse uniformly in the target material. Proper dispersions are essential in enabling the potential of graphene and other nanomaterials to be realised.

What is Graphene?

Carbon is an amazing material and is the basis of all organic living materials. It is also found naturally in different forms or allotropes, including diamond, graphite and coal. In 2004, scientists Professors Andre Geim and Konstantin Novoselov at the University of Manchester first isolated and characterised graphene. In 2010, they received the Nobel Prize in Physics for their ground breaking research which elevated this material to the world stage, sending ripples of excitement through the academic, investment and corporate world.

The term 'graphene' which originally described a single 2-D sheet of carbon atoms, has gradually been widened to encompass both sheet and flake carbon materials produced by a variety of methods. Engineering applications tend to focus on the use of graphene nanoplatelets (GNPs). These materials can be produced by a 'top down' production method, involving the exfoliation of mined graphite to produce flakes, or by a 'bottom up' production method, such as chemical vapour deposition from a carbon source. Experimental characterisation has revealed that graphene is mechanically 200 times stronger than steel, has in-plane electrical and thermal conductivity higher than copper, and has an incredible surface area of over 2,500m^2 per gram. The particulate graphene form can be produced in large quantities in various thicknesses. Few layer graphene (FLG) comprises several atomic layers of carbon, and so-called many-layer graphene, or graphene nanoplatelets (GNPs) typically comprise 5–100 layers. Thereafter the material can be described as graphite.

The challenge is how to translate these properties measured in the laboratory into commercial applications, especially as graphene is effectively inert? This is where Haydale comes in.

Commercialisation of Graphene

Realising the full benefits of nanomaterials and especially graphene is rarely easy. They need to be optimised for incorporation into the intermediate material or end use application. When you get it right, the results can be spectacular. In June 2014, Haydale announced the outstanding results achieved by the USA based Aerospace Corporation in incorporating our suitably functionalised GNPs in reinforcing epoxy resins and composites.

To date, many tens of millions of dollars has been invested by governments and corporations seeking ways and means to capitalise on the significant benefits offered by graphene. Haydale is not a manufacturer of the raw graphene, rather we are a solutions provider focussed on the early adoption and commercialisation of graphene. We have an enabling technology utilising a unique functionalisation process on nanomaterials, specifically graphene, as a means of delivering improved product performance. We have the capability now to source and use, both organic and synthetically produced flake graphene, and to modify the surface of the graphene with specific chemical functional groups tailored to the requirements of the end user's application. This process is known as functionalisation. Applying the correct functionalisation has two immediate benefits, namely, the promotion of:

- homogeneous dispersion in a solution (ie avoiding agglomeration); and
- chemical interaction or bonding with a substrate or matrix.

Functionalisation is carried out through a low pressure plasma process that treats both organic mined fine powder and other synthetically produced nanomaterial powders producing high quality few layered graphenes and graphene nanoplatelets. The process can functionalise with a wide range of chemical groups, where the concentration of chemicals can be tailored to the customer needs. Good dispersion improves the properties and performance of the host material and ensures it delivers to the desired specification.

There continues to be significant government and institutional funding aimed at applications for graphene. We are working with and are in discussions with several large multi-national corporations and universities to create "intermediate products" such as conductive inks, epoxy composites and coatings.

The general use of nanoparticles is well accepted in the pharmaceutical, cosmetic and chemical industries. Adopting a new material such as graphene however takes time, requiring sampling, testing and evaluation. Often this is done in conjunction with collaboration partners, primarily end users who are willing to consider new innovative materials in seeking a competitive advantage. Our approach has been to work with the material suppliers and/or the end user to develop intermediate products that the manufacturer can use to improve a product offering. Our market focus is targeted on sectors where we consider early adoption of new innovative materials is commonplace. Often, take up of a new material is hampered by the need to invest significant sums in new plant and equipment and discard the existing machinery. We consider that the markets that we have focussed on, namely, energy harvesting, composites and inks/coatings have less inbuilt inertia to change and are early adopters of such new materials.

OPERATING REVIEW

In the year under review, and in the three months post year-end, the Company has made significant progress in building its human resources, production and sales capability. The objective has been to underpin the strategic markets we are focussed on to deliver the growth required to move to an operating profit and, as highlighted above, within the past year, Haydale has signed a series of distribution and partnership agreements to help achieve this goal.

R&D Materials

Access to the right nanomaterials is crucial to being able to offer the ultimate customer focussed solution. In November 2013, we agreed an exclusive distribution arrangement and a supply contract with AMG Mining AG. Since then we have seen, evaluated and qualified many different suppliers to provide us with a broad range of materials to choose from which will best suit the end users' application. All have to be able to demonstrate continuity of supply and consistency of product which are critical components in the supply chain.

In addition we have distribution outlets now for some of our functionalised graphene based materials through Graphene Supermarket, INSCX and most recently with leading global materials supplier, Goodfellow. These collaborations are principally to focus on distributing Haydale's line of functionalised graphene nanoplatelets (GNPs) which are sold under the trade name, HDPlas®.

Inks and Coatings

Having tested the market for some time with a conductive "Graphene" based ink, the agreement with the Welsh Centre for Printing and Coating (WCPC), signed in July 2014, has enabled us to now launch a commercially available conductive ink. WCPC are investigating the exploitation of functionalised graphene, and other carbon nano-materials developed by Haydale, in areas such as transparent conductive films, barrier coatings and 3D printing.

Composites

We announced in June 2014 the results of independent research by the Aerospace Corporation in the USA, which demonstrated substantial improvements in epoxy composite strength and stiffness. For the composites market, Haydale's plasma process has the potential to offer the tailored functionalisation of graphene nanomaterials whilst maintaining structural integrity thus eliminating a key barrier to the commercialisation of graphene in this sector.

We are focussed on developing our composite offerings and seeking industrial partners who can design, develop and commercialise advanced polymer composite materials on a global basis. In a number of instances we have commenced commercial discussions. With the right partners, we believe that the Haydale nanomaterials will show demonstrable clear technical, economic and environmental benefits over existing structures currently manufactured in traditional materials such as steel, aluminium, wood or concrete.

Energy Harvesting

We are working on several potential strategic alliances in this complex market. Our team of energy experts have identified a number of specialist sectors for exploitation, where our novel materials and functionalisation can make a difference. We would expect to make significant progress in this sector over the coming year which is likely to include the work done by target partners in the energy market including key University knowledge and testing facilities.

Sales strategy

We continue to invest in personnel to capitalise on the increasing momentum achieved over the last year. Aiming to vigorously pursue our commercialisation strategy, we have recruited a Haydale business development director and 2 support managers with polymer coatings and ink expertise to exploit our growing technical reputation. As part of our global sales strategy, we engaged with two organisations in July 2014 who can explore and bring significant sales and collaboration opportunities in the Far East (planarTECH) and USA (InVentures). We believe that the use of agents who are already well established and recognised in their specific areas of expertise will significantly reduce the time required for Haydale to become well known in these territories. We are now able to cost effectively engage customers across the globe to develop application specific, graphene enhanced materials. There are encouraging signs of early interest from both markets in our materials, process and products.

Grant funding

Sampling of the functionalised materials continues as a means to engage with industrial corporations and manufacturers and to enter collaborations and consortia on dedicated projects. Since April 2014, we have secured focussed and important grant funded work from which our future income will be over £425,000. This includes one current and one future project partly funded by Innovate UK (previously known as the Technology Strategy Board). In October 2014, we also start on a European project in conjunction with the German based Fraunhofer Group (and others) to develop a high resolution roll to roll printing of bio-compatible graphene/protein multilayers for bio medical applications. This project is expected to be worth over £175,000 in income to the Group over the next 3 years.

In addition, although relatively small, we have been included in a successful UK defence contract feasibility study to develop a prototype coating for a novel hydrophone under water system. A positive outcome in this project, which is scheduled for completion in the current financial year, could lead to significant additional work. The defence sector is an area that we consider has significant potential for the range of products we are starting to develop.

Strategic Report
continued

Operations and technical
In the year under review, headcount more than doubled to 10 and post year-end we have added a further 2 technical staff with a further 3 budgeted joiners for the remainder of the current financial year. The appointment of Dr Chris Spacie, as Group Chief Technical Officer from Morgan Advanced Materials in September 2013, has been crucial in ensuring the production and processing capability was controlled and reproducible. Our functionalisation process was positively commented on by the National Physical Laboratory in February 2014.

We now have an established processing and treatment facility capable of processing tonnes of graphene per year exactly to the customers' specification. Haydale has developed a patent pending proprietary scalable plasma process to functionalise graphene and other nanomaterials. Switching plasma reactor suppliers to Tantec A/S has enabled the business to increase capacity and improve the functionalisation process incorporating state of the art latest technology. We are in advanced discussions with Tantec A/S over a long term supply agreement and have already ordered two new reactors with delivery expected in late 2014. These units are expected to remain in the UK as additional capacity for our immediate future although certain customers have commenced enquiries on licensing a reactor. Consequently we have also ordered a reactor capable of annually functionalising multiple tonnes of material. This will act as further capacity but also promoted as the technology demonstrator which is seen as the reactor that larger-scale licensees will require.

As part of our expansion plans we have commenced work on creating additional dedicated laboratory space in a smaller unit of 2,500 sq ft adjacent to our 5,000 sq ft main factory in Ammanford. This facility will enable us to rapidly develop and test the intermediate products for the defined market sectors above as a means of assisting the sales team with their marketing and promotion efforts. Furthermore, as part of our commercialisation strategy, we have opened a small sales and marketing office within Reading University.

