



Graphene
Nanochem™

A central image showing a hexagonal lattice of carbon atoms, representing the structure of graphene. The atoms are depicted as dark spheres connected by thin rods, set against a background of a similar but more blurred lattice. This central image is framed by a geometric pattern of overlapping triangles in various shades of green and grey.

Annual Report 2016



At a glance

Who we are

Graphene NanoChem plc (AIM:GRPH) is an international provider of nanotechnology enhancing solutions for global industries. The Group employs nanotechnology and nanomaterials to design, engineer and enhance the performance of mainstream products for a wide range of industrial applications.

It has established three major functional platforms in the energy, water and building materials sectors, and the Group, through partnerships with established industry players, is focused on building market opportunities in these sectors whilst continuing its developmental work in other strategic application areas of its nanotechnology.

Our value proposition

- > Nanotechnologies platform with diverse range of applications across multiple industries
- > Unique ability in improving and enhancing performance of existing products and solutions, enabling new applications, cost reduction and environmental superiority. Rationalised business portfolio focused on high margins and long term opportunities
- > Go-to-market channel through value-add partnerships with established industry players, accelerating access and enhancing solutions-based offering
- > Well-positioned on highly specialised and fragmented markets that offer growth potential and diversification opportunities

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STRATEGIC REPORT

Chairman's Statement

Tan Sri Dato' Sri Abi Musa Asa'ari
Mohamed Nor

Non-Executive Chairman

Amid a difficult and challenging period for the oil and gas industry, we took the decisive action to execute a holistic turnaround plan for Graphene NanoChem in 2016 with the firm intention to address our challenges head on, internally and externally. Our objective is to create a leaner and more nimble Group that focuses on its fundamental competence of delivering disruptive, high margin applications of our platform nanotechnologies.

Our focus in the last 18 months has been to execute some of the key steps that would allow us to recalibrate our business, reduce our cost base, realistically address our debt position and to diversify our industry focus in businesses that have exciting growth opportunities. We have made significant strides forward, achieving two important milestones in our turnaround plan during the period.

Firstly, we successfully completed subject to customary conditions our debt rationalisation plan with our key financiers and a repayment structure for

remaining debt mapped against the Group's recalibrated business plan. Secondly, the Group's exit from the asset-heavy low margin fuel additive business has significantly contributed in reducing our cost base through head count reduction and relocation of operations to more appropriate facilities.

Next on our agenda is the disposal of our non-core assets, which include the palm oil refinery and fuel additive assets, with proceeds to be applied towards further paring down of our financing debt. We anticipate that the debt restructuring exercise undertaken to now be unconditional by 3rd quarter 2017 post completion of the administrative process.

Achieving these two milestones was critical to provide the Group with a solid platform to execute its business strategy under the turnaround plan, more so in the current operating environment, which has been an extremely volatile period for the oil and gas industry worldwide with the oil price dipping below US\$30 per barrel in January 2016.

Running our business against this macro background has been arduous for all of us at Graphene NanoChem and our performance for the year was within the Group's expectation. The last 12 months has been particularly demanding as we persevere with our turnaround plan of transitioning Graphene NanoChem into an asset-light, leaner and more diversified Group focusing on its core competency of value-add integration.

Despite the external challenges, we can take some measure of satisfaction that our key strategy has been kept on track and has, in some areas, advanced.

The Scomi Group remains our key partner in the Nanofluids Division, supporting the commercial deployment of our value-add solutions into the oil and gas market. Whilst the industry slowdown has severely affected the division, we take great comfort on the number of successes of the deployment of our solutions in the field, specifically in creating the field performance track record. In the meantime we continue to work with the Scomi Group in various business development activities and

The next step is to actively secure business opportunities that would translate to quality revenue streams for the Group in the various application areas that we have developed, as we continue to complete the transition of the Group.

initiatives bringing our solutions to market, gain market shares and leverage into an anticipated industry recovery in due course.

We do not have the luxury or the financial muscle to wait the industry out and it is quite evident that the way forward for us is to accelerate the pace of our industry diversifications and continue building, within our current constraints. At its core Graphene NanoChem remains unique, offering technology platform that can be applied across diverse applications in multiple industries.

Our Water Division was launched in March 2016 and we are taking a more diverse approach in applications by targeting small and mid-size projects in multiple market segments. Our go-to-market model remains the same – in partnership with established industry partners – with whom we actively work with to pursue several project opportunities, which if successful will provide the Group with a significant market breakthrough and opportunity to expand.

We have continued to pursue our diversification strategy into 2017, with our polymer solutions for enhanced building materials ('EBM') introduced early this year and successfully deployed in a pilot project undertaken for a global aerospace company.

Our progress to date has been due to our strong entrepreneurial culture; necessary for a relatively small company commercialising new technologies in well-established market place.

Our business recalibration exercise and working capital constraint did however lead us to take a conservative approach towards business development in 2016. We still have a lot more work to do to move the Group further forward but our business platform is solid with exciting growth opportunities in new areas.

The next step is to actively secure business opportunities that will translate to quality revenue streams for the Group in the various application areas that we have developed, as we continue to complete the transition of the Group.

Much has been achieved in 2016 but we will continue to further progress our transition plan for the Group with the steadfast support of our business stakeholders – from our shareholders, members of the board, financiers business partners and not the least, all the people at Graphene NanoChem to whom I wish to extend my gratitude and personal appreciation.

**Tan Sri Dato' Sri Abi Musa Asa'ari
Mohamed Nor**

Non-Executive Chairman
29 June 2017

CEO's Review

Dato' Jespal Deol
Chief Executive Officer



The intervening years have been full of significant challenges which the Group has had to overcome. On the back of a debt burden and limited liquidity, we have had to endure the prolonged downturn of the oil and gas industry, an industry which is closely tied to our growth plan.

During 2015, we took the decision to address these challenges head on and the year under review has seen continued progress of our holistic turnaround plan to restructure our debt, reduce our cost base and streamline our operations to focus on our core competency of value adding while protecting our growth prospects and flexibility to diversify into new markets ('Turnaround Plan'). The delivery of the Turnaround Plan was the Group's primary goal for the year.

It certainly has been a formidable task for the Group and while there is still more to do, much has been achieved today to allow us to take the next step forward to our goal of creating a leaner, more agile and simplified company that is capable of

exploiting new opportunities in our markets and delivering sustained revenue streams.

Our primary focus was debt reduction and a significant milestone achievement for us is the successful completion, subject to customary conditions precedent of Phase 1 of our Turnaround Plan which was the Group's debt rationalisation. This resulted in the conversion of our short term debt into a longer term debt and a repayment tenure mapped against the business plan of the Group as well as the reduction of the Group's total debt to its banking financiers ('Financiers') from £24.94 million in 2015 to £20.30 million in 2016. This effectively allows the Group to conserve cash outflow against debt repayment and deploy its funds towards stabilising the business.

Graphene NanoChem is also well underway in Phase 2 of our Turnaround Plan. We have now restructured Graphene Nanochem's financial objectives, more specifically in reducing our cost base and streamlining our business operations to create realisable

value in select industry sectors. In line with our strategy to align our cost base with the business prospects, we continue to manage the process of our exit from the capital heavy non-core businesses of the Group which saw the winding-up and liquidation of our two wholly-owned subsidiaries involved in the low margin fuel additive business and a consequently significant reduction in the Group's headcount and administrative cost. The Group is also in active discussion for the disposal of its non-core assets that, if successful, would further reduce the Group total debt to its Financiers and add working capital to the Group. We anticipate that the restructuring exercise it has undertaken to now be unconditional by the 3rd Quarter 2017 post completion of the administrative process.

Of considerable importance is that this progress supports our strategic move towards an asset light approach business structure that enables us to refocus operations on our core competence of value addition leveraging on strategic partnerships, business collaborations

We remain cautious about the recovery of the oil and gas sector but upon its improvement, we are well placed to benefit from opportunities that arise. We are confident that having strategically diversified the business, we are now well positioned to take advantage of new opportunities.

and outsourcing models to deliver our solutions. We have now entered into the third phase of our Turnaround Plan, and to this end, our business platforms have been structured around three core areas that offer a diverse range of applications for potential and use – **Nanofluids, Water Treatment and Polymers for Building Materials.**

Overview

The performance of the Group reflects the heavy restructuring that was carried out during the financial year together with the substantially prolonged downturn of the oil and gas industry, driven by sustained low oil prices.

The year began with Brent crude prices experiencing the sharpest fall in 30 years to US\$26 per barrel in January 2016 against the high of US\$105 per barrel in June 2014. The average Brent crude oil prices trended at US\$43.73 per barrel in 2016 as compared 2015 average price of US\$52.39 in 2015, due to low demand and over supply. The net impact was substantial reduction of industry activities and overall industry slowdown

compounded further by a weak world economy in 2016 with global GDP growth at 2.3% which was significantly lower than the average of nearly 3% over the past 20 years. The decline in activity had led to stunted market openings for our solutions and the consequent losses reported by the Group.

Pursuant to the winding up of its fuel additive business subsidiaries and resulting £16.22m impairment charge, the Group recorded a combined loss from impairment and discontinued operations of £10.49m for the period and a total comprehensive loss for the year of £8.34m.

Amid the slow rebound of the industry and market speculation that the ‘bottom cycle’ has been reached for GNC it was evident that as a small company, the way forward is to align its operations with the short and medium term outlook of the industry and most importantly to leverage on its technology platforms to diversify.

Whilst we are confident of the market fundamentals of the oil and gas industry,

we continue to remain cautious of the timing of its recovery and we need to operate on that basis. Our diversification into the Water Treatment and Building Materials sectors allows us to mitigate single sector exposure and the opportunity to balance changes in supply and market demand, variable economic conditions and shifts in market environment.

Despite ongoing challenges, we have a solid business platform to build a future for the Group. We have had some significant wins that validates the value proposition offered by our products and we are continuing to make good progress in building the markets for our solutions.

Nanofluids

Our Nanofluids platform comprises an end-to-end spectrum of cost efficient solutions that tackle the oil and gas industry pain points, from addressing drilling challenges and time, recovery and production rates to regulatory health and safety and environmental concerns associated with oil and gas exploration and production activities.

The Scomi Group remains our primary market partner for our oilfield solutions and the Group continues to work closely with Scomi Group which has presence in 48 locations in 22 countries worldwide. The prolonged downturn in the oil and gas sector has to a large extent effected margins and volumes of some of our oilfield solutions, and to this end our strategy is to focus on products that have maintained higher margins and withstood oversupply in the industry whilst retaining our operational capability to benefit from an industry upturn. Together with the Scomi Group, we continue to actively work in bringing our solutions into new markets focusing on the Middle East and North African (MENA) regions and South East Asia. This includes supporting new project bids by the Scomi Group.