Licensing
Licensing is a key part of our sales strategy and we are pleased with the initial discussions held with a number of blue-chip organisations to date on the possibility of licensing our technology and our reactors to the customers own locations. Whilst there can be no guarantee at this stage that agreements will be completed, we anticipate that the terms of licensing agreements will be in line with the Board's expectations.

Key Performance Indicators ("KPIs")
The Board consider there are a number of important KPIs which are non-financial, such as: the nature and size of development projects; the number of, identity of recipient and reason for entering into non-disclosure agreements, including conversion ratios of initial discussions into commercial projects and; commercial arrangements and sample materials and products issued to potential customers, including quantities, functional groups and load factors. Performance against these non-financial KPI's is in line with the Board's expectations.

Important financial KPIs are the cash position and the operating loss of the Group. At 30 June 2014, cash and deposit balances amounted to £5.7 million (2013: £0.05 million) and were above budgeted levels. The operating loss for the year ended 30 June 2014 of £2.2 million (2013: £1.1 million) and was also favourable to the budgeted loss for the year.

The Group has also continued to put in place additional infrastructure to capitalise on the early stage momentum that the business has achieved and to enable the longer term potential of the business to be realised.

FINANCIAL REVIEW
The Financial Review should be read in conjunction with the consolidated financial statements of the Group and the notes thereto. The consolidated financial statements are presented under International Financial Reporting Standards as adopted by the European Union and are set out on pages 23 to 47. The financial statements of the Company continue to be prepared in accordance with UK Generally Accepted Accounting Practice and are set out on pages 48 to 52.

Statement of Comprehensive Income
In the year under review, the Group primarily focussed on continuing to improve its proprietary plasma functionalisation process, with a view to commencing a sales and marketing push following the Group's admission to AIM. Accordingly, income for the year was £129,000 (2013: £146,000) with a loss from operations of £2.2 million (2013: £1.1 million). Support from grant funded projects totalled £110,000 in the period under review (2013: £55,000).

R&D expenditure for the year amounted to £0.4 million (2013: £0.5 million), with salaries for technicians, lab assistants and scientific personnel, as in 2013, accounting for the majority of the spend. Other administrative costs for the year totalled £1.9 million (2013: £0.7 million), a significant proportion of which were incurred as professional fees in connection with the Company's admission to trading on AIM.

The loss after tax for the year was £2.1 million (2013: £1.0 million) and the loss per share was £0.28 (2013: £0.18).

Statement of Financial Position and Cashflows
As at 30 June 2014, net assets amounted to £6.8 million (2013: £1.0 million), including net cash balances of £5.7 million (2013: £0.05 million). At the year end and as at today, the Group does not have any bank or other debt (save for trade payables in the ordinary course). Net cash outflow from operating activities for the year was £2.1 million (2013: £0.8 million), the main contributing factor being the operating loss of £2.2 million.

The Group was principally funded during the period by new equity share issues proceeds (net of costs) amounting to £7.8 million (2013: £0.8 million), together with grant funding income of £0.1 million (2013: £0.06 million).

Capital Structure and Funding

As at 30 June 2014, the Company had 11,247,823 Ordinary Shares in issue, which number is unchanged at the date of this report. On 20 March 2014, the Company conducted a bonus issue of shares on the basis of 80 new Ordinary Shares for each existing ordinary share by capitalising £158,320 of the Company's share premium account. In addition, the remaining balance standing to the credit of the Company's share premium account was reduced by £4,742,000 with the amount so reduced being credited to a reserve.

The Group is funded by equity capital, reflecting the stage of its development. However, the Company issued £79,425 of convertible loan notes during the period under review which were converted into a total of 90,012 Ordinary Shares on Admission to AIM in April 2014.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return to equity holders of the Company and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages this objective through tight control of its cash resources to meet its forecast future cash requirements.

During the year under review the Company raised a total of approximately £8.4 million through the issue of new equity, of which approximately £1.8 million was in relation to pre-IPO funding rounds and £6.6 million via a placing conducted on admission of the Company's shares to trading on AIM in April 2014.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the principal risks and uncertainties facing the Group may be summarised as follows:

Acceptance of the Group's Products

The success of the Group will depend on the market's acceptance of, and attribution of value to, its plasma technology developed by the Group based on converting principally raw, mined graphite and other synthetically produced graphenes into high quality functionalised graphene nanoplatelets, using a dry and low energy process, without using wet chemicals or acids.

Notwithstanding the technical merits of the processes developed by the Group, there can be no guarantee that its targeted customer base for the processes will ultimately purchase the Group's products.

Intellectual Property Risk

The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property portfolio, covering its manufacturing process, additional processes, products and applications, including in relation to the development of specific functionalisation of graphene and other types of carbon-based nanomaterials for use in particular applications. The intellectual property on which the Group's business is based is a combination of patent applications and confidential 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.

The Group aims to mitigate this risk through general vigilance, regular International IP searches as well as monitoring activities and regulations for developments in copyright/ intellectual property law and enforcement.

Growth Risk

Expansion of the business of the Group may place additional demands on the Group's management administrative and technological resources and marketing capabilities, and may require additional capital expenditure. The Group monitors the additional demands on resources on a regular basis and strengthens resources as necessary. If the Group is unable to manage any such expansion effectively, then this may adversely impact the business, development, financial condition, results of operations, prospects, profits, cash flow and reputation of the Group.

Competition Risk

The Group's current and potential competitors include companies and academic institutions, many of whom have significantly greater financial resources than the Group and the management regularly reviews the competitive landscape. There can be no assurance that competitors will not succeed in developing products that are more effective or economic than any developed by the Group or which would render the Group's products non-competitive or obsolete.

Dependence on Key Personnel

The Group's business, development and prospects are dependent upon the continued services and performance of its Directors and other key personnel. The experience of the Group's personnel helps provide the Group with a competitive advantage. The Directors believe that the loss of services of any existing key executives, for any reason, or failure to attract and retain necessary additional personnel, could adversely impact on the business, development, financial condition, results of operations and prospects of the Group.

The Group aims to mitigate this risk by providing well-structured and competitive reward and benefit packages that ensure our ability to attract and retain key employees.

By order of the Board

Ray Gibbs
Chief Executive Officer

29 September 2014

Board of directors

The Haydale board consists of experienced commercial directors from a range of industries that include engineering, retail, finance and accounting, high technology and the petro-chemical industries. Haydale's contacts at universities assist in providing access to analytical equipment and the use of research students to increase the technical input without adding excess overheads at this high growth stage.

1 John Knowles BSc Eng (Hons), Chairman

John Knowles has significant nanotechnology experience. He was until recently chairman of NanoSight Limited (sold to Spectris plc), chairman of the Nanotechnology KTN Advisory Board and a member of UK Government's Nanotechnology Strategy Forum. His 30 years' experience includes 2 years as MD of a Morgan Crucible subsidiary and chairman/director of several successful technology companies including Davin Group Ltd, Stratophase Ltd, and Michelson Diagnostics Ltd.

2 Anthony (Tony) Alfredo Belisario B Tech (Hons), Deputy Chairman

Tony Belisario is a chartered engineer who has spent most of his working life in management of manufacturing businesses using diverse technologies operating in global markets. In addition, Tony also managed businesses backed by private equity and has led an MBO. As well as being part-time deputy chairman of the Company, he also serves on the Council of Brunel University. Tony was part of Haydale Graphene Industries' management team that acquired Haydale Limited in 2010.

3 Raymond (Ray) John Gibbs FCA BA (Hons), Chief Executive Officer

Ray Gibbs is a Chartered Accountant, and former Deloitte audit and corporate finance partner for 9 years. He has spent the last 18 years in industry as CFO or commercial director of high technology and fast moving consumer goods businesses both in the quoted and private arenas with sales ranging from £500,000 to £500 million. He was a former CFO of Chemring Group Plc. Ray was part of Haydale Graphene Industries' management team that acquired Haydale Limited in 2010.

4 Matthew (Matt) Graham Wood ACA BA (Hons), Finance Director

Matt Wood is a Chartered Accountant and experienced financial professional with a background in AIM listed small-cap corporate finance advisory. Since 2006 Matt has worked as a financial and non-executive director with a variety of companies and is currently part-time finance director for Sula Iron & Gold plc and is a non-executive director of Avarae Global Coins plc and Westminster Group plc. Matt is also Managing Director and founder of CMS Advisory Group Ltd, a City-based corporate advisory firm.

5 Dr Christopher (Chris) John Spacie C.Eng MIMMM, Technical Director

Chris Spacie is a materials scientist and Chartered Engineer with over 30 years' experience in commercial R&D, process innovation, plant design and manufacturing. He was formerly technical director of Morganite Electrical Carbon Ltd., a division of Morgan Crucible Plc, and is a primary inventor in fields such as fuel cell materials, composites and ballistics.

6 Graham Dudley Eves MA, Non-Executive Director

Graham Eves joined GKN plc in 1967 where he spent 13 years operating across multiple overseas jurisdictions including, for the last 5 years, setting up and running a special operation for GKN plc's head office in Switzerland. He returned to the UK in 1980 to work in venture capital and establish his own international business consultancy. His main activities covered advising a range of German, North American and Japanese automotive component/technology suppliers and he co-founded and was chairman of an automotive technology company, Mechadyne (now part of KolbenschmidtPierburg AG). Graham is a non-executive director of AB Dynamics plc, Antonov plc and Transense Technologies plc. He was on the AIM advisory committee of the London Stock Exchange for 6 years and has a Master of Arts degree in Modern and Medieval Languages from the University of Cambridge.