Water

Working in collaboration with specialist equipment manufacturers, we apply our platform technology to tailor, enhance and integrate systems and solutions to meet the varied water treatment, recycling and reuse need of various industry sectors. Within the Water Division, we remain focused in bidding for and developing small to mid-sized projects within US\$50 – US\$150 million, where there is a niche unaddressed space in which larger companies are not active. Our target areas are treatment of produced and industrial water, sewage water, clean drinking water and desalination process where our technology platform has a competitive advantage.

Working with industry partners, we are making progress in identifying market opportunities and participating in project bids. We collaborate with the Drilling Waste Management Division of the Scomi Group to market our offshore solutions within the energy sector, focusing on recurring revenue-base model structure. Our strategic partnership with Millennium Engineering Corporation Sdn. Bhd. an experienced water and wastewater treatment company with over 60 credited projects further enhances our market reach and provides us with the execution capability in the deployment of our solutions into the lucrative global water market. Key regions that we are targeting are Asia,

MENA and Africa, with off balance sheet financing structures identified for larger scale projects.

Polymer - Building materials

A new core application area that we have been working on to create future value is in polymers, specifically in developing enhanced materials for Industrialised Building Systems (‘IBS’) that offers the advantages of quality, fit-for-purpose and cost effective materials with enhanced strength and durability that will support an IBS value proposition of increasing efficiency, productivity and speed, reducing time frames, costs and construction wastes and delivering affordable solutions. Population growth, urbanisation and industrialisation and expected growth in residential property constructions have led to huge requirement for innovative solutions for IBS. Low market penetration of IBS products is providing growth opportunities for existing participants and new entrants.

Our polymer solutions offering was deployed this year in a paid pilot project in Malaysia where our enhanced material was approved and successfully used to convert and modify a warehouse building for a tier-1 international aerospace company that designs and manufacture commercial jetliners and aircrafts for the defense industry, a testament to the strong value proposition of our solutions.

We are excited with the prospect of this sector and have been in detailed discussions with several potential partners for us to collaborate in exploring the opportunities in the IBS sector, focusing on affordable homes, student and worker accommodations projects where several recurring business models potential exist.

Outlook

We are pleased to have achieved the targeted milestones of our Turnaround Plan in 2016 and we will continue to progress our plan forward.

To aid financial flexibility and strengthen the balance sheet, we are pleased that in December 2016, Darwin Capital Limited entered into an agreement with the Group to subscribe for up to £2.50m

Senior Unsecured Zero Coupon Convertible Loan Notes with detachable Warrants (‘Loan Notes and Warrants’) to support working capital requirements of the Group. To date, Darwin has subscribed to £1.75m of the Loan Notes and Warrants.

We are in no doubt that there is still more work to be done before the Turnaround Plan is complete. We anticipate that the debt restructuring exercise has undertaken now to be concluded by 3rd quarter 2017. We certainly expect to spend the balance of the year 2017 and much of 2018, executing measures that would reassure our stakeholders that we are capable of successfully transforming Graphene NanoChem into a leaner, more agile and simplified company that is capable of exploiting new opportunities in our markets and deliver sustained revenue streams.

The volatility of the oil and gas market has resulted in working capital constraint for the Group and that is something that the Group will continue to address. We remain cautious about the recovery of the oil and gas sector but once there is improvement, we are well placed to benefit from opportunities that arise. We are confident that having strategically diversified the business, we are now well positioned to take advantage of new opportunities.

Our main priority now is securing contract wins and accordingly we are currently engaging in a number of activities to do just that. We look forward with confidence and optimism. That is where our immediate focus is.

Dato' Jespal Deol

Chief Executive

29 June 2017

Our Business Overview



Applications

Sizeable growth opportunity

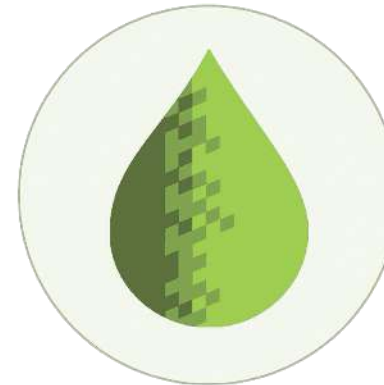


Nanofluids



Lower oil price driving need of industry cost reduction

Improvement in productivity required



Water



Replacement of ageing infrastructure

Increasing need for clean drinking water



Polymers



Urban migration causing acute housing crisis

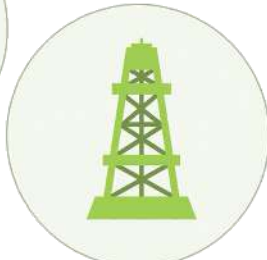
Rural housing requirements drastically increasing

Our Business Divisions

Nanofluids



Well drilling



Well stimulation + recovery



Well protection + integrity



Waste treatment + recycling

Water



Clean drinking water



Desalination



Processed + produced water



Sewage + waste water

Polymers



Affordable housing



Student dormitories



Workers' accommodation



Warehousing

Increases lubricity
Reduces drill clogging
Lower corrosion
Environmentally superior

Reduces drilling cost
Increases production
Reduces maintenance cost
Reduces drilling time

Decentralised flexible solution
In situ treatment
Less capital intensive
Chemical free

Reduces cost
Wider geographical reach
Best in class partners
Reduces carbon footprints

Graphene enhanced materials
Rapid modular build technology
In situ construction
Environmentally superior

Reduces cost
Reduces construction time
Higher durability
Parallel construction

Value created

Customers' benefits

Our Global Presence

Through strategic partnerships we have presence in 49 locations in 23 countries



- > United Kingdom
- Russia
- France
- United States
- Brazil
- Nigeria
- Congo
- Egypt

- > Saudi Arabia
- Qatar
- UAE
- Oman
- Turkmenistan
- China
- India
- Pakistan

- > Malaysia
- Indonesia
- Myanmar
- Thailand
- Singapore
- Vietnam
- Australia

Financial Review

Statement of comprehensive income

In the year under review, the Group's primary area of focus was to continue progressing the Group's business reorganization which started during the previous financial year. The focus of this process is Group debt rationalisation and exit from the non-core businesses with focus on the nanofluids, water, and polymers divisions.

In line with the events above, the Group's consolidated financial statement has been prepared on a deconsolidated basis that includes restating of the 2015 comparable figures in accordance with International Financial Reporting Standards (IFRS).

The Group has made good progress on its debt rationalisation plan with its Financial Institutions ('FI') and has, subject to customary condition

capital needs of the Group. We anticipate the sales to be completed by 3rd quarter 2017.

Against a backdrop of a weak world economy in 2016 and lower average Brent crude oil prices of \$43.73 per barrel as opposed to 2015 average prices of \$52.39, demand for oilfield chemicals within the oilfield drilling sector remained low which affected sales. This was also compounded by an oversupply



During the period and in line with the reorganisation of the Group, the Group's non-core wholly owned subsidiary, namely Platinum Nanochem Sdn Bhd and its wholly owned subsidiary Platinum Green Chemicals Sdn Bhd, were wound up and are not expected to have a material impact on the Group's core business portfolio. The winding up of these two companies has resulted in a consequential loss of control of Platinum Nano G Sdn Bhd. These events have resulted in an impairment expense of £16.22m and gain from discontinued operations of £5.73m for the period.

precedent, reduced its debt balance by 19% from £24.94m (pre-deconsolidation) in 2015 to £20.30m in 2016. The lower and deferred debt repayment schedules enable utilisation of operating cashflows in the near term for advancement of the recalibrated business plan rather than repayment of debt.

Having exited from the crude palm oil refining business, the Group is in the process of selling the assets of the business with proceeds from the proposed sale to be utilised for further reduction of FI debt and general working

of chemicals driving lower prices thus effecting margins. After elimination made for discontinued operations, Revenues for the period increased by 3.7x to £0.26m in 2016, and the Group showed a Gross Profit of £0.04m for the period as opposed to a Gross Loss of £0.10m from the preceding period. Albeit small, this profit validates the Group's move away to an asset light model which does not incur a fixed element of cost associated with major plant operations.

With the downturn affecting margins of some of our oilfield chemical products,

the Group is developing a marketing strategy with the its oil and gas sector partner the Scomi Group, focused on products that have maintained higher margins and withstood oversupply in the industry. These products are primarily in the recovery sector of the oil field business, and the Group remains confident in margin maintenance due to the superior performance of the products over its competitors.

In diversifying its revenue base, the Group continues business development within the water and polymers divisions, both focused on realising future sales based on current and future partnerships.

Depreciation and amortisation charges have decreased significantly by 58% to £0.37m in 2016 compared to £0.88m in 2015 primarily due lower carrying value for assets post impairment in the previous financial year. Total

position of £15.95m (2015: £5.89m). Net cash outflow from operating activities for the year was £0.28m (2015: net cash inflow of £2.39m). The Group's year end cash balance stood at £0.63m (2015: £0.56m). As at 31 May 2017, the Group, cash and cash equivalent totaled £0.61m.

Notwithstanding the Group's current cash position and the going concern – emphasis matter statement, the Directors believe that the future prospects of the Group are robust as the Group moves from its business reorganisation phase to new business implementation phase in the three divisions anchored on strong technology solutions and strategic partnerships.

Capital structure and funding

To improve financial flexibility and strengthen the balance sheet during the period, Darwin Capital Limited entered

As at 31 December 2016 the Group had 116,536,536 ordinary shares in issue (2015: 116,526,536). Since the year end, the group issued 17,472,730 new ordinary shares to Darwin in connection with the conversion of all Loan Notes under Tranche 1 and as the date of this report, the Group has 134,009,266 ordinary shares in issue.

The Group continues to manage and safeguard capital prudently for the benefit of its stakeholders. The Group will strive to achieve its business plans by managing its cash resources and maintaining an optimal capital structure with the ultimate aim of increasing shareholder value.

Total comprehensive loss

£8.34m (2015: £33.28m)

Net cash outflow

£0.28m (2015 inflow: £2.39m)

Net liability

£15.95m (2015: £5.89m)

comprehensive loss for the year was £8.34m (2015: £33.28m) inclusive of impairment expenses and gains from discontinued operations. Loss per share has decreased by 75% to 7.16p from 28.56p in the previous period.

Statement of financial position and cashflows

Post deconsolidation total assets for the period have decreased by 71% to £6.49m (2015: £22.42m) and total liabilities have decreased by 21% to £22.44m (2015: £28.31m) resulting in a net liability

into an agreement with the Group to subscribe for up to £2.50m Senior Unsecured Zero Coupon Convertible Loan Notes ('Loan Notes') with detachable Warrants ('Warrants'). To date, Darwin has subscribed to £750,000 of the Loan Notes and 1,016,949 Warrants in Tranche 1. In Tranche 2, Darwin has subscribed to £1,000,000 of the Loan Notes and 1,355,932 Warrants. The funds raised from the issuance of the Loan Notes have been utilised for working capital needs of the Group in line with the business turnaround.

Our Strategy

Business strategy

Graphene NanoChem's strategy is to create and distribute value by bringing innovative, high value high margin solutions in attractive growth sectors that will deliver future earnings for our shareholders. The Group seeks to deliver this by progressing the following objectives:

Strategic priority	Innovative, solutions driven applications	Diversification of sectors focus	Partnership model to accelerate growth	Innovative delivery models to create value
Megatrends driving growth	Customised solutions that meet market needs and demand at the right cost	Flexibility and adaptability to pursue opportunities across different market sectors	Smart partnerships and collaborations as growth tool to realize market opportunities	Operational flexibility to enhance scalability and to reduce volatility through asset light strategy
Our approach	Market-led innovation Drive growth through value-add applications Focus on performance and cost efficiency	Opportunity driven Enhancing solutions portfolio Strong core applications development pipeline	Go-to market strategy via industry partnerships Focus on synergistic technology offerings, market access and execution capabilities	Outsourcing model Focus on core competency of providing value-add and extracting maximum value Focus on growth prospect in high margin applications

Growth strategy

Graphene NanoChem's strategy is to create and distribute value by bringing innovative, high value high margin solutions in attractive growth sectors that will deliver future earnings for our shareholders. The Group seeks to deliver this by progressing the following objectives:

- › Deliver quality earnings by focusing on higher margin business segments
- › Develop sustained market position in high growth sectors by leveraging on our technology platform and through continuous innovation
- › Move to an asset-light model through structured independent manufacturing, focusing on value adding
- › Accelerate market penetration and expand geographical reach through quality value-add industry partnerships

The Group will continue to focus on its core strategy of advancing disruptive high margin applications of its platform nanotechnologies in markets that allows it to grow predictable and recurring revenue streams. Strategic partnerships with select industry partners remain a key strategy to accelerate new markets penetration and to enhance the scalability of our execution capability as we focus on securing contract wins for the Group.

Key performance indicators

The Group has a range of performance indicators, both financial and non-financial, to monitor and manage the business. These are set at the individual customer level and for business units as well as for the Group as a whole. The Group's key performance indicators ('KPIs') are: headline operating margin, headline operating profit, net cash and net debt. These measures are used continually to manage the business, improve performance and compare results against targets.



Principal risks and uncertainties

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

	Risk	Controls
Continued market volatility	The general economic climate remains volatile and is affected by numerous factors beyond the Group's control, many of which could impact its operations, business and profitability. These factors include supply and demand of capital, growth in gross domestic products, employment trends, international economic trends, currency exchange rate fluctuations, interest rates' volatility, inflation rate, global and regional political events and international events, as well as a range of other market forces, all of which have an impact on product demand and business costs. The price of oil and gas and how it determines the exploration and production activities in the oil and gas industry will continue to be the key driver in the rollout of the Group's nanofluids solutions.	Exposure to this risk remains high, and may continue to have an adverse impact on the Group's business. The Group mitigates the risk by maintaining tight inventory controls and proactive regular contact with customers through its partners, and thereby equipping itself with the ability to assess market demand and for the management to respond accordingly. The Board has also initiated several cost reduction programmes in the effort to significantly lower the Group's cost base, resulting in a more nimble organisation.
Reliance on partners	The Group is reliant on its relationship with the Scomi Group for the commercial rollout of its nanofluids solutions. Although progress is being made on gaining new accounts, applications as well as geographical reach, the substantial decrease in volumes across the oil and gas industry as a consequence of low prices, has resulted in a decline in activity during the year. Whilst Scomi Group remains as one of the world's leading oilfield service companies and its access to emerging markets provides the Group with a strong go-to-market platform, the exposure of the Group to one primary partner to the market remains high.	With the aim of minimising the effect of this risk, the Group has progressed the commercial rollout of its water and polymer solutions into diversified markets and geographies, some of which are independent of Scomi Group. The Board will continue to rollout its products and develop partnerships / alliances in its effort to be more autonomous and reduce its dependency on Scomi Group.

	Risk	Controls
New products, projects and technology innovation	All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk, and potential customer claims or onerous contracts. The same is true in transferring technology and project executions. The nature of the competitive market the Group operates in makes innovation a key to success, absence of which could erode margins and/or result in loss of market share even though such risks may have a material impact on the Group.	The Group counters this risk by continuously investing in research and development resources and continuously focusing on application development path. The Board remains focused on ensuring quality assurance standards are constantly monitored, measured and regulated.
Early stage of commercialisation and new markets	Whilst the Group has made initial sales of its nanofluids, the Group is still at early stage of commercial development. There are a number of operational, strategic and financial risks associated with early stage commercialisation efforts. The Group will continue to face risks frequently encountered by early stage companies looking to bring new applications to market. In particular, its future growth and prospects will depend on its ability to develop applications which have broad commercial appeal, to secure commercialisation partners on appropriate terms and to continue to improve its commercialisation functions and to secure sales on a timely basis, whilst at the same time maintaining effective cost controls.	There are no guarantees that the Group will be able to implement the strategy detailed in its growth strategy successfully or at all. The Group will however approach this challenge and strive to implement its growth strategy in a competitive market through effective management planning and operational controls. The Group will mitigate such risks by using specialists in those areas where it currently believes it is still exposed.
Intellectual property	The Group is fundamentally based on a platform of intellectual properties ('IP'), which includes a combination of proprietary technologies owned by it (wholly or partly) or licensed to it. The Group's success depends on its ability, and the ability of any third party with which it may partner, in creating a defensible IP portfolios with adequate protection covering its intellectual property rights so as to preserve its exclusive rights in respect of its technology, to preserve the confidentiality of its own and its third party partners' know-how and to be able to operate without having third parties circumvent the rights that it owns, has licensed or has been licensed. The Group's products and technologies may in the process be alleged to infringe third parties' intellectual property or rights that may be granted in the future. The consequent risk will be that the Group is sued for infringement, and would need to demonstrate that its product or methods either do not infringe the relevant third party rights or that the rights of the third party are invalid.	The Group will continue to closely monitor its IP in the areas in which it operates and additionally undertake its IP development efforts with due diligence so as to avert the emergence of such allegations or, at least put up the best credible defence to be successful in defending any such proceedings.

	Risk	Controls
Dependence on recruitment and retention of key personnel	The Group's business, future success and planned expansion of its operations will depend upon its ability to attract, train and retain qualified and appropriately skilled personnel and on the efforts and abilities of its executive officers and certain other key employees, particularly those with sales and sales management responsibilities, who are key to the Group's growth. The lack of an appropriately skilled workforce or comprehensive succession plans would adversely impact the Group's ability to perform. The Group's operations could be adversely affected if for any reason we were unable to attract or retain such officers or key employees.	The Group mitigates the risk by establishing as early as possible the likelihood of a customer's test programme coming to fruition and that the potential commercial opportunities for the Group justifies embarking on the programme in the first place.
Industry operating environment	In the past, cessation or delay of customers' test programmes has inhibited the Group's growth. The Group has little or no influence over the duration of testing, which nearly always takes longer than originally projected by its partner or the end customers. It is common for test programmes, particularly in safety-critical applications such as oilfield chemicals, to take several years to complete. It is also a risk that significant application development time is spent on test programmes that do not result in sales.	There are no guarantees that the Group will be able to implement the strategy detailed in its growth strategy successfully or at all. The Group will however approach this challenge and strive to implement its growth strategy in a competitive market through effective management planning and operational controls. The Group will mitigate such risks by using specialists in those areas where it currently believes it is still exposed.
Bid success and contract performance	The Group is dependent on the success of its bid activities across its targeted sectors and applications. Bidding, by its nature, can be long and expensive and investment in such activity needs to be closely monitored to ensure adequate returns. The success and performance of the Group also depends on our businesses' ability to successfully execute their contractual obligations on terms that provide the expected returns. There is a risk that a particular project (including but not limited to, capital expenditure in relation to production expansion, meeting agreed standards or timescale and/or product development and commercialisation) could experience unforeseen delays and incur unexpected expenses, adversely impacting the implementation of the Group's strategy and the Group's reputation, business, financial condition and results of operations.	The Group has developed and laid down its 'gatekeeping' process to assess on a business by business and project to project basis, or if necessary at a Group level, the risk and reward balance in deciding to bid for or execute contracts whether on our own account or in partnership with others. Further, the Group maintains rigorous quality standards in all of its operations and carefully assesses the terms on which it agrees to enter into contractual relationships at appropriate levels of responsibility.

	Risk	Controls
Dependence on third party suppliers	As part of the asset light model implemented by the Group in the past year, manufacturing is outsourced to third party suppliers enabling the Group to operate without the complexities of maintaining a plant. A third party supplier's failure to supply materials or components in a timely manner, or failure to supply materials and components that meet the Group's quality, quantity or cost requirements, or the Group's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to it, could harm its ability to meet its contractual obligations to its customers.	Whilst the Group's contract manufacturers will manage their own supply chains, the Group will continue to hold good working relationships with (i) key component suppliers (which are likely to be used by contract manufacturers) and (ii) a more extensive supply chain to support its on-going development activities. The Group will establish good working relationships that ensure technical information about the Group's products are shared and enhanced collaboratively. The Group is also actively reviewing its contracting structure passing on delivery commitments to the suppliers in exchange for better prices incentivising them to commit to flawless delivery to its customers thus allowing the Group to meet its contractual obligations.
Litigation and claims	In addition to such litigation from time to time in the ordinary course of business which it manages with appropriate professional advice, the Group faces prospective risk of litigations arising from its winding up of / closing down its non-core fuel additive subsidiaries.	The Group will continue to exercise due diligence in its day to day business operations in addition to be carefully guided, by specialists if necessary, to undertake and achieve its corporate re-structuring objective.
Environmental and regulatory considerations	In addition to general UK and international laws, the Group's activities are subject to significant additional obligations, particularly in the jurisdictions that it operates in. In the context of changes in the regulatory environment, there is a risk that the Group can fail to adopt policies/processes to ensure compliance with emerging requirements. It is also difficult to predict the impact of future changes to laws or regulations or the introduction of new law or regulations that affect the Group and, from time to time, interpretation of existing laws or regulations may also change or the approach to enforcement may become more rigorous. It could also lead to high levels of scrutiny by regulators, enforcement agencies or authorities with associated increase in operational costs.	The Board recognises its roles and responsibilities as good corporate citizens in, not only the territories in which it is resident but also the territories in which it engages in business. The Group will consequently therefore ensure that it is adequately resourced, either in-house or out-sourced, with specialists who are knowledgeable with the laws of the territories in which it undertakes businesses so that the Group is properly advised on its roles and responsibilities as good citizens in all the territories where it has physical presence.