7 Roger James Humm MBA BSc (Hons) FCA, Non-Executive Director

Roger Humm is an experienced Commercial and Finance Director with extensive knowledge of technology companies. He held corporate, financial and senior management roles with Oxford Instruments both in the UK and USA before assuming responsibility for their corporate development and intellectual property activities, and business development & projects within their Innovations team. More recently he has worked with a number of public and private companies including Ixico plc, G-Volution plc, NanoSight Limited, UKRD Group Limited and Oxford Instruments Nanotechnology Tools Limited. He is currently Chief Financial Officer of Blue Earth Diagnostics Limited and a Trustee Director of the Oxford Instruments plc final salary pension scheme. Roger gained his BSc in microbiology and virology from Warwick University before qualifying as a chartered accountant with Grant Thornton. He has an MBA from the University of Bath.

8 Roger Anthony Smith BSc (Hons), Non-Executive Director

Roger Smith is a senior vice president of Petrofac Plc where he manages a $50 million turnover division. He has spent 35 years in the oil and gas industry and has set up and sold 2 successful engineering consulting companies. Roger was part of Haydale Graphene Industries' management team that acquired Haydale Limited in 2010.

Directors' Report

The directors present their report and the audited financial statements for Haydale Graphene Industries Plc (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2014.

There are a number of items required to be included in the Directors' Report which are covered elsewhere in the annual report. Details of directors' remuneration and share options are given in the Directors' Remuneration Report and the following are covered in the Strategic Report:

- Principal Activities
- Review of the Business and Future Developments
- Key Performance Indicators
- Principal Risks and Uncertainties
- The use of financial instruments and financial risk management objectives and policies (also in note 20 of the financial statements)

Research and development

During the year ended 30 June 2014, the Group has invested £0.4 million (2013: £0.5 million) in research and development activities and a review of this expenditure is included in the Strategic Report.

Dividends

The directors do not propose the payment of a dividend.

Substantial Shareholdings

As at 30 June 2014, the Company had been advised of the following shareholders, other than the directors, with interests of 3% or more in its ordinary share capital:

Name of Shareholder	Number of Ordinary Shares	% of Share Capital
David Cheyne	381,920	3.40
Richard Newton Jones	346,275	3.08
Philip Sommereux	345,590	3.07

Directors

The directors of the Company during the year ended 30 June 2014 were:

John Knowles (appointed 14.10.2013)
Anthony Belisario
Raymond Gibbs
Dr Christopher Spacie (appointed 14.10.2013)
Matthew Wood (appointed 28.1.2014)
Graham Eves (appointed 1.1.2014)
Roger Smith
Roger Humm (appointed 28.1.2014)
Richard Newton-Jones (resigned 31.1.2014)
David Cheyne (resigned 31.1.2014)

Directors' Interests in Ordinary Shares

The Directors who held office at 30 June 2014, had the following interests in Ordinary Shares of the Company:

Director	Number of Shares at 30 June 2014	% of Share Capital
Ray Gibbs	443,054	3.94
Anthony Belisario	354,692	3.15
Roger Smith	275,955	2.45
John Knowles	72,454	0.64
Dr. Christopher Spacie[1]	27,151	0.24
Roger Humm[2]	5,988	0.05
Matthew Wood	3,571	0.03

1. Includes 10,854 Ordinary Shares held by his wife, Susan Spacie.
2. Includes 5,988 Ordinary Shares held by his wife, Wendy Humm.

Between 30 June 2014 and the date of this report there has been no change in the interests of directors in shares or share options as disclosed in this report.

Directors' and Officers' Liability Insurance
Qualifying indemnity insurance cover has been arranged in respect of the personal liabilities which may be incurred by directors and officers of the Group during the course of their service with the Group. This insurance has been in place during the year and on the date of this report.

Post Balance Sheet Events
There are no events post the balance sheet date that are not disclosed elsewhere in this report.

Political Donations
During the year ended 30 June 2014, the Group made no political donations (2013: £nil).

Branches
The Group has no branches.

Foreign Currency, Interest Rate, Credit and Liquidity Risk
The directors do not consider any of these potential risks to pose a significant risk to the Group or its operations over the coming year. See note 20, Financial Instruments, for further details.

Auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Ray Gibbs
Chief Executive Officer

29 September 2014

Corporate Governance Statement

The Board is accountable to the Company's shareholders for good corporate governance and it is the objective of the Board to attain a good standard of corporate governance by taking into account the requirements of the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the QCA to the extent that they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

Board

The Board retains full and effective control of the Group. The role of the Board, inter alia, is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risks to be managed and assessed, set the Company's strategic aims and ensure that the necessary financial and human resources are in place for the Company to meet its objectives and set the Company's values and standards. The directors are responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The board includes directors from a range of industries including the engineering, retail, accounting and finance, high technology and the petro chemical industries.

At the date of this report the Board consists of three executive directors, the Chief Executive Officer, the Finance Director and the Technical Director, and five non-executive directors including the non-executive Chairman and Deputy Chairman. Brief details about the directors are given on pages 12 and 13.

The roles of Chairman and Chief Executive are clearly divided. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision making and ensuring that the Non-Executive Directors are properly briefed. The Chief Executive Officer has responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The non-executive directors bring relevant experience from different backgrounds and receive a fixed fee for their services and reimbursement of reasonable expenses incurred in attending meetings. Of the non-executive directors, John Knowles and Roger Humm are considered by the Board to be independent.

The Company holds regular board meetings. Prior to each board meeting, directors are sent an agenda and Board papers as appropriate for matters to be discussed. Additional information is provided when requested by the Board or individual directors. Corporate Governance issues are discussed at these board meetings. All directors have access to independent professional advice, if required.

During the period between its admission to trading on AIM on 14 April 2014 and 30 June 2014, the Company has held 2 board meetings, with each member's attendance as follows:

Director	Number of Meetings Held Since Admission Whilst a Board Member	Number of Meetings Attended
John Knowles	2	2
Anthony Belisario	2	2
Raymond Gibbs	2	2
Dr Christopher Spacie	2	2
Matthew Wood	2	2
Graham Eves	2	2
Roger Humm	2	2
Roger Smith	2	2

Board Committees

The directors have established an Audit Committee and a Remuneration Committee with formally delegated roles, terms of reference and responsibilities. Each of these committees meet as and when appropriate and at least twice a year. All committee members hold non-executive roles with the Company.

The Audit Committee comprises Roger Humm as chair with Graham Eves and John Knowles. The Audit Committee is responsible for, inter alia, determining and examining 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 receives and reviews 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. The Board does not consider it necessary at present to have an internal audit function.

The Remuneration Committee comprises Tony Belisario as chair with Roger Smith and Graham Eves. The Remuneration Committee is responsible for reviewing and making recommendations in respect of directors' remuneration and benefits packages, including share options and the terms of appointment. The remuneration committee will also make recommendations to the board concerning the allocation of share options to employees under the Company's share option schemes.

The board does not currently consider a nominations committee to be necessary and the board as a whole are responsible for board and senior management nominations, but this will be kept under review.

Shareholder Engagement

Shareholders have the opportunity to meet members of the Board at the annual general meeting where the Board members are happy to respond to questions. The Board also responds to written queries made by shareholders during the course of the year and may also meet with major shareholders, if so requested.

Directors are required to attend the Annual General Meeting of the Company unless unable to do so for personal reasons or due to pressing commercial commitments. Shareholders are given the opportunity to vote on each separate issue. Proxy voting results are announced at the relevant shareholder meeting.

As well as the standard communications with shareholders, such as news releases, updates to the Company's Website and at the annual general meeting, in June 2014, the Company hosted an open day at its head office in Ammanford to enable shareholders to meet the directors, view the facilities and have the opportunity to see the Group's operations in practice. The Board were delighted with the response to the open day and welcomed more than 30 shareholders, analysts, advisers and other interested parties to the day. The Company intends to hold more open days in the future.

Internal Control

The directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The main features of the internal control system are as follows:

- Close management of the business by the executive directors. There are clearly delineated approval limits throughout the Group and a well-defined organisational structure. Controls are monitored at the appropriate level;
- Monthly management accounts are prepared and reviewed by the board, including reviewing variances against prior months and against budgets;
- Clear segregation of duties within the Group's finance function help ensure the Group's assets are safeguarded and that proper financial records are maintained; and
- A list of matters is reserved for the approval of the board.

Ray Gibbs is also the Company Secretary (as well as the CEO) and is responsible for ensuring that the Company's registers and filings are properly maintained and up to date. Mr Gibbs is a qualified chartered accountant and is accordingly qualified to hold the role of Company Secretary. At this stage of its development, the Board does not feel it is necessary for the Company to have a full time or external company secretary. This will be kept under review.

The Company has adopted 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.

By order of the Board

John Knowles
Chairman

29 September 2014

Directors' Remuneration Report

REMUNERATION COMMITTEE

The Company's remuneration policy is the responsibility of the Remuneration Committee which was established at the time of Admission. The terms of reference of the Remuneration Committee are outlined below and in the Corporate Governance Statement on page 16. The members of the Remuneration Committee are Roger Smith, Graham Eves and Anthony Belisario (Chairman).

The Remuneration Committee is required to meet at least twice per year and is responsible for considering executive remuneration. Executives may be invited to attend to assist the Remuneration Committee but no director or manager of the Company may be involved in any decisions as to their own remuneration.

The terms of reference of the Committee do not encompass decisions to employ or dismiss Executives. The Committee does not have responsibilities for nominations to the Board.

Under the terms of reference of the Remuneration Committee, the remuneration of the Company's non-executive directors (including the chairman of the Board if a non-executive) is a matter for the chairman of the Board (if executive) and the Company's executive directors.

Directors' remuneration for the year to 30 June 2014 is set out on page 19.

The Remuneration Committee terms of reference require it to establish remuneration policy on the basis of various outcomes including key amongst which are developing remuneration packages needed to attract, retain and motivate executives of the quality required (but to avoid paying more than is necessary for this purpose) and to ensure that performance-related elements of remuneration form a significant proportion of the total remuneration package of executives and that such elements be designed to align executives' interests with those of shareholders and to give such executives incentives to perform at the highest levels.