	Risk	Controls
Financial risk	There are a number of financial risks, which will be outside the control of the Group, and which can affect revenues and/or costs, and neither the Company nor its subsidiaries currently hedges against such risks. These includes going concern risks (please refer to Note 2.2), varying international exchange rates, interest rates, world commodity prices, energy prices and supplies, raw materials prices and supplies, inflation and international trends in trade, tariffs and protectionism and changes in legal and regulatory framework.	There can be no assurance that such variables will not have a material adverse impact on the Group's financial position or results of operations. The Board however will endeavour to continue to mitigate this risk by boosting the Group's financial capability through constantly accessing sources of finance / capital such as its successful fund raise of up to £2.5 million in Unsecured Convertible Loan Notes from Darwin Strategic Capital during the financial year 2016, of which £1.75 million has been subscribed for to date.

Approval of Strategic Report

Part I of this Annual Report comprises the Strategic Report for the Group which has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the Directors in connection with this Annual Report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic Report has been prepared for the Group as a whole and are deemed to form part of this report, and therefore gives greater emphasis to those matters, which are significant to Graphene Nanochem and its subsidiary undertakings when viewed as a whole.

Approved by the Board and signed on behalf of the Board.

Dato' Jespal Deol
Chief Executive Officer
29 June 2017

Sushil Sidhu
Finance Director



Board of Directors



Tan Sri Abi



Dato' Jespal



Sushil Sidhu



Dato' Larry



Dato' Sallehuddin



Dr Patrick Howes

Tan Sri Dato' Sri Abi Musa Asa'ari Mohamed Nor (Aged 67)

Appointment / Appointed to the Board as Non- Executive Chairman in March 2013.

Career / Tan Sri Abi was the Assistant Director with the Public Service Department before serving in the National Bureau of Investigation and later serving as Deputy Director of the Petroleum Development Unit of the Prime Minister's Department. He was also the Director General of the Federal Agriculture Marketing Authority and Secretary General of the Agriculture and Small Industries. He later joined Lembaga Tabung Haji as Chairman in 2007 until 2013. Tan Sri Abi was also the Deputy Director in the Budget division of the Finance Ministry into the Company. He holds an MBA from the University of Birmingham and a BEc from the University of Malaya.

External appointments / Independent Non-executive Chairman of Pelikan International Corporation Bhd; Independent Non-Executive Chairman of Pelikan AG Supervisory Board; Independent Non-Executive Director of HeiTech Padu Bhd; and Independent Non-Executive Chairman of MCT Bhd.

Graphene Committee membership / Chairman of the Remuneration Committee; and the Audit Committee.

Sushil Singh Sidhu Joginder Singh (Aged 52)

Appointment / Appointed as Finance Director on March 2013.

Career / As the co-founder of Platinum Nanochem Group, Mr Sushil served as the executive Director of Finance of the firm since January 2007. Mr Sushil is the former Finance Director of Stevian Biotechnology and is also the former Chief Operating Officer of Commerce-Meridian Capital Sdn. Bhd., which was a joint venture management company with the CIMB Group, Southern Bank Securities, Jardine Matheson and Nikkei Pacific Corporate Advisory Sdn. Bhd. Sushil holds an MBA (majoring in Finance) from University of Hull and a BBus (majoring in Finance) from Deakin University, Melbourne, Australia.

External appointments / Senior Associate of Australia Institute of Credit Management, and an Associate at Australian Institute of Bankers.

Dato' Sallehuddin Othman (Aged 66)

Appointment / Appointed to the Board as Non-Executive Director on April 2014.

Career / Dato' Sallehuddin held senior roles in Permodalan Nasional Berhad and also served as Group Managing Director of the Malaysian Industrial Development Finance Bhd. up to 2006. Academically, he holds a MSc in Administrative Sciences from City University, London and is registered as a Chartered Accountant with Malaysia Institute of Accountants and a Fellow Member of ACCA, United Kingdom.

External appointments / Non-Executive Director at the Bank of Tokyo-Mitsubishi UFJ (Malaysia) Bhd.; Non-Executive Chairman of Cradle Seed Ventures Management Ltd.; Public Interest Director in Federation of Investment Managers Malaysia; Non-Executive Director of Axa Affin Life Insurance Bhd.; Non-Executive Chairman of MSIG Insurance Malaysia Bhd.

Graphene Committee membership / Chairman of the Audit Committee.

Dato' Jespal Singh Deol Balbir Singh (Aged 52)

Appointment / Appointed as Chief Executive Officer on March 2013.

Career / Dato' Jespal was the co-founder of Platinum Nanochem Group and was appointed as the Managing Director of Platinum Nanochem in 2007. He co-founded Stevian Biotechnology, which was admitted to trading on AIM as Pure Circle Limited in December 2007. He was also the Executive Director of Corporate and Business Development of the same company. He specialised in corporate mergers and acquisitions during his time with his firm Deol & Gill. Dato' Jespal holds a LLB from University of Queensland, Australia.

External appointments / Independent Non-executive Director and Chairman of the Audit Committee of IMU Education Sdn. Bhd., which operates the International Medical University of Kuala Lumpur and is part of IHH Healthcare Bhd.

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow (Aged 63)

Appointment / Appointed to the Board as Non-Executive Director on March 2013.

Career / Dato' Larry was with Accenture as managing partner and had previously served as Chairman of the Association of Computer Industry Malaysia (PIKOM), Vice-President of the Association of Asian Oceania Computer Industry Organisation, Member of the Minister of Science and Technology Think Tank, Copyright Tribunal, and MIMOS Bhd., a Government Technology Research body. He was also appointed as Chairman of Labuan International Financial Exchange Committee and the Malaysia US Business Council. Dato' Larry has been a Qualified Accountant since 1978 and is a Chartered Accountant and a Certified Management Consultant.

External appointments / Independent Non-Executive Director of AMMB Holdings Bhd.; Board Member of AmIslamic Bank Bhd.; Board of Amcorp Properties Bhd.; Chairman of REV ASIA Bhd.; Chairman of CUSCAPI Bhd.; Board Member of Saujana Resort (M) Bhd.; Board Member of Tropicana Corporation Bhd.; Board Member of 8Common Ltd. (Australia); Chairman of Fatfish Internet Group Ltd. (Australia); Board Member of Flexiroam Ltd. (Australia); Director of Minority Shareholder Watchdog Group; Director of British Malaysian Chamber of Commerce; and a Trustee of JC Jacobsen Foundation.

Dr Patrick Dennis Howes (Aged 66)

Appointment / Appointed to the Board as Non-Executive Director on August 2007.

Career / Dr Patrick brings over 25 years of experience in chemical industries, the execution and management of technology-driven projects from inception to completion. He is the founder of Icen Chemicals International, a company incorporated in Singapore. He holds a PhD in Chemistry from Salford University in the synthesis and properties of zeolite molecular sieves, a class of nanomaterials utilised in the oil and gas industries.

External appointments / Director of Natural Bleach Sdn Bhd; Director of Vogue Span Sdn Bhd; Partner in Icen Resources LLP; and Director of Jade Couture Sdn Bhd.

Graphene Committee membership / Remuneration Committee and Audit Committee.

Director's Report

The Directors present their report and the audited financial statements for the year ended 31 December 2016

Principal activity

Graphene NanoChem is a graphene commercialisation company that designs, formulates, manufactures and markets a range of graphene-enhanced applications, from chemicals to performance materials, with improved performance characteristics when compared to conventional products. The Group is currently undergoing a rationalisation plan to exit the heavy low margin fuel additive and palm oil refining businesses. The Company is UK domiciled and incorporated in England and Wales. Details of the Company's principal subsidiaries are set out in Note 3 on page 4-5.

The Strategic Report, which is set out on pages 2 to 18, provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2016 including a description of the Company's strategy, business models and business overview.

Annual general meeting

The Annual General Meeting of the Company will take place on, 26 July 2017 at Academy House, London Road, Camberley, Surrey GU15 3HL, commencing at 10.30 a.m. Details of the resolutions and voting procedures are set out in the Notice of Annual General Meeting on Page 76.

Shareholders can vote by completing the form of proxy sent with the Notice of Meeting. To be valid, all votes must be received no later than 48 hours before the time set for the meeting.

Directors

The names of the Directors who served during the year were:

	<i>Appointed</i>	<i>Resigned</i>
Tan Sri Abi	26 March 2013	-
Dato' Larry Gan	26 March 2013	-
Dato' Jespal	26 March 2013	-
Sushil Sidhu	26 March 2013	-
Alan Cleverley	26 March 2013	23 March 2016 (deceased)
Dr Patrick Howes	31 August 2007	-
Dato' Sallehuddin	17 April 2014	-

These profiles of the Directors of the Company serving at the date of issue of this report are set out on pages 20 to 21.

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party. As at 31 December 2016, no Director of the Company has any beneficial interest in the shares of subsidiary companies.

Results and dividends

The loss for the year was £11.1 million (2015: Loss of £32.9 million). Further details are set out on Page 30. No dividend has been paid or proposed for the year or in the prior years.

Share capital

The Company's issued share capital comprises a single class, which is divided into ordinary shares of 1 pence each, details of which are set out in Note 22 of the financial statements. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. As at 31 December 2016, there are 116,536,536 ordinary shares in issue.

The rights and obligations attached to these shares are detailed in the Articles of Association of the Company, copies of which can be obtained from the Companies House in the UK, or by writing to the Company Secretary, at the registered office of the Company.

Substantial interest

As at 29 June 2017, the shareholders of the Company holding interest amounting to 3% or more of the ordinary share capital of the Company are as follows:

	<i>Number of ordinary shares</i>	<i>Percentage of issued ordinary shares</i>
Platinum Energy Global Sdn Bhd	28,736,563	21.44%
Rampai Teknologi Sdn Bhd	9,181,857	6.85%
Dato' Foong Choong Heng ¹	7,913,754	5.91%
Dato' Larry Gan	6,011,720	4.49%
Green Ethics Capital Sdn Bhd	4,595,524	3.43%
MSG Commercial Ltd	4,393,906	3.28%
Plug & Play Technology Holdings Sdn Bhd	4,346,906	3.24%

Notes

¹ Dato' Foong Choong Heng holds 50 percent legal and beneficial interest in Rampai Teknologi Sdn Bhd.

Directors and their interests

As at 31 December 2016, the Directors have the beneficial interests in the shares and share options as set out below:

	Shareholding interest		Share options	
	<i>As at 31 Dec 2016</i>	<i>As at 31 Dec 2015</i>	<i>As at 31 Dec 2016</i>	<i>As at 31 Dec 2015</i>
Dato' Larry Gan	6,011,720	6,011,720	-	-
Tan Sri Abi	2,757,314	2,757,314	-	-
Dato' Jespal ¹	1,167,263	1,167,263	-	-
Sushil Sidhu	1,020,206	1,020,206	-	-
Dr Patrick Howes	24,500	24,500	-	17,500
Dato' Sallehuddin	45,373	45,373	-	-

Notes

¹ Dato' Jespal Singh Deol also has an indirect interest in 28,736,563 ordinary shares in the Company held by Platinum Energy Global Sdn Bhd through his 99.9 per cent legal and beneficial interest in Total Platinum Holdings Sdn Bhd which holds a 69.3 per cent interest in Platinum Energy Global Sdn Bhd.

Research and development

The Group previously conducted research and development activities to the extent that management considers that it is required to maintain its competitive position and to enhance growth opportunity in the markets in which it operates and plan to expand into. The amount incurred by the Group for the year was nil (2015: £nil). All capitalised research and development expenditure was fully impaired as at 31 December 2016.

Political contribution

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2015: £ nil).

Going concern

The directors have prepared the financial statements on the going concern basis, full details of which are set out in note 2.2 to the financial statements.

Independent auditors

PKF International LLP has consented to act as auditors of the Company. In accordance with section 485 of the Companies Act 2006, the Board has decided to appoint PKF International LLP as auditors and a resolution concerning the appointment will be tabled to the members at the Annual General Meeting.

Statement of declaration of information to auditors

In accordance with the Companies Act 2006, all Directors in office as at the date of this report have confirmed, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all reasonable steps necessary in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 year. Under that law, the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) for the Group and United Kingdom Generally Accepted Accounting Practice Standards (UK Accounting Standards) for the parent company 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 and profit or loss of the Company and Group.

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

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > state whether applicable IFRSs (Group) and UK Accounting Standards (Company) have been followed, 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 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 Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the

Group's website in accordance with Rule 26 of the AIM Rules for Companies. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that, to the best of his knowledge and belief:

- > the financial statements, prepared in accordance with IFRSs as adopted by the EU (Group) and UK Accounting Standards (Company), give a true and fair view of the assets, liabilities and financial position of the Group and the Company; and
- > the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval

The Report of the Directors' was approved by the Board on 29 June 2017 and signed on its behalf by:

Sushil Sidhu
Finance Director



Corporate Governance Statement

As an AIM-listed company, it is not mandatory for the Company to adopt the provisions of the 2014 UK Corporate Governance Code ('Code'). However, the Board believes that application of the Code is in the best interests of the Company and its stakeholders and has sought to apply the spirit of the Code in a manner, which is appropriate for the size of the Group. This report sets out the way in which the principles are currently being applied.

The Board

The Board of Directors currently comprises of 2 Executive and 4 Non-Executive members that include a Non-Executive Chairman. The Group is controlled through its Board of Directors. The Directors, together with their brief biographies, are identified on pages 18-19.

The Board of Directors considers that its size and composition are currently appropriate and that the balance of skills and experience is correct for the current requirements of the business to enable the members of the Board to discharge their respective duties and responsibilities effectively. The Board is responsible for the long-term success of the Group. The Board's main roles are to create value for shareholders, provide entrepreneurial leadership of the Group, approve the Group's strategic objectives and ensure that the necessary financial and other resources are made available to enable those objectives to be met.

The role of the Chairman and the Chief Executive Officer ('CEO') are separate and clear. The Chairman's role is to lead the Board in Board meetings and ensure the effectiveness of the Board. The CEO is responsible for achieving the Group's long-term strategic and financial objectives with the Group's resources and in accordance with the risk appetite of the Group.

The Company's Non-Executive Directors are considered by the Board to be independent of management and they bring a breadth of knowledge and experience to the Board's deliberations. The Executive Directors meet regularly and are in continuous discussion with the operational management to ensure that the business objectives of the Group are achieved. Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are constructively challenged.

The Board receives appropriate and timely information prior to each meeting with a formal agenda and Board papers are distributed in advance of Board meetings. Any Director may challenge Group proposals, and decisions are taken democratically after discussion.

Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board and then followed up by management.

The Board Committees that have been established to assume some of the responsibilities of the Board with clearly defined terms of reference are the Audit Committee and the Remuneration Committee.

Shareholder relationships

The Company uses a number of processes for communicating with shareholders, including stock exchange announcements, the annual and half-year reports and the Annual General Meeting where all shareholders are invited. In addition, the CEO or the Finance Director either meet on a one-on-one basis or hold telephone conferences with principal shareholders at least twice a year, following the Group's half and full year results to address any questions that they may have, or when requested to update them on the Group's performance and strategy.

Internal controls

The Board acknowledges its responsibility for monitoring the quality of internal controls, for reviewing its effectiveness and putting into place processes for risk management to ensure that the financial performance of the Company is properly measured and reported on. Such systems are designed to manage rather than eliminate the risk of failure in order to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Executive Directors have a close involvement with all day-to-day operations and also meet with the Company's personnel on a regular basis to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place. Business risks are monitored and updated regularly.

Some of the current key procedures in place are summarised below:

- > Annual budgets for each operating entity are prepared in detail, reviewed by executive management and formally adopted by the Board;
- > Management of operating companies are charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks;
- > Regular discussions between management of the subsidiaries and the Group Executive Directors. Each operating company has at least one of the Group's Executive Directors on its board;
- > The Company has well established financial reporting and approval systems and procedures which cover all key transactional processes and Company's commitment; and
- > Daily cash monitoring and monthly cash forecasting and treasury reporting to the Group finance function.

Audit Committee

The Audit Committee is comprised of Tan Sri Abi and Dr Patrick Howes, and is chaired by Dato' Sallehuddin, who has extensive financial experience. The Committee reviews the effectiveness of financial reporting and internal financial controls and monitors the integrity of the financial statements of the Group and any significant reporting judgments contained therein.

The Committee, and other board members, by invitation, meets with the independent external auditor to review the Group's annual accounts and at other times, as appropriate during the year. The Audit Committee keeps under review the nature and extent of non-audit work carried out by the external auditor with a view to maintaining the auditor's objectivity and independence.

Remuneration Committee

The Remuneration Committee is comprised of Dr Patrick Howes and is chaired by Tan Sri Abi.

The Remuneration Committee is responsible for determining and reviewing the policy for the remuneration of the Executive Directors as well as determines the remuneration and terms of service of the Executive Directors including incentive arrangements and duration of notice period. No Director or other employee plays a part in any discussions regarding their own remuneration.

The Remuneration Committee also approves the design of, and determines targets for, any performance-related pay schemes, review the design of any share incentive plans and the awards for each Executive Directors and other members of the executive management.

Independent Auditor's Report

To the members of Graphene NanoChem Plc

We have audited the financial statements of Graphene NanoChem Plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the

financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of

performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- > give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's profit or loss for the year then ended;
- > have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the Group ability to continue as a going concern. The Group incurred a net loss of £11,142,000 during the year ended 31 December 2016 and, at that date, the Group's had net current liabilities of £4,358,000.

These conditions, along with the other matters explained in note 2.2 to the financial statements, indicate the

existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- > the 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.

Mark Ling

Senior statutory auditor

For and on behalf of
PKF Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Revenue	6	258	55
Cost of sales		(214)	(150)
Gross (loss)/profit		44	(95)
Other Income	8	20	10
Selling and distribution expenses		-	-
Administrative expenses	9	1,398	(755)
Bad debts written off	9	(16,222)	(146)
Impairment of fixed assets	14	-	(2,538)
Impairment of goodwill	15	-	(1,392)
Impairment of intangible assets	15	-	(4,401)
Finance income	11	-	2
Finance costs	11	(1,739)	(141)
Depreciation and amortisation		(370)	(880)
Operating loss from continuing operations		(16,869)	(10,336)
Share of loss in a joint venture	4	(5)	-
Loss before tax from continuing operations		(16,874)	(10,336)
Income tax credit	12	-	1,202
Loss for the year from continuing operations		(16,874)	(9,134)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	7	5,732	(23,789)
Loss for the year attributable to the owners of the parent		(11,142)	(32,923)
Other comprehensive loss: items that may be subsequently reclassified to profit or loss			
Net exchange differences on translating foreign operations		2,802	(360)
Total other comprehensive loss, net of tax		2,802	(360)
Total comprehensive loss		(8,340)	(33,283)
Earnings per share from continuing and discontinued operations attributable to owners of the parent			
Basic earnings per share			
- From continuing operations		(12.08)p	(8.15)p
- From discontinued operations	7	4.92p	(20.41)p
- From total comprehensive loss	13	(7.16)p	(28.56)p
Diluted earnings per share			
- From continuing operations		(11.57)p	(8.15)p
- From discontinued operations	13	4.71p	(20.41)p
- From total comprehensive loss	13	(6.86)p	(28.56)p

The accompanying accounting policies and notes on pages 34 to 62 form an integral part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	14	5,640	5,095
Intangible assets	15	41	41
Investment in a joint venture	4	60	19
		5,741	5,155
Non-current assets directly associated with discontinued operations		-	15,536
		5,741	20,691
<i>Current assets</i>			
Inventories	16	16	56
Trade and other receivables	17	105	115
Cash and cash equivalents	18	630	21
		751	192
Current assets directly associated with discontinued operations		-	1,537
		751	1,729
Total assets		6,492	22,420
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	19	2,143	134
Borrowings	20	2,966	1,560
		5,109	1,694
Current liabilities directly associated with discontinued operations		-	26,607
		5,109	28,301
<i>Non-current liabilities</i>			
Borrowings	20	17,334	-
		17,334	-
Non-current liabilities directly associated with discontinued operations		-	12
		17,334	12
Total liabilities			
Net (liabilities)/assets		22,443	28,313
		(15,951)	(5,893)
Equity			
Share capital	22	23,307	23,307
Share premium account	22	139,639	139,639
Shares to be issued		206	-
Reverse acquisition reserve	22	-	(99,305)
Translation reserve	22	(1,349)	(4,151)
Irredeemable convertible preference shares	23	-	1,924
Accumulated losses		(177,754)	(67,307)
Shareholders' (deficiency) /equity		(15,951)	(5,893)

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017 and signed on its behalf by:

Sushil Sidhu **Dato' Jespal Deol**
Executive Director *Executive Director*

The accompanying accounting policies and notes on pages 34 to 62 form an integral part of these financial statements.