Equity Based Incentive Schemes

The Remuneration Committee believes that equity-based incentive schemes provide a strong incentive for retaining and attracting high calibre individuals.

The Company currently has two equity-based incentive schemes in place.

(a) 2013 Share Option Scheme

On 23 May 2013, the Company adopted an EMI Share Option Plan ("2013 Share Option Scheme"). The Company granted options to executive directors and senior management over a total of 121,500 Ordinary Shares under the 2013 Share Option Scheme. 40,500 of these options were granted during the period under review. The exercise price is 92.592p per ordinary share. There are no performance conditions attached to the exercise of these options although in the ordinary course (and subject to some exceptions), grantees will be required to remain employed in the Group at the date of exercise. 81,000 of these options became exercisable on 23 May 2014 and the remaining 40,500 become exercisable on 30 September 2016. The options lapse on the earlier of 12 months after death of the grantee, leaving employment with the Group in certain circumstances and on the tenth anniversary of grant.

No further awards under the old share option scheme are anticipated.

(b) 2014 Option Scheme

On Admission, the Company adopted a new share option scheme pursuant to which it may grant both EMI approved options and unapproved options ("2014 Option Scheme"). EMI approved options are subject to individual and overall limits. Potential grantees are employees and officers of the Company and members of the Group.

A total of 562,394 options have been granted under the 2014 Option Scheme at an exercise price of 210p, all of which were granted in the year under review.

The 2014 Share Option Scheme sets a limit of 10% of the issued share capital at the time of grant that can be used by the Company for share options. Options granted under this scheme may typically be exercised between the third and fifth anniversaries of grant provided the option holder remains an employee of a member of the Group. In certain circumstances, options may be exercised outside this two year window, for example in the event of death of the option holder or a change of control of the Company. Options can be granted under the scheme within 42 days of release of the annual and interim results and at other times in exceptional circumstances by resolution of the Board. No further options may be issued after the tenth anniversary of the date of adoption of the scheme. It is intended that options shall not be granted with an exercise price lower than the prevailing market value of an ordinary share at the time of grant. There are no individual or company performance targets to be met in order to be able to exercise the options.

DIRECTORS' INTERESTS IN SHARE OPTIONS

The interests of directors in share options over Ordinary Shares during the year were as follows:

2013 Share Option Scheme

Director	Date of Grant	Number of Options	First Exercise Date	Exercise Price	Latest Expiry Date
Raymond Gibbs	23 May 2013	40,500	23 May 2014	92.5926p	23 May 2023
Dr Christopher Spacie	30 Sept 2013	40,500	30 Sept 2016	92.5926p	30 Sept 2023

2014 Share Option Scheme

Director	Date of Grant	Number of EMI Options	Number of Unapproved Options	First Exercise Date	Exercise Price	Latest Expiry Date
Raymond Gibbs	4 April 2014	101,190	39,408	3 April 2017	210p	3 April 2024
Dr Christopher Spacie	4 April 2014	75,923	–	3 April 2017	210p	3 April 2024
Matthew Wood	4 April 2014	–	32,337	3 April 2017	210p	3 April 2024
John Knowles	4 April 2014	–	28,120	3 April 2017	210p	3 April 2024
Antony Belisario	4 April 2014	–	16,872	3 April 2017	210p	3 April 2024
Graham Eves	4 April 2014	–	16,872	3 April 2017	210p	3 April 2024
Roger Humm	4 April 2014	–	16,872	3 April 2017	210p	3 April 2024
Roger Smith	4 April 2014	–	16,872	3 April 2017	210p	3 April 2024

The mid-market price of the Company's ordinary shares at 30 June 2014 was 122p. During the period then ended, the mid-market price ranged from 108p to 207.4p.

DIRECTORS' REMUNERATION

The aggregate remuneration received by directors who served during the years ended 30 June 2014 and 30 June 2013 was as follows:

					Year ended 30 June 2014			Year ended 30 June 2013		
£'000	Note	Salary/Fee	Benefits	Bonus	Total (ex. pension)	Pension	Total(incl. pension)	Total (excl. pension)	Pension	Total (incl. pension)
Executive Directors										
R. Gibbs		90	3	125	218	–	218	78	–	78
C. Spacie		67	–	25	92	–	92	–	–	–
M. Wood		8	–	–	8	–	8	–	–	–
I Walters		–	–	–	–	–	–	46	–	46
Non-executive Directors										
J. Knowles		17	–	25	42	–	42	–	–	–
A. Belisario		16	–	25	41	–	41	24	–	24
G. Eves		11	–	–	11	–	11	–	–	–
R. Humm		11	–	15	26	–	26	–	–	–
R. Smith		11	–	25	36	–	36	–	–	–
R. N-Jones		10	–		10	–	10	–	–	–
D. Cheyne		10	–		10	–	10	–	–	–
		251	3	240	494	–	494	148	–	148

Directors' Remuneration Report
continued

In addition to the amounts shown above, the share-based payment charge for the period was:

	to 30 June 2014 £'000	to 30 June 2013 £'000
Raymond Gibbs	24	2
Dr Christopher Spacie	9	–
Matthew Wood	2	–
John Knowles	1	–
Anthony Belisario	1	–
Graham Eves	1	–
Roger Humm	1	–
Roger Smith	1	–
	40	2

By order of the Board

Tony Belisario
Chairman of the Remuneration Committee

29 September 2014

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the strategic report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM market.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website Publication

The directors are responsible for ensuring that the annual report and financial statements are made available on a website. Financial statements are published on the Group's website, www.haydale.com, in accordance with the AIM Rules for Companies published by the London Stock Exchange and legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going Concern

The directors have prepared and reviewed financial forecasts. After due consideration of these forecasts and current cash resources, the directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report), and for this reason the financial statements have been prepared on the going concern basis.

By order of the Board

Ray Gibbs
Company Secretary

29 September 2014

Independent auditor's report to Haydale Graphene Industries plc

We have audited the financial statements of Haydale Graphene Industries plc for the year ended 30 June 2014 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cashflows, Parent Company Balance Sheet, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Paul Anthony (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
29 September 2014

BDO LLP is a limited liability partnership registered n England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 30 June 2014

	Note	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Revenue	4	**19**	91
Other income		**110**	55
		129	146
Administrative expenses			
Costs of admission to AIM		**(424)**	–
Research and development expenditure		**(416)**	(478)
Share based payment expense		**(67)**	(4)
Other administrative expenses		**(1,424)**	(720)
		(2,331)	(1,202)
Loss from operations		**(2,202)**	(1,056)
Finance costs		**(14)**	(5)
Loss before taxation	5	**(2,216)**	(1,061)
Taxation	7	**71**	69
Loss for the year/total comprehensive loss attributable to owners of the parent		**(2,145)**	(992)
Loss per share attributable to owners of the Parent			
Basic (£)	8	**(0.28)**	(0.18)
Diluted (£)	8	**(0.28)**	(0.18)

Consolidated statement of changes in equity

for the year ended 30 June 2014

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained profits £'000	Total £'000
At 1 July 2012	1	2,420	–	(1,235)	1,186
Total comprehensive loss for the year	–	–	–	(992)	(992)
Recognition of share-based payments	–	–	4	–	4
Issue of ordinary share capital	–	826	–	–	826
Transaction costs in respect of share issues	–	(32)	–	–	(32)
At 30 June 2013	1	3,214	4	(2,227)	992
Total comprehensive loss for the year	–	–	–	(2,145)	(2,145)
Recognition of share-based payments	–	–	67	–	67
Issue of ordinary share capital	66	8,443	–	–	8,509
Transaction costs in respect of share issues	–	(623)	–	–	(623)
Bonus issue of £0.02 ordinary shares	158	(158)	–	–	–
Reduction in share premium	–	(4,742)	–	4,742	–
At 30 June 2014	**225**	**6,134**	**71**	**370**	**6,800**

Consolidated statement of financial position

as at 30 June 2014

	Note	30 June 2014 £'000	30 June 2013 £'000	1 July 2012 £'000
ASSETS				
Non-current assets				
Goodwill	9	**51**	51	51
Intangible assets	9	**554**	590	625
Property, plant and equipment	10	**527**	519	426
		1,132	1,160	1,102
Current assets				
Inventories	11	**22**	24	25
Trade receivables	12	**8**	2	36
Other receivables	13	**244**	85	74
Corporation tax		**63**	64	49
Cash and bank balances		**5,677**	54	149
		6,014	229	333
TOTAL ASSETS		**7,146**	1,389	1,435
LIABILITIES				
Current liabilities				
Trade and other payables	17	**300**	290	244
Deferred income	18	**46**	107	5
TOTAL LIABILITIES		**346**	397	249
TOTAL NET ASSETS		**6,800**	992	1,186
EQUITY				
Capital and reserves attributable to equity holders of the parent				
Share capital	14	**225**	1	1
Share premium account	14	**6,134**	3,214	2,420
Share-based payment reserve	15	**71**	4	–
Retained profits	16	**370**	(2,227)	(1,235)
TOTAL EQUITY		**6,800**	992	1,186

The financial statements on pages 23 to 47 were approved and authorised for issue by the Board of directors on 29 September 2014 and signed on its behalf by:

Ray Gibbs
Chief Executive Officer

Matt Wood
Finance Director

Consolidated statement of cash flows

for the year ended 30 June 2014

	Year ended 30 June	
	2014 £'000	2013 £'000
Cash flow from operating activities		
Loss before taxation	(2,216)	(1,061)
Adjustments for:		
Amortisation of intangible assets	36	35
Depreciation of property, plant and equipment	137	120
Share-based payment charge	67	4
Finance costs	14	5
Operating cash flow before working capital changes	(1,962)	(897)
(Increase)/decrease in inventories	(2)	–
(Increase)/decrease in trade and other receivables	(165)	23
(Decrease)/increase in payables and deferred income	(51)	34
Cash used in operations	(218)	57
Income tax received	72	53
Net cash flow from operating activities	(2,108)	(787)
Cash flow used in investing activities		
Purchase of property, plant and equipment	(147)	(226)
Proceeds from disposal of property, plant and equipment	2	12
Finance costs	(5)	(4)
Net cash flow in investing activities	(150)	(218)
Cash flow used in financing activities		
Proceeds from issue of share capital	8,425	826
Share issue costs	(623)	(31)
Grants received	–	115
Issue of convertible debt	79	–
Net cash flow from financing activities	7,881	910
Net increase/(decrease) in cash and cash equivalents	5,623	(95)
Cash and cash equivalents at beginning of the financial year	54	149
Cash and cash equivalents at end of the financial year	5,677	54

Notes to the consolidated financial statements

for the year ended 30 June 2014

1 Accounting policies

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") as adopted by the European Union ('Adopted IFRSs') and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRSs.