Company Registration No: 05712979

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Accumulated losses £'000	Equity component of preference shares £'000	Total equity £'000
At 1 January 2015	23,307	139,639	-	(99,305)	(3,791)	(34,384)	2,249	27,715
<i>Total comprehensive income:</i>								
Loss for the financial year	-	-	-	-	-	(32,923)	-	(32,923)
Foreign currency translation differences	-	-	-	-	(360)	-	(325)	(685)
	-	-	-	-	(360)	(32,923)	(325)	(33,608)
At 31 December 2015	23,307	139,639	-	(99,305)	(4,151)	(67,307)	1,924	(5,893)
<i>Total comprehensive income:</i>								
Loss for the financial year	-	-	-	-	-	(11,142)	-	(11,142)
Reversal of reverse acquisition reserve	-	-	-	99,305	-	(99,305)	-	-
Reversal to profit and loss	-	-	-	-	-	-	(2,210)	(2,210)
New shares to be issued	-	-	206	-	-	-	-	206
Foreign currency translation differences	-	-	-	-	2,802	-	286	3,088
	-	-	206	99,305	2,802	(110,447)	(1,924)	(10,058)
At 31 December 2016	23,307	139,639	206	-	(1,349)	(177,754)	-	(15,951)

All reserves are attributable to the equity holders of the parent company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Loss before taxation	(16,875)	(34,125)
Adjustments for:		
Depreciation of property, plant and equipment	370	1,811
Amortisation of intangible assets	1	855
Impairment loss on disposal of former group undertaking	13,277	-
Loss/(gain) on disposal of property, plant and equipment	-	5
Inventory written off	45	693
Bad debts written off	-	146
Interest income	-	(2)
Property, plant and equipment written off	-	2,350
Impairment of goodwill	-	2,039
Impairment of intangible assets	-	9,815
Impairment of tangible fixed assets	-	13,840
Share of loss in a joint venture	5	20
Impairment loss in joint venture	56	-
Finance costs	1,739	1,840
Unrealised foreign exchange loss	17	-
Warrant issue	81	-
(Increase) / decrease in :		
Trade and other receivables	15	4,769
Inventories	-	592
Increase / (decrease) in :		
Trade and other payables	989	(492)
Cash generated from operations	(280)	4,156
Net interest paid	-	(1,840)
Income tax refund	-	72
Net cash from/(used in) operating activities	(280)	2,388
Cash flows from investing activities		
Purchase of property, plant and equipment, net	-	(2,577)
Subscription of shares in a joint venture	(119)	-
Net cash used by discontinued operations	(2,711)	-
Net cash used in investing activities	(2,830)	(2,577)
Cash flows from financing activities		
Issuance of loan notes	675	-
Advances by related companies	209	-
Net proceeds from/(repayment of) borrowings	(360)	(1,336)
Net cash generated from/(used in) financing activities	524	(1,336)
Net (decrease) in cash and cash equivalents	(2,586)	(1,525)
Cash and cash equivalents at beginning of year	558	2,227
Effect of exchange rate differences on cash and cash equivalents	2,658	(144)
Cash and cash equivalents at end of year (note 18)	630	558

The accompanying accounting policies and notes on pages 34 to 62 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

1 General information

Graphene Nanochem Plc is a public limited company incorporated and domiciled in England.

In 2013, the Company was formed through the reverse takeover of Platinum Nanochem Sdn. Bhd. ('PNC') by Biofutures International plc ('Biofutures') where £32.5 million was raised through a placing of 23.2 million ordinary shares with new investors. The enlarged Group's shares were readmitted to the AIM market on 26 March 2013 under the name of Graphene Nanochem plc.

The consolidated financial statements are presented as a continuation of the financial statements of Platinum Nanochem Sdn. Bhd. The consideration transferred was calculated after determining the fair value of the assets and liabilities of Biofutures at the transfer date. The consideration comprises the value of the additional shares that would need to have been purchased in Biofutures to acquire the entire share capital.

The Company and its subsidiaries were involved in the design, formulation and manufacturing of intermediate and performance chemicals and advanced nano-materials. During the year ended 31 December 2016 and subsequent to the balance sheet date, the Group commenced a restructuring of its business.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 June 2017.

2 Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements of the Group are for the year ended 31 December 2016. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention except where accounting standards require the use of fair values.

The financial statements of the Company have been prepared using FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland ('UK GAAP').

These consolidated financial statements are presented in Pounds Sterling (£) which is the functional and presentation currency of the parent, and rounded to the nearest thousand (£'000'). The functional currency of the subsidiaries is the Malaysian Ringgit as that is the currency of their primary economic environment. The directors have chosen to present these financial statements in Pounds Sterling due to the international exposure and shareholders of the entity.

The significant accounting policies set out below have been consistently applied, except where stated.

On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income statement and related notes that form a part of these approved financial statements.

2.2 Going concern

Although the Group recorded a net loss of £11,142,000 for the financial year ended 31 December 2016, the significant progress in the holistic business restructuring that includes the successful launching of two new divisions in the Water & Polymers markets, coupled with the similarly positive debt restructuring, gives the Directors optimism that the Group will continue to be operational in the foreseeable future.

The Group is in advanced discussions to dispose of identified non-core assets to a third party although no binding agreement has been entered into at the date of this report. In conjunction with the proposed disposal, the Group will utilize the proceeds from the sale to make full settlement of its debt owing to its primary short term financier and pay down the restructured debt of its primary long term financier. The successful conclusion of the above disposal and utilization of proceeds mentioned will positively impact the Group's indebtedness.

In addition to the above proposed disposal, the Group has successfully raised funds via an agreement with Darwin Capital Limited to subscribe for up to £2.50m Senior Unsecured Zero Coupon Convertible Loan Notes with detachable Warrants in three separate tranches to support working capital requirements of the Group. Tranche 1 of £0.75m and Tranche 2 of £1.0m have been subscribed to in December 2016 and May 2017 respectively.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.2 Going concern (Continued)

The Directors have prepared financial forecasts which suggests that based on conversion of the anticipated sales pipelines, successful conclusion on the matters discussed above that the Group is able to continue to meet its obligations as and when they fall due.

The Directors have at the time of approving the financial statements, have considered the going concern assumption, and have concluded with reasonable expectation that the Group would continue as a going concern and have adequate resources to continue in operational existence for the foreseeable future. As the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis, the financial statements do not include any adjustments relating to the recoverability and classification of the assets and liabilities that may be necessary, if the going concern basis of preparing the financial statements of the Group and Company is not appropriate.

2.3 Standards and Interpretations effective in the current period

(a) Accounting developments during 2016

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the period ended 31 December 2016 but did not result in any material changes to the financial statements of the Group or Company.

The following standards were adopted by the Group during the year:

- > IAS 1 (Amendment) – Disclosure initiatives (effective 1 January 2016)*
- > IAS 16 and IAS 38 (Amendments) – Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)*
- > IAS 19 – Employee benefits (Amendments) (effective 1 January 2016)*
- > IAS 27 (Amendment) – Equity method in separate financial statements (effective 1 January 2016)*
- > IAS 28 – Investment in associates (Amendments) (effective 1 January 2016)*
- > IFRS 10 – Consolidated financial statements (effective 1 January 2016)*
- > IFRS 11 (Amendment) – Accounting for acquisitions of interest in joint operations (effective 1 January 2016)*
- > IFRS 12 – Disclosure of interest in other entities (effective 1 January 2016)*
- > Annual improvement Cycle 2012-2014

*EU effective date

(b) Accounting developments not yet adopted

Various new standards and amendments have been issued by the IASB up to the date of this report which are not applicable until future periods and have not yet been endorsed by the European Union.

At the date of authorisation of these financial statements, the following standards and interpretations, were in issue but not yet effective, and have not been early adopted by the Group:

- > IAS 7 – Statement of Cash Flow amendments (effective 1 January 2017)
- > IAS 12 (Amendment) – Recognitions of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- > IFRS 9 – Financial Instruments (2015) (effective 1 January 2018)*
- > IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)*
- > IFRS 16 – Leases (effective 1 January 2019)
- > IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- > IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
- > IAS 40 – Transfers of Investment Property (effective 1 January 2018)
- > Annual improvement Cycle 2014-2016 (effective 1 January 2017/2018)

*EU effective date

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.3 Standards and interpretations effective in the current period (Continued)

(b) Accounting developments not yet adopted (Continued)

The Directors are actively considering the effects upon the financial statements and at the time of approval do not consider that the financial statements will be subject to material changes.

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

IFRS 16 'Leases' specifies how an IFRS reporter will recognise, measure, prepare and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. The standard replaces IAS 17 'Leases' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' has also been applied (subject to EU endorsement).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2016.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2016.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

The consolidated financial statements have been issued in the name of the legal parent (i.e. the accounting acquiree), but presented as a continuation of the financial statements of the legal subsidiary (i.e. the accounting acquirer).

The following principles have been applied:

- (i) The assets and liabilities of the legal subsidiary shall be recognised and measured in the consolidated financial statements at their pre-combination carrying amounts;
- (ii) The assets and liabilities of the legal parent shall be recognised and measured in the consolidated financial statements at their fair values at the acquisition date;
- (iii) The retained profits and other equity balances (such as revaluation reserves and foreign exchange reserves) recognised in the consolidated financial statements shall be the retained profits and other equity balances of the legal subsidiary immediately before the business combination;
- (iv) The amount recognised as issued equity instruments (i.e. share capital and share premium) in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination the fair value of the legal parent (i.e. the deemed cost of the business combination); and
- (v) The equity structure appearing in the consolidated financial statements shall reflect the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination.

(b) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(b) Joint arrangements (Continued)

Joint arrangements are reclassified and accounted for as follows:

- > A joint arrangement is classified as 'joint operation' when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- > A joint arrangement is classified as 'joint venture' when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

2.5 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of each individual entity using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year end date are reported at the rate of exchange prevailing at that date. All exchange gains arising on retranslation of assets and liabilities are dealt with in the profit or loss.

(c) Consolidation of overseas subsidiaries

Income and expenditure for overseas subsidiaries are included based upon monthly average exchange rates to give a fair approximation to the transaction rate. Items of statement of financial position are included at the year-end exchange rate. All other differences are included within the translation reserve, including related goodwill and intangible assets, which are translated at the rate ruling at the year-end date.