The consolidated financial statements represent the first for the Group prepared under IFRSs. An analysis of the transition made from financial information previously provided under UK GAAP and the IFRS regime is set out in note 24.

The individual financial statements of Haydale Graphene Industries PLC are shown on pages 48 to 52.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies on an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenditure are eliminated on consolidation. Business combinations that took place prior to 1 July 2012, the effective date of transition to IFRS, have not been restated as permitted by IFRS1 "First-time Adoption of International Financial Reporting". The consolidated financial statements have been prepared using the acquisition method of accounting.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition the fair values of the subsidiaries' net assets are determined and these values are reflected in the Consolidated Financial Information. The cost of acquisitions measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Haydale Graphene Industries Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised, but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income. Acquisition-related costs are expensed as incurred.

Going concern

The Group consolidated financial statements are prepared on a going concern basis which the Directors believe continues to be appropriate. The Group meets its day-to-day working capital requirements through existing cash resources which at 30 June 2014, amounts to £5,677,000. The Directors have prepared cash flow projections for the period ending no less than 12 months from the date of their approval of these financial statements. On the basis of those projections, the Directors believe that the Group will be able to continue to trade for the foreseeable future.

2 Future accounting developments

Certain new standards, amendments to new standards and interpretations have been published that are mandatory to the Group's future accounting periods but have not been adopted early in these financial statements. These are set out below:

Title	Implementation	Anticipated effect on the Group
Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014	None
IFRS 10: Consolidated Financial Statements	Annual periods beginning on or after 1 January 2014	No significant impact
IFRS 11: Joint Arrangements	Annual periods beginning on or after 1 January 2014	None
IFRS 12: Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2014	Additional disclosure in group financial statements
IAS 27: Separate Financial Statements (Issued 2011)	Annual periods beginning on or after 1 January 2014	None
IAS 28: Investments in Associates and Joint Ventures (Issued 2011)	Annual periods beginning on or after 1 January 2014	None
Amendments to IAS 27: Equity method in separate financial statements	Annual periods beginning on or after 1 January 2016	None
(*) Improvements to IFRS 2010-2012	Annual periods beginning on or after 1 July 2014	No significant impact
(*) Improvements to IFRS 2011-2013	Annual periods beginning on or after 1 July 2014	No significant impact
Amendments to IAS 16 and (*) IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods beginning on or after 1 July 2016	No significant impact
(*) IFRS 15: Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2017	Management is considering future impact
(*) IFRS 9: Financial Instruments	Annual periods beginning on or after 1 January 2018	Management is considering future impact

(*)-Awaiting endorsement for use in European Union

3 Summary of significant accounting policies

(a) Critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors of the Haydale Graphene Industries Group to exercise their judgement in the process of applying the accounting policies which are detailed below. These judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 Summary of significant accounting policies continued

Share-based payment

The critical accounting estimates, assumptions and judgements underpinning the valuation of share options are disclosed in note 15.

Impairment

(i) Impairment of financial assets

All financial assets are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of assets, other than those to which IAS 36 – 'Impairment of Assets' does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow. An impairment loss is recognised in administrative expenses within the Statement of Comprehensive Income immediately it is identified.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(b) Intangible assets

Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity within the Haydale Graphene Industries PLC Group can demonstrate all of the following:

i) its ability to measure reliably the expenditure attributable to the asset under development;

ii) the product or process is technically and commercially feasible;

iii) its future economic benefits are probable;

iv) its ability to use or sell the developed asset; and

v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

Capitalised development expenditure is amortised on a straight-line basis over a period of not more than 20 years when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount. Amortisation is included within administrative expenses.

3 Summary of significant accounting policies continued

(c) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(d) Financial instruments

Financial instruments are recognised in the statements of financial position when the Haydale Graphene Industries Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Haydale Graphene Industries Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The accounting policy for financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Haydale Graphene Industries Group has transferred substantially all the risks and rewards of ownership.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

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

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

3 Summary of significant accounting policies continued

(iv) Convertible loan notes

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. The liability component represents the present value of future capital and interest repayments on the loan discounted at the market rate of interest and the equity component is the residual amount after deducting the liability from the proceeds.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Leasehold improvements	10% per annum straight line
Plant and machinery	20-33% per annum straight line
Furniture and fittings	33% per annum straight line
Motor vehicles	33% per annum straight line

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Haydale Graphene Industries Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Haydale Graphene Industries Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the income statement within "other income/(expenses)".

(f) Income taxes

The charge for taxation is based on the loss for the period and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are recognised in respect of all timing differences that have been originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

The Group receives research and development tax credits for the work it performs in the field of nano-technology. Using the SME scheme, these credits generate cash reimbursement in exchange for the sacrifice of applicable losses; such receipts are recognised in income tax within the Statement of Comprehensive Income.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and have maturities of 3 months of less from inception.

3 Summary of significant accounting policies continued

(h) Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost represents materials, direct labour, other direct costs and related production overheads, and is determined on the First-In-First-Out (FIFO) method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for slow-moving, obsolete and defective inventories where appropriate.

The value of inventories used in the fulfilment of commercial or developmental programmes is included within administrative expenses in the Statement of Comprehensive Income.

(i) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Haydale Graphene Industries Group.

(ii) Defined contribution plans

The Haydale Graphene Industries Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Haydale Graphene Industries Group has no further liability in respect of the defined contribution plans.

(j) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Haydale Graphene Industries Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Haydale Graphene Industries Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Haydale Graphene Industries Group. The Haydale Graphene Industries Group does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(k) Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are treated as deferred income and released to the income statement on the later of the achievement of the relevant performance criteria, or their receipt. All income relating to government grants is included as 'other income' within the Statement of Comprehensive Income.

(l) Revenue and other income

(i) Goods

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery.

(ii) Services

Revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

3 Summary of significant accounting policies continued

(iii) Interest income

Interest income is recognised as finance income on an accruals basis using the effective interest rate method.

(m) Operating segments

An operating segment is a component of the Haydale Graphene Industries Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Haydale Graphene Industries Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(n) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 15 to the Consolidated Financial Statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Haydale Graphene Industries Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Haydale Graphene Industries Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

As at the end of each reporting period in this Consolidated Financial Information, there were no leases classified under the category of finance leases.

4 Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Haydale Graphene Industries Group that are regularly reviewed by the chief operating decision maker (which takes the form of the board of directors of Haydale Graphene Industries PLC) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The directors of Haydale Graphene Industries PLC consider the principal activity of the Haydale Graphene Industries Group to be the sale and distribution of specialist research and development materials in the field of nano-technology, and therefore consider this currently to be the sole reportable segment. Overseas sales relate to the fulfilment of sales generated outside the UK but actioned within the UK.

Notes to the consolidated financial statements

for the year ended 30 June 2014

continued

4 Segment analysis continued

Geographical information

All revenues of the Haydale Graphene Industries Group are derived from its principal activity, the sale and distribution of nano-technology products or the delivery of research projects into those same materials. All assets are located within the United Kingdom and all losses are generated in that territory. The Haydale Graphene Industries Group's revenue from external customers and net assets by geographical location are detailed below.

	2014 £'000	2013 £'000
By destination		
United Kingdom	8	41
Europe	2	–
North America	7	49
Rest of the World	2	1
	19	91

5 Loss before taxation

Loss before taxation is arrived at after charging:

	2014 £'000	2013 £'000
Research and development:		
– current period's expenditure	380	443
– amortisation of capitalised expenditure	36	35
Depreciation of property, plant and equipment	137	120
Operating lease rentals:		
– land and buildings	34	28
– plant and machinery	1	–

The fees of the Group's auditor, BDO LLP, for services provided are analysed below:

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Group's financial statements	35	–
Fees payable to the Company's auditor for other services:		
– Audit related assurance services	3	–
– Taxation related compliance services	64	7
– Other non-audit services	116	19
	218	26

6 Employees

The average number of employees during the year, including executive directors, was:

	2014 £'000	2013 £'000
Administration	4	3
Research, development and production	6	5
	10	8

6 Employees continued

Staff costs for all employees, including executive directors, consist of:

	2014 £'000	2013 £'000
Wages and salaries	667	448
Social security costs	74	33
Share based payment expense	67	4
	808	485

An analysis of the remuneration of the directors is detailed within the Directors' Remuneration Report on pages 18 to 20. The total amount payable to the highest paid director in respect of emoluments was £218,000 (2013: £78,000).