2.6 Property, plant and equipment

All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method so as to allocate the cost of each asset less its residual value over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The principal annual depreciation rates used to depreciate other assets are as follows:

Leasehold land	Over the lease period of 65 and 99 years
Buildings	2%
Motor vehicles	20%
Computer equipment	10-40%
Furniture, fittings and equipment	20%
Plant and machinery	5-20%
Renovations	10-20%

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put in use.

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 Company 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 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 Company is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

2.7 Goodwill and intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing.

Identifiable intangible assets are recognised separately from goodwill on all acquisitions. Such assets are carried at fair value at the date of acquisition (i.e. as deemed cost). Such intangible assets are reviewed for impairment on an annual basis. Intangible assets are tested annually for impairment along with the goodwill.

Intangible assets comprise of the following:

(a) 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 non-current assets to the extent that such expenditure is expected to generate future economic benefits.

Development expenditure is capitalised if, and only if an entity 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 intention to complete and the 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.

The development expenditure is amortised on a straight-line method over a period of 8 to 15 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.7 Goodwill and intangible assets (Continued)

(b) Licences

Separately acquired licence is shown at historical cost. Licence has a finite useful life and is carried at cost less accumulated amortisation. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense.

(c) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated impairment. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the asset is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense.

2.8 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

2.10 Trade and other receivables

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount plus transaction costs, and subsequently carried at amortised cost using the effective interest method less provisions made for impairment of receivables.

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

2.12 Borrowing costs

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

2.13 Cash and cash equivalents

Cash and cash equivalents (readily convertible into a known amount of cash) include cash in hand and deposits held at call with banks with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

2.14 Financial instruments

Financial instruments are recognised in the statements of financial position when the 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 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. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) 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.

(i) Financial assets at fair value through profit or loss

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity investments

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and receivables financial assets

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.

(iv) Available-for-sale financial assets

As at the end of the reporting period, there were no financial assets classified under this category except for loan and receivables.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

(b) Financial liabilities

All financial liabilities are 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.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(c) Equity instruments

(i) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary 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.

(ii) Irredeemable convertible preference shares ('ICPS')

Preference shares are classified as equity if they are non-redeemable, or are redeemable but only at the Company's option, and any dividends are discretionary. Dividends on preference shares are recognised as distributions within equity.

Preference shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the preference shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities, as described below.

(d) Sales of goods

Sales of refined palm oil, biofuels and nanofluids are recognised when the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

Palm oil tolling services are recognised when services are performed in accordance with the service contract.

(c) Finance income

Interest income is recognised on an accrual basis using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 Employee benefits

(a) Pension obligations

Group companies do not operate defined contribution schemes but contribute to individual personal pension plan for certain employees by way of paying 12% of their gross salary costs in lieu of a scheme contribution as required by Malaysian law, which is accounted for as salary when payable.

(b) Share-based payments

The fair value of previous share options is calculated by the Company using the Black Scholes option pricing model, as the Directors believe that the options are likely to be exercised nearer to their expiry dates. The expense is recognised in the profit and loss on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest. A credit is recognised on the same basis in the share-based payment reserve.

2.18 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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 accounts. 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 Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (Continued)

2.20 Judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill and intangible assets have been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 15 for details). In view of the Group's planned exit from the palm oil refining and biodiesel businesses, goodwill and intangible assets have been fully impaired at the balance sheet date.

(b) Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, which requires management judgement.

(c) Impairment of trade receivables

An impairment loss is recognised when there is objective evidence that a trade receivable is impaired. Management has specifically reviewed trade receivables having specific regard to; historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. See Note 26 (b) for details regarding the Group's trade receivables.

(d) Borrowings

As disclosed in Note 20, a novation agreement was completed to novate the loan amounting to £17,695,000 from its primary long term financier Malaysian Debt Ventures ('MDV') from Platinum Nanochem Sdn. Bhd. to Platinum Techsolve Sdn. Bhd. on 26 August 2016. During the year the Group also entered into a Consent Judgement with its primary short term financier Bank Kerjasama Rakyat Berhad ('BKRK') with the terms of payment stipulated in the aforesaid judgement. Subsequent to the financial year ended 31 December 2016 however, the Group has requested and been granted deferrals in payments by BKRK. The carrying values of outstanding borrowings in Note 20 include accrued interest to date but exclude any penalties that the Group may incur once settlement has been reached with other lenders involving disposal of property, plant and equipment held by the banks as security.

(e) Discontinued operations

Note 7 discusses the loss of control of Platinum Nanochem Sdn. Bhd. and its wholly owned subsidiaries Platinum Green Chemicals Sdn. Bhd. and Platinum Nano G Sdn. Bhd. in more detailed. The board has had difficulties in accessing complete financial information of these discontinued operations and hence has constructed financial statements from the Statement of Affairs submitted to the respective administrators, receivers and liquidators using best estimates and judgement.

(f) Contingent liabilities

As disclosed in Note 25 to the financial statements, the provided a corporate guarantee for banking facilities granted to its subsidiary.

(g) Going concern

Management of the Group has made a number of significant judgments about the applicability of the going concern basis of presentation of the financial statements. These are set out in note 2.2.

Notes to the Financial Statements

For the year ended 31 December 2016

3 Subsidiaries

Graphene Nanochem plc has the following subsidiaries:

Name of subsidiaries	Effective equity interest		Registered address	Principal activities
	2016 %	2015 %		
Platinum Nanochem Sdn Bhd	-	100	Suite 1008, 10th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	Investment holding and provision of management services
Platinum Techsolve Sdn Bhd	100	100	Suite 1008, 10th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	Trading of oilfield chemicals products, water treatment products and polymers
Platinum Performance Chem Sdn Bhd	100	100	Suite 1008, 10th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	Refining of crude palm oil, trading of oilfield chemical products

Platinum Nanochem Sdn Bhd has the following subsidiaries:

Name of subsidiaries	Effective equity interest		Registered address	Principal activities
	2016 %	2015 %		
Platinum Green Chemicals Sdn Bhd	-	100	Suite 1008, 10th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	Manufacturing of advanced chemicals and biofuels
Platinum Nano G Sdn Bhd	100	100	Suite 1008, 10th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	Manufacturing of advanced nano materials

Platinum Techsolve Sdn Bhd has the following subsidiaries and joint venture:

Name of subsidiaries	Effective equity interest		Registered address	Principal activities
	2016 %	2015 %		
Scomi Platinum Sdn Bhd	50	50	Suite 1008, 10th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	Manufacturing and trading of oilfield chemical products

All the above subsidiaries are incorporated in Malaysia. Please refer to Note 7 for discontinued operations during the year.

4 Investment in a joint venture

	2016 £'000	2015 £'000
Investment in a joint venture	78	78
Capital injection into joint venture	44	-
Share of loss	(5)	(20)
Foreign exchange adjustment	(57)	(39)
	60	19

Scomi Platinum Sdn Bhd, a 50% owned joint venture in the Group which is principally engaged in manufacturing of speciality chemicals and other graphene-enhanced green chemicals. The Group accounted for the joint venture by using the equity method.

Notes to the Financial Statements

For the year ended 31 December 2016

4 Investment in a joint venture (Continued)

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Revenue	-	-
Loss after tax	(10)	(40)
Group's share of results for the year	(5)	(20)
Total assets	160	158
Total liabilities	(40)	(120)
Net assets	120	38
Group's share of joint venture net assets	60	19

5 Operating segments

Management has determined the operating segments based on the reports reviewed by The Board that are used to make strategic decisions.

Management has determined that the Group has one operating segment, which is refining and manufacturing and trading of oilfield chemicals (2015: one operating segment, refining and manufacturing of palm oil and biofuels as well as production of oilfield products). The financial information contained in these financial statements therefore relates solely to this segment. The Group's non-current assets consist of property, plant and equipment, goodwill and intangible assets, and are located entirely in Malaysia.

6 Revenue

	2016 £'000	2015 £'000
Revenue from sales of second generation biofuels and refined palm oil	-	46
Revenue from sales of oil field products	258	9
	258	55

7 Discontinued operations

During the financial year, the Group lost control of the following entities:

(i) Platinum Green Chemicals Sdn. Bhd.

Platinum Green Chemicals Sdn. Bhd. is a wholly owned subsidiary of Platinum Nanochem Sdn. Bhd., which in turn is a wholly owned subsidiary of Graphene Nanochem Sdn. Bhd. The Company's core operations are in the discontinued fuel additive business.

On 11 July 2016, KPMG Deal Advisory Sdn. Bhd. was appointed as receivers and managers of Platinum Green Chemicals Sdn. Bhd. The appointment was made by Bank Pembangunan Malaysia Berhad vide the Security Deed and Debenture held and pursuant to Sections 188(1), 189(1) and 189(2) of the Malaysian Company Act 1965. Upon this appointment, the powers of the directors were suspended with regards to all affairs and business of the Company. Subsequent to this appointment, a winding up order for Platinum Green Chemicals Sdn. Bhd. via Section 218 of the Malaysian Companies Act 1965 was received on 1 August 2016.

(ii) Platinum Nanochem Sdn. Bhd.

Platinum Nanochem Sdn. Bhd. a wholly owned subsidiary of Graphene Nanochem Sdn. Bhd. and parent Company of Platinum Green Chemicals Sdn. Bhd. and Platinum Nano G Sdn. Bhd. The Company's core operations are in the discontinued fuel additive business.

On 15 July 2016, a winding up order was received for Platinum Nanochem Sdn. Bhd. pursuant to Section 218 of the Malaysian Companies Act 1965. Upon receipt of this order, the powers of the directors were suspended with regards to all affairs and business of the Company and its subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2016

7 Discontinued operations (Continued)

(iii) Platinum Nano G Sdn. Bhd.

Platinum Nano G Sdn. Bhd. is a wholly owned subsidiary of Platinum Nanochem Sdn. Bhd., which in turn is a wholly owned subsidiary of Graphene Nanochem Sdn. Bhd. The Company's core operations are in the business of providing high technology and manufacturing of advanced materials.

On 15 July 2016, a winding up order was received for its parent Company Platinum Nanochem Sdn. Bhd. pursuant to Section 218 of the Malaysian Companies Act 1965. The directors deem this event as a loss of control of Platinum Nano G Sdn. Bhd. and subsequently have deconsolidated this entity from the Group accounts.