7 Income tax

	2014 £'000	2013 £'000
Total income tax credits:		
– for the financial year	66	72
– under/(over) provision in the previous financial year	5	(3)
	71	69

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax release at the effective tax rate of the Haydale Graphene Industries Group is as follows:

	2014 £'000	2013 £'000
Loss before taxation	(2,216)	(1,061)
Tax at the applicable statutory tax rates of 20% (2013 – 20%)	443	212
Tax effects of:		
– non-deductible expenses	(114)	(14)
– Accelerated capital allowances and other short term differences	7	26
– R&D enhancement	59	72
– Surrender for R&D tax credit	(40)	(58)
– Unrealised tax losses carried forward	(289)	(166)
– Adjustment to tax credit in respect of previous years	5	(3)
Income tax release for the financial year	71	69

The Group has tax losses that are available indefinitely for offset against future taxable profits of £3,543,000 and £388,000 of fixed asset timing differences. The full utilisation of these in the foreseeable future is uncertain and no deferred tax asset has therefore been recognised.

The deferred tax not recognised in the Group statement of financial position is as follows:

	2014 £'000	2013 £'000
Unrecognised deferred tax asset at the start of the year	346	207
Tax losses unrecognised in the year	285	139
Unrecognised deferred tax asset at the end of the year	631	346

8 Loss per share

The calculations of loss per share are based on the following losses and number of shares:

	2014 £'000	2013 £'000
Loss after tax attributable to owners of the Haydale Graphene Industries Group	**(2,145)**	(992)
Weighted average number of shares: – Basic and Diluted	**7,755,175**	5,661,495
Loss per share: – Basic (£) and Diluted (£)	**(0.28)**	(0.18)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33. At 30 June 2014, there were 683,894 (2013: 81,000) options outstanding as detailed in note 15. ("The 2013 comparative has been recalculated to adjust for the 80 for 1 bonus issue of shares during the year").

9 Intangible assets

	Development expenditure £'000	Goodwill £'000	Total £'000
Cost			
At 1 July 2012	700	51	751
Additions	–	–	–
At 30 June 2013	700	51	751
Accumulated amortisation			
At 1 July 2012	75	–	75
Charge for the period	35	–	35
At 30 June 2013	110	–	110
Net book value			
At 30 June 2013	590	51	641
At 30 June 2012	625	51	676

	Development expenditure £'000	Goodwill £'000	Total £'000
Cost			
At 1 July 2013	700	51	751
Additions	–	–	–
At 30 June 2014	700	51	751
Accumulated amortisation			
At 1 July 2013	110	–	110
Charge for the period	36	–	36
At 30 June 2014	146	–	146
Net book value			
At 30 June 2014	554	51	605
At 30 June 2013	590	51	641

9 Intangible assets continued

Goodwill
Goodwill arose on the acquisition of Haydale Ltd on 21 May 2010 (£23,966) and of the trade and assets of Intelligent Nano Technology Ltd (£27,000) on 12 May 2010.

Development costs
Development costs arose on the fair value of assets on the acquisition of Haydale Limited on 21 May 2010 for development of nano-technology projects, where it is anticipated that the costs will be recovered through future commercial activity.

Amortisation
Capitalised development costs are amortised over the estimated useful life of 20 years. The amortisation charge is recognised in administrative expenses.

Goodwill impairment
Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from that business combination. To date, the Group is operating only one CGU and therefore goodwill is considered as a whole against the future forecast trading outcomes of the Group. An analysis of the pre-tax discount rates used and the goodwill balance as at the year end by principal CGU is shown below:

	2014 %	2013 %	2014 £'000	2013 £'000
Haydale Graphene Industries	10%	10%	51	51

The Group tests goodwill at least annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGU are determined from value-in-use calculations. The key assumptions for the value-in-use are those regarding the discount rates, the growth rates and expected changes to cash flows during the period for which management have detailed plans. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital of 10% (2013: 10%), and have been used to discount projected cash flows.

The calculation has used the Group's Board-approved forecast figures for the next five years. The Group's forecasts assume that the turnover of the Group companies will grow by an average of 250% per annum across the course of the five year forecasts. The growth rates used are based on management's internally estimated growth forecasts for the market and the Group's current and expected product range, together with the expected market share of the Group within those markets. Changes in selling prices and direct costs are based on best estimates of future industry practices given the emerging nature of the Group's technology in the market. The Group applies sensitivities to the projections to determine whether there is sufficient head-room in positive cashflows to support the carrying value of the underlying assets of the CGU.

Following this review, the Directors have determined that there is no impairment charge which should be recognised against the intangible assets of the Group, nor has any such impairment been required to be recognised in any of the periods covered by this report.

Notes to the consolidated financial statements

for the year ended 30 June 2014

continued

10 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2012	144	343	17	3	507
Additions	29	168	26	2	225
Disposals	–	(11)	–	(3)	(14)
At 30 June 2013	173	500	43	2	718
Accumulated depreciation					
At 1 July 2012	4	69	8	–	81
Charge for the year	16	90	13	1	120
Disposals	–	(1)	–	(1)	(2)
At 30 June 2013	20	158	21	–	199
Net book value					
At 30 June 2013	153	342	22	2	519
At 30 June 2012	140	274	9	3	426

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2013	173	500	43	2	718
Additions	25	107	15	–	147
Disposals	–	(2)	(2)	–	(4)
At 30 June 2014	198	605	56	2	861
Accumulated depreciation					
At 1 July 2013	20	158	21	–	199
Charge for the year	19	104	13	1	137
Disposals	–	(1)	(1)	–	(2)
At 30 June 2014	39	261	33	1	334
Net book value					
At 30 June 2014	159	344	23	1	527
At 30 June 2013	153	342	22	2	519

11 Inventories

	2014 £'000	2013 £'000
Raw materials	5	8
Finished goods	17	16
	22	24

Inventory comprises functionalised carbon, chemicals and associated raw materials.

12 Trade receivables

	2014 £'000	2013 £'000
Trade receivables	9	2
Allowance for impairment losses	(1)	–
	8	2

13 Other receivables

	2014 £'000	2013 £'000
Other receivables	167	40
Prepayments and accrued income	77	45
	244	85

14 Share capital and share premium

	Number of shares No.	Share capital £'000	Share premium £'000	Total £'000
At 1 July 2012	63,599	1	2,420	2,421
Issue of £0.02 ordinary shares	11,018	–	826	826
Transaction costs in respect of share issues	–	–	(32)	(32)
At 30 June 2013 and 1 July 2013	74,617	1	3,214	3,215
Issue of £0.02 ordinary shares	3,257,206	66	8,443	8,509
Transaction costs in respect of share issues	–	–	(623)	(623)
Bonus issue of £0.02 ordinary shares	7,916,000	158	(158)	–
Reduction in share premium	–	–	(4,742)	(4,742)
At 30 June 2014	11,247,823	225	6,134	6,359

During the year ended 30 June 2014, Haydale Graphene Industries PLC allotted and issued the following shares:-

- During August 2013, 100 £0.02 ordinary shares at a price of £75.00 per share
- During October 2013, 1,802 £0.02 ordinary shares at a price of £75.00 per share
- During November 2013, 1,556 £0.02 ordinary shares at a price of £75.00 per share
- During December 2013, 12,475 £0.02 ordinary shares at a price of £75.00 per share
- During January 2014, 8,400 £0.02 ordinary shares at a price of £75.00 per share

On 20 March 2014, the company made a bonus issue of 80 £0.02 ordinary shares for every £0.02 ordinary share held at that date. This resulted in a further 7,916,000 £0.02 ordinary share being issued, the consideration being met from distributable reserves.

On 20 March 2014, the company effected a reduction in the share premium of £4,742,000, with the reduction being credited to the retained profits reserve.

In April 2014, loan notes were converted into 90,012 £0.02 ordinary shares at a price of £0.9259 per share.

On 14 April 2014, upon admission to the Alternative Investment Market, 3,142,861 £0.02 ordinary shares were issued at a price of £2.10 per share.

Issue costs amounting to £623,000 (2013: £32,000) have been charged to the share premium account in the year.

15 Share-based payment transactions

During the year ended 30 June 2013, the Company introduced an approved EMI share option scheme for the benefit of all employees. During the year ended 30 June 2014, the Company also established an unapproved share option scheme for directors of the Company. The exercise price of the options is equal to the estimated market price of the shares on the date of grant. The options vest either one year or three years from the date of grant. The options are accounted for as equity settled share based payment transactions. Options cannot be exercised at a year end.

The following table which illustrates the number and weighted average exercise prices (WAEP) of, and movements in share options during the year, has been adjusted to reflect the 80-for-1 bonus share issue made on 20 March 2014:

	Number of options No.	2014 Weighted average exercise price Pence	Number of options No.	2013 Weighted average exercise price Pence
Balance at beginning of year	81,000	93	–	–
Granted	602,894	202	81,000	93
Balance at end of year	683,894	189	81,000	93

At 30 June 2014, there were options outstanding over 683,894 un-issued ordinary shares, equivalent to 6.1% of the issued share capital as follows:

	Number of shares	Exercise price	Earliest exercise date	Latest exercise date
Approved EMI scheme				
23 May 2013	81,000	93p	14 April 2014	22 May 2023
30 September 2013	40,500	93p	14 April 2014	22 September 2023
20 March 2014	395,041	210p	20 March 2017	19 March 2024
Unapproved schemes				
20 March 2014	167,353	210p	20 March 2017	19 March 2024
	167,353			

The exercise prices for options granted prior to 20 March 2014 have been adjusted to reflect the 80-for-1bonus issue made on that date.

	Type of award	Number of shares	Exercise price	Share price at date of grant	Fair value per option	Award life (years)	Risk free rate (%)	Expected volatility rate (%)	Performance Conditions
23 May 2013	EMI	81,000	93p	93p	53p	10	1.75	30	None
30 September 2013	EMI	40,500	93p	93p	54p	10	1.75	30	None
20 March 2014	EMI	395,041	210p	210p	68p	5	1.75	30	None
20 March 2014	Unapproved	167,353	210p	210p	68p	5	1.75	30	None
		683,894							

81,000 options were exercisable as at 30 June 2014 (2013: nil).

The estimated fair value was calculated by applying a Black-Scholes option pricing model. Prior to flotation, in the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore the directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility, namely category 2 data from the value hierarchy. The fair value charge is then spread evenly over the expected vesting period.

15 Share-based payment transactions continued

The model inputs were:

	May & September 2013	March 2014
Share prices at grant date	93p*	210p
Exercise prices	93p*	210p
Expected volatility	30%	30%
Contractual life	10 years	5 years

* Prior to the bonus issue of shares the share price at grant date and exercise price were £75.00 per option.

- No dividends are anticipated in the life of model, consistent with the Directors' view that the Group's model is to generate value through capital growth rather than the payment of dividends; and
- A risk-free interest rate of 1.75% equating to the prevailing UK Gilts rate at grant date that most closely matches the expected term of the grant.

The weighted average remaining contractual life of share options outstanding at 30 June 2014 is 9.6 years (2013: 9.9 years). The charge for the year for share-based payment amounted to £67,000 (2013: £4,000).

16 Reserves

Equity share capital and share premium

The balance classified as share capital and share premium includes the total net proceeds on issue of the Company's equity share capital, comprising £0.02 ordinary shares. The share premium accounts can only be used for bonus issues, to provide for the premium payable on redemption of debentures or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, any issues of shares or debentures of the company.

Share premium account

The share premium account represents the amount received on the issue of ordinary shares in excess of their nominal value and is non-distributable.

Share-based payment reserve

The share-based payment reserve comprises the cumulative expense representing the extent to which the vesting period of share options has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest.

Retained profits

The retained profits reserves comprises the cumulative effect of all other net gains, losses and transactions with owners (e.g. dividends) not recognised elsewhere.

17 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**175**	208
Tax and social security	**36**	48
Accruals and other creditors	**89**	34
	300	290

18 Deferred income

Deferred income is recognised for both capital and revenue grants from governments and other funding parties, and released as income in accordance with the relevant conditions of the grant concerned.

	2014 £'000	2013 £'000
Grants	**46**	107

In the year ended 30 June 2013, Haydale Limited received a development grant totalling £114,480 dependent upon the creation of fifteen new full-time positions, from a base of five at the date of award. As at 30 June 2014, a net employment of nine such roles had been achieved with the proportionate release of the grant to the income statement. The deferred income balance will be released proportionately upon the creation of the remaining positions within the Group.

19 Related party disclosures

Balances and transactions between Haydale Graphene Industries PLC and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Haydale Graphene Industries Group and other related parties are disclosed below.

Remuneration of directors and key management personnel

The remuneration of the senior Executive Management Committee members, who are the key management personnel of the Haydale Graphene Industries Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2014 £'000	2013 £'000
Short-term employee benefits and fees	494	150
Share-based payments	40	2
Post-retirement benefits	–	–
	534	152

G. Eves earned fees through his company, Evesco International Business totalling £159,000 (2013: £4,000) for corporate finance consultancy. At 30 June 2014, the balance owed to Evesco International Business was £5,000 (2013: £3,000).

Fees totalling £50,000 (2013: £nil) were paid to CMS Corporate Consultants Ltd for financial direction and support services, a company of which M Wood is a director. At 30 June 2014, the balance owed to CMS Corporate Business was £3,000 (2013: £nil).

Warrants over 15,952 Ordinary Shares were granted to CMS Corporate Consultants Limited, a Company of which M Wood is a director. The warrants are exercisable in whole or in part at any time up to 14 April 2019 at 210p.

Other transactions

Other related party transactions during the period are shown in the table below:

	2014 £'000	2013 £'000
I D Walters – plant and machinery	**–**	18
R Walters – consultancy services	**–**	25
D Gibbs – consultancy services	**20**	16
Cotton Graphics Limited – branded clothing	**–**	1
	20	60

I D Walters was a former director of the Company and Haydale Limited and sold several items of bespoke plant and machinery to Haydale Limited prior to him leaving the Group. R Walters, son of I D Walters provided consultancy services to Haydale Limited in the periods ended 30 June 2013.

19 Related party disclosures continued

D Gibbs, son of R J Gibbs, a director of the Company, provides consultancy services to Haydale Limited. R J Gibbs is also a director of Cotton Graphics Limited who sold branded clothing to Haydale Limited in the year ended 30 June 2013 on an arms-length basis.

The balances outstanding to the related parties at each year end were as follows:-

	2014 £'000	2013 £'000
I D Walters – plant and machinery	–	–
R Walters – consultancy services	–	–
D Gibbs – consultancy services	2	–
Cotton Graphics Limited – branded clothing	–	–
	2	–

20 Financial instruments

The Haydale Graphene Industries Group's activities are exposed to a variety of market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Haydale Graphene Industries Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Haydale Graphene Industries Group's financial performance.

(a) Financial risk management policies
The Haydale Graphene Industries Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk
(i) Foreign currency risk
The Haydale Graphene Industries Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving risk to this risk are primarily the United States Dollar and the Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Haydale Graphene Industries Group maintains the ability to provide a natural hedge wherever possible by matching the cash inflows (revenue stream) and cash outflows used for purposes such as operational expenditure in the respective currencies.

The carrying amounts of the Haydale Graphene Industries Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period were as follows:

	United States Dollar £'000	Euro £'000	Total £'000
2014			
Financial assets	–	–	–
Financial liabilities	12	1	13
2013			
Financial assets	1	–	1
Financial liabilities	–	18	18

20 Financial instruments continued

Foreign currency sensitivity analysis
The following table details the sensitivity analysis to possible changes in the relative values of foreign currencies to which the Haydale Graphene Industries Group is exposed as at the end of the respective financial periods, with all other variables held constant:

	2014 Increase/ (decrease) £'000	2013 Increase/ (decrease) £'000
Effects on loss after taxation/equity		
United States Dollar:		
– strengthened by 10%	1	–
– weakened by 10%	(2)	–
Euro:		
– strengthened by 10%	–	(1)
– weakened by 10%	–	2

(ii) Interest rate risk
The Haydale Graphene Industries Group's exposure to interest rate risk arises mainly from interest-bearing financial assets. The Haydale Graphene Industries Group's policy is to obtain the most favourable interest rates available, while ensuring no risk to capital. Any surplus funds will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis
A 100 basis points strengthening or weakening of the interest rate as at the end of each financial period would have an immaterial impact on loss after taxation and/or equity. This assumes that all other variables remain constant.

(ii) Credit risk
The Haydale Graphene Industries Group's exposure to credit risk, or the risk of third parties defaulting, arises mainly from trade and other receivables. The Haydale Graphene Industries Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank equivalents), the Haydale Graphene Industries Group minimises credit risk by dealing exclusively with high credit rating financial institutions.

The Haydale Graphene Industries Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience, current market and third party intelligence while considering the current economic environment.

Credit risk concentration profile
To date, modest sales have meant that the credit risk profile of Haydale Graphene Industries Group has tended to focus on a handful of customers only. As such, no meaningful analysis can be drawn from the customer profile of the receivables outstanding at each period end under review.

Exposure to credit risk
As the Haydale Graphene Industries Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of each financial period.

20 Financial instruments continued

The exposure of credit risk for trade receivables by geographical region as at the year end is as follows:

	2014 £'000	2013 £'000
United Kingdom	5	1
United States	4	1
Europe	–	–
Rest of the world	–	–
Allowance for impairment losses	(1)	–
	8	2

Ageing analysis

The ageing analysis of the Haydale Graphene Industries Group's trade receivables as at the year end is as follows:

	2014 £'000	2013 £'000
Not past due	4	2
Past due:		
– less than 3 months	–	–
– between 3 and 6 months	4	–
– more than 6 months	1	–
Gross amount	9	2

At the end of each financial period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Collective impairment allowances, are determined based on estimated irrecoverable amount from the sale of goods and services, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Haydale Graphene Industries Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(iii) Liquidity risk

Liquidity risk is the risk that the Haydale Graphene Industries Group will not be able to meet its financial obligations as they fall due. The Haydale Graphene Industries Group exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities.

The Haydale Graphene Industries Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

All of the financial liabilities of the Haydale Graphene Industries Group are due within one year.

Ageing analysis

The ageing analysis of the Haydale Graphene Industries Group's non-derivative financial liabilities as at the year end is as follows:

	2014 £'000	2013 £'000
Due:		
– within 3 months	346	306
– between 3 and 6 months	–	–
– more than 6 months	–	91
Gross amount	346	397

20 Financial instruments continued

(b) Capital risk management
The Haydale Graphene Industries Group defines capital as the total equity of the Haydale Graphene Industries Group. The Haydale Graphene Industries Group's objectives when managing capital are to safeguard the Haydale Graphene Industries Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Haydale Graphene Industries PLC may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Haydale Graphene Industries PLC ensures that the distributions to shareholders do not exceed working capital requirements.

(c) Classification of financial instruments

	2014 £'000	2013 £'000
Financial assets		
Trade receivables	**8**	2
Other receivables	**167**	40
Cash and bank balances	**5,677**	54
	5,852	96
Financial liabilities (at amortised cost)		
Trade payables	**175**	208
Accruals and other creditors	**89**	34
	264	242

(d) Fair value of financial instruments
The financial assets and liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Haydale Graphene Industries Group has no financial assets or liabilities carried at fair values at the end of each reporting date.

21 Capital commitments

The Haydale Graphene Industries Group had the following capital commitments in the respective years:

	2014 £'000	2013 £'000
Contracted but not provided for	**9**	–

22 Ultimate controlling party

The Directors do not consider any one shareholder, individually or acting in consort with others, to have ultimate control of the Group.

23 Operating lease arrangements

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	2014 Land and buildings £'000	2014 Plant and machinery £'000	2014 Total £'000	2013 Land and buildings £'000
Operating leases which expire:				
– within one year	9	9	18	20
Aggregate amounts payable	9	9	18	20

Payments recognised as an expense under these operating leases were as follows:

	2014 Land and buildings £'000	2014 Plant and machinery £'000	2014 Total £'000	2013 Land and buildings £'000
Operating lease expense	34	1	35	28

24 Reconciliation of UK GAAP to IFRS

The Haydale Graphene Industries Group had previously published accounts using the Financial Reporting Standard for Smaller Entities ('FRSSE') under UK GAAP. The reconciliation of loss for the year and net assets and the opening equity at the date of transition, as previously reported to the Consolidated Financial Position as presented here, is as follows:

	2014 £'000	2013 £'000
Loss for the year under UK GAAP	**(993)**	(614)
IFRS adjustments from UK GAAP:		
– Share-based payment charge	**(4)**	–
– Goodwill amortisation	**5**	5
Loss for the year under IFRS	**(992)**	(609)
Net assets reported under UK GAAP	**977**	1,176
IFRS adjustments from UK GAAP:		
– Goodwill amortisation (cumulative)	**15**	10
Total equity attributable to owners of the parent	**992**	1,186

IFRS 2 requires a charge to be made for share based payments, whereas the Group did not previously recognise this charge under the previous reporting regime used, namely the FRSSE.

Under FRSSE, goodwill was required to be amortised over the expected useful economic life, however in accordance with IFRS 3, the goodwill of the Group is not amortised and therefore these charges have been reversed.

Parent Company Balance sheet

as at 30 June 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	5	–	1
Investments	6	**759**	729
		759	730
Current assets			
Debtors – within one year	7	**266**	97
– after more than one year	7	**2,250**	1,400
Cash at bank and in hand		**5,650**	43
		8,166	1,540
Creditors: amounts falling due within one year	8	**(154)**	(132)
NET CURRENT ASSETS		**8,012**	1,408
NET ASSETS		**8,771**	2,138
Capital and reserves			
Called up share capital	9	**225**	1
Share premium account	10	**6,134**	3,214
Profit and loss account	10	**2,412**	(1,077)
SHAREHOLDER'S FUNDS		**8,771**	2,138

The financial statements on pages 48 to 52 were approved and authorised for issue by the Board of directors on 29 September 2014 and signed on its behalf by:

Ray Gibbs
Chief Executive Officer

Matt Wood
Finance Director

Notes to the Company Financial Statements

as at 30 June 2014

1 Basis of preparation

Haydale Graphene Industries PLC's parent company balance sheet has been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

As permitted by FRS1 'Cash Flow Statements', no cash flow statement for the Company has been included on the grounds that the Group includes the Company in its own published consolidated financial statements. The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose related party transactions with wholly-owned subsidiaries.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements:

Investment in subsidiary undertaking

Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Share-based payments

In accordance with FRS20, when the Company grants options over equity instruments directly to the employees of a subsidiary undertaking, the effect of the share-based payment is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

Depreciation

Depreciation is provided to write off cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Furniture and fittings	33% per annum straight line

Impairment

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- The project is clearly defined and related expenditure is separately identifiable;
- The project is technically feasible and commercially viable;
- Current and future costs are expected to be exceeded by future sales; and
- Adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding 20 years commencing in the year the Company starts to benefit from the expenditure.

Notes to the Company Financial Statements

as at 30 June 2014

continued

2 Accounting policies continued

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have been originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

3 Loss attributable to members of the Parent Company

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The loss dealt with in the financial statements of the Parent Company for the year ended 30 June 2014 was £1,324,000 (2013: £534,000)

4 Directors' remuneration

The only employees of the Company are the directors. In respect of directors' remuneration, the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the detailed disclosures in the audited section of the Directors' Remuneration Report on pages 18 to 20, which are ascribed as forming part of these financial statements.

5 Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 1 July 2013 and 30 June 2014	3
Accumulated depreciation	
At 1 July 2013	2
Provision for the year	1
At 30 June 2014	3
Net book value	
At 30 June 2014	–
At 30 June 2013	1

6 Fixed asset investments

	Investment in subsidiary undertakings £'000	Capital contribution £'000	Total £'000
Cost			
At 1 July 2013	729	–	729
Additions	–	30	30
At 30 June 2014	729	30	759

The principal undertakings in which the company's interest at the period end is 20% or more are as follows:

Name of subsidiary company	Country of incorporation or registration	Proportion of ordinary share capital held	Nature of business
Haydale Ltd	England & Wales	100%	R&D and production
Nano Hex (Sales) Ltd	England & Wales	100%	Sales and distribution
Nano Hex Ltd ((formerly Innovative Carbon Ltd (formerly Nano Hex Ltd))	England & Wales	100%	Dormant
Intelligent Nano Technology Ltd	England & Wales	100%	Dormant

7 Debtors

	2014 £'000	2013 £'000
Amounts owed by group companies	**2,282**	1,405
Corporation tax	**63**	63
Other debtors	**129**	3
Prepayments and accrued income	**42**	26
	2,516	1,497

Of the amounts owed by group companies, £2,250,000 is due after more than one year. All other balances within debtors are due within one year.

8 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	**72**	83
Other creditors including tax and social security	**21**	30
Accruals and deferred income	**61**	19
	154	132

9 Share capital and share premium

	Number of shares No.	Share capital £'000	Share premium £'000	Total £'000
At 1 July 2013	74,617	1	3,214	3,215
Issue of £0.02 ordinary shares	3,257,206	66	7,820	7,886
Bonus issue of £0.02 ordinary shares	7,916,000	158	(158)	–
Reduction in share premium	–	–	(4,742)	(4,742)
At 30 June 2014	11,247,823	225	6,134	6,359

Notes to the Company Financial Statements

as at 30 June 2014

continued

9 Share capital and share premium continued

During the year ended 30 June 2014, Haydale Graphene Industries PLC allotted and issued the following shares:-

- During August 2013, 100 £0.02 ordinary shares at a price of £75.00 per share
- During October 2013, 1,802 £0.02 ordinary shares at a price of £75.00 per share
- During November 2013, 1,556 £0.02 ordinary shares at a price of £75.00 per share
- During December 2013, 12,475 £0.02 ordinary shares at a price of £75.00 per share
- During January 2014. 8,400 £0.02 ordinary shares at a price of £75.00 per share

On 20 March 2014, the Company made a bonus issue of 80 £0.02 ordinary shares for every £0.02 ordinary share held at that date. This resulted in a further £7,916,000 £0.02 ordinary share being issued, the consideration being met from distributable reserves.

In April 2014, loan notes were converted into 90,012 £0.02 ordinary shares at a price of £0.9259 per share.

On 14 April 2014, upon admission to the Alternative Investment Market, 3,142,861 £0.02 ordinary shares were issued at a price of £2.10 per share.

On 20 March 2014, the company effected a reduction in the share premium of £4,742,000, with the reduction being credited to the retained profits reserve.

Issue costs amounting to £623,000 (2013: £31,000) have been charged to the share premium account in the year.

Details of the Company's share options schemes can be found in note 15 to the Group accounts on pages 40 to 41.

10 Reconciliation of movements in reserves and shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 July 2012	1	2,420	(543)	1,878
Issue of £0.02 ordinary shares	825	–	825	
Transaction costs in respect of share issues	–	(31)	–	(31)
Loss for the year	–	–	(534)	(534)
At 30 June 2013 and 1 July 2013	1	3,214	(1,077)	2,138
Issue of £0.02 ordinary shares	66	8,443	–	8,509
Transaction costs in respect of share issues	–	(623)	–	(623)
Bonus issue of £0.02 ordinary shares	158	(158)	–	–
Loss for the year	–	–	(1,324)	(1,324)
Reduction in share premium	–	(4,742)	4,742	–
Share-based payment	–	–	71	71
At 30 June 2014	225	6,134	2,412	8,771

On 20 March 2014, the Company effected a bonus issue of 80 new Ordinary Shares for each 1 ordinary share held. Also on that date the Company effected a reduction in the share premium of £4,742,000.

11 Ultimate controlling party

The Directors do not consider any one shareholder, individually or acting in consort with others, to have ultimate control of the Company.

Glossary

Term	*Definition*
AIM	The Alternative Investment Market of the London Stock Exchange
AIM Rules	The AIM Rules for Companies published by the London Stock Exchange
Board	the board of directors of the Company
Company	Haydale Graphene Industries Plc
graphene	graphene is a flat monolayer (a 2D material) of carbon atoms, arranged in a hexagonal pattern (a honeycomb crystal lattice). The term graphene is generally accepted to apply to materials up to ten layers thick
GNPs or graphene nanoplatelets	Short stacks of platelet shaped graphene sheets
graphite	an allotrope of carbon with an order structure of atoms in a regular hexagonal 2D array (graphene) weakly bonded with adjacent layers to produce an anisotropic material; can be either naturally occurring or artificially generated
Group	The Company and its subsidiaries
nanomaterials	A material or particle where one of the three dimensions is in the nanometer range (10^{-9}m), but typically less than 100 nanometers
Nanometer	Unit of length equal to one billionth of a meter (10^{-9}m)
Ordinary Shares	Ordinary shares of 2p each in the capital of the Company
QCA	The Quoted Companies Alliance

Corporate directory

Company

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