The results of Platinum Nanochem Sdn. Bhd. (till 15 July 2016), Platinum Green Chemicals Sdn. Bhd. (till 11 July 2016) and Platinum Nano G Sdn. Bhd. (till 15 July 2016) are presented below:

	2016 £'000	2015 £'000
Revenue	900	7,916
Cost of sales	(683)	(8,468)
Gross profit	217	(552)
Other Income	(13)	242
Selling and distribution expenses	(126)	(114)
Administrative expenses	5,980	(2,498)
Impairment of fixed assets	-	(11,302)
Impairment of goodwill	-	(647)
Impairment of intangible assets	-	(5,414)
Finance costs	(325)	(1,699)
Depreciation and amortisation	(1)	(1,785)
Loss before tax for discontinued operations	5,732	(23,769)
Tax	-	(20)
Profit / (Loss) after tax for discontinued operations	5,732	(23,789)
	2016 £'000	2015 £'000
Assets		
Property, plant and equipment	15,054	15,536
Investment in a joint venture	-	-
Inventories	198	193
Trade and other receivables	240	807
Cash and cash equivalents	513	537
Total assets directly associated with discontinued operations	16,005	17,073
Liabilities		
Trade and other payables	21,297	3,229
Borrowings	10,726	23,384
Total liabilities directly associated with discontinued operations	32,023	26,613
Net assets / (liabilities) directly associated with discontinued operations	(16,018)	(9,540)

Notes to the Financial Statements

For the year ended 31 December 2016

7 Discontinued operations (Continued)

Basic earnings per share from discontinued operations attributable to the equity holders of the Group during the year:

	2016	2015
Profit/(loss) from discontinued operation attributable to equity holders of the parent	£5,732,000	(£23,789,000)
Weighted average number of ordinary shares in issue	116,536,536	116,536,536
Basic earnings/(loss) per share in pence from discontinued operations	4.92p	(20.41)p

8 Other income

	2016 £'000	2015 £'000
Realised gain on foreign currency exchange	-	242
Rental income	20	10
Other income from discontinued operations	-	(242)
	20	10

9 Administrative expenses and bad debts written off

	2016 £'000	2015 £'000
Included within administrative expenses are:		
Employee benefit expenses	186	835
Rental of premises	35	62
Rental of equipment	-	28
Rental of motor vehicle	-	4
Rental of office equipment	-	2
Property, plant and equipment written off	-	2,340
Bad debts written off on loss of control of subsidiaries	16,222	146
Inventory written off	45	694
Compensation for loss to customer	86	-
Auditor's remuneration:		
- Fees payable to the Group's auditor for the audit of the Group's annual accounts	30	32
- Fees payable to the subsidiaries' auditor for the audit of the subsidiaries' annual accounts	4	24

10 Directors and employees

The employee benefit expense during the year was as follows:

	2016 £'000	2015 £'000
Salary and wages	174	766
Pension costs-defined contribution	11	69
Social security cost	1	-
	186	835

Notes to the Financial Statements

For the year ended 31 December 2016

10 Directors and employees (Continued)

The number of employees inclusive of executive directors at year end was 18 (2015: 45):

	2016	2015
Managerial	5	9
Administrative	5	11
Operational	4	25
	14	45

Remuneration in respect of Directors was as follows:

Director	Basic salary and fees £'000	Pension-defined contribution schemes £'000	Total 2016 £'000	Total 2015 £'000
Tan Sri Abi Musa	12	-	12	12
Dato Jespal Deol	3	-	3	12
Sushil Sidhu	2	-	2	12
AM Cleverly Esq & Mrs JCM Cleverly	-	-	-	12
Dato' Larry Gan	12	-	12	12
Patrick Dennis Howes	24	-	24	24
Dato' Mohamed Sallehuddin	12	-	12	12
	65	-	65	96

The salary and benefit payable to directors totaling £60,000 was accrued as at 31 December 2016.

The number of Directors who accrued benefits under Company pension schemes was as follows:

	2016 Number	2015 Number
Defined contribution schemes	2	2

11 Finance income/costs

	2016 £'000	2015 £'000
Finance cost		
Interest on bank borrowings	1,739	1,803
Interest paid to suppliers	-	37
Finance costs from discontinued operations	-	(1,699)
	1,739	141
Finance income		
Interest income	-	2
	-	2

12 Income tax

	2016 £'000	2015 £'000
Current income tax	-	-
Deferred tax	-	-
Origination or recognition of temporary differences	-	(1,202)
	-	(1,202)

Notes to the Financial Statements

For the year ended 31 December 2016

12 Income tax (Continued)

The tax on the Group's loss before tax differs from the loss before taxation multiplied by the standard rate of corporation tax in Malaysia due to the following:

	2016 £'000	2015 £'000
Loss before tax	(16,269)	(38,665)
Tax calculated at the standard rate of corporation tax in Malaysia: 24% (2015:25%)	(3,905)	(9,666)
Expenses not deductible for tax purposes	4,342	4,893
Deferred tax credit not recognised during the year	(437)	3,571
	-	(1,202)

The temporary differences attributable to the deferred tax assets and deferred tax liabilities which are not recognised in the financial statements are as follows:

Deferred tax assets:

- Unabsorbed capital allowances	8,660	20,934
- Unutilised tax losses	2,880	28,999
- Allowances for doubtful debts	516	459

Deferred tax liabilities:

- Accelerated capital allowances	-	(13,782)
	12,056	50,392
	12,056	36,610

The net deferred tax assets are not provided in view of the uncertainty on the timing of their recoverability. The tax rate applied is reflecting the average tax rate weighted in proportion to accounting profit earned in each geographical territory.

13 Earnings per share

Basic

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to equity holders of the Company	(£14,072,000)	(£9,494,000)
Profit/(loss) from discontinued operation attributable to equity holders of the parent	£5,732,000	(£23,789,000)
Total	(£8,340,000)	(£33,283,000)
Weighted average number of ordinary shares in issue	116,536,536	116,536,536

Earnings per share from continuing and discontinued operations attributable to owners of the parent
Diluted earnings per share

- From continuing operations	(12.08)p	(8.15)p
- From discontinued operations	4.92p	(20.41)p
- From total comprehensive loss	(7.16)p	(28.56)p

Notes to the Financial Statements

For the year ended 31 December 2016

13 Earnings per share (Continued)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all contracted dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares at the reporting date. Accordingly, the diluted loss per share is the same as the basic loss per share.

	2016	2015
Conversion of 30 Loan Notes, par value £25,000 each	4,067,797	-
Conversion of 1,016,949 Warrants, exercise price 18.4375p	1,016,949	-
Total additional shares post conversion	5,084,746	-
Enlarged number of shares of Group	121,621,282	116,536,536
Earnings per share from continuing and discontinued operations attributable to owners of the parent		
Diluted earnings per share	(11.57)p	(8.15)p
- From continuing operations	4.71p	(20.41)p
- From discontinued operations	(6.86)p	(28.56)p
- From total comprehensive loss		

Notes to the Financial Statements

For the year ended 31 December 2016

14 Property, plant and equipment

	Leasehold land £'000	Leasehold buildings £'000	Furniture, fittings and equipment £'000	Computer and software £'000	Plant and machinery £'000	Motor vehicles £'000	Renovation £'000	Capital work-in-progress £'000	Total £'000
Cost									
As at 1 January 2015	2,733	1,217	348	-	33,780	403	340	8,599	47,420
Additions	-	-	29	-	2,201	345	-	2	2,577
Disposal	-	-	-	-	(5)	-	-	-	(5)
Transfer	-	-	(150)	-	(2,077)	(449)	-	-	(2,676)
Written off	(69)	(378)	(7)	-	(6,030)	-	(65)	(7,291)	(13,840)
Foreign exchange adjustment	(396)	(176)	(42)	-	(2,535)	(41)	(44)	(1,310)	(4,544)
Discontinued operations	(1,554)	(112)	(178)	-	(21,504)	(258)	(231)	-	(23,837)
As at 31 December 2015	714	551	-	-	3,830	-	-	-	5,095
Additions	-	-	-	145	-	-	-	-	145
Disposal	-	-	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Foreign exchange adjustment	106	82	-	-	571	-	-	-	759
As at 31 December 2016	820	633	-	145	4,401	-	-	-	5,999
Accumulated depreciation									
As at 1 January 2015	298	120	253	-	6,964	189	242	-	8,066
Additions	50	5	30	-	1,669	38	19	-	1,811
Disposal	-	-	(121)	-	(89)	(116)	-	-	(326)
Foreign exchange adjustment	(47)	(17)	(31)	-	(1,098)	(21)	(36)	-	(1,250)
Discontinued operations	(301)	(108)	(131)	-	(7,446)	(90)	(225)	-	(8,301)
As at 31 December 2015	-	-	-	-	-	-	-	-	-
Additions	18	14	-	44	294	-	-	-	370
Written off	-	-	-	-	-	-	-	-	-
Foreign exchange adjustment	(1)	(1)	-	-	(9)	-	-	-	(11)
As at 31 December 2016	17	13	-	44	285	-	-	-	359
Net book value as at 31 December 2016	803	620	-	101	4,116	-	-	-	5,640
Net book value as at 31 December 2015	714	551	-	-	3,849	-	-	-	5,095

The leasehold land, buildings, plant and machinery owned by Platinum Performance Chem Sdn. Bhd. have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 20.

The title of the leasehold land owned by Platinum Performance Chem Sdn. Bhd. at Lahad Datu, Sabah, Malaysia is yet to be transferred to the subsidiary company as it is held under master title.

The Group's property, plant and equipment, including capital work in progress, was subject to independent valuations once every 3 years which assessed both their current market value and forced sale value. The valuations were performed in accordance with Malaysian Valuation Standards and The Royal Institution of Surveyors, Malaysia. In the previous financial year, fixed assets have been impaired to their estimated forced sale values, as determined by the valuations.

Notes to the Financial Statements

For the year ended 31 December 2016

15 Goodwill and intangible assets

	Licences £'000	Development costs £'000	Patent £'000	Goodwill £'000	Total £'000
Cost					
As at 1 January 2015	7,524	6,391	3	3,171	17,089
Disposal	-	-	(3)	-	(3)
Impairment	(4,942)	(4,873)	-	(2,039)	(11,854)
Transfer	-	(24)	24	-	-
Foreign exchange adjustment	(62)	(620)	-	(1,132)	(1,814)
Discontinued operations	(2,502)	(874)	-	-	(3,376)
As at 31 December 2015	18	-	24	-	42
Disposal	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
As at 31 December 2016	18	-	24	-	42
Accumulated amortisation					
As at 1 January 2015	2,087	546	1	-	2,634
Addition during the year	421	433	-	-	854
Elimination of depreciation	-	-	(1)	-	(1)
Foreign exchange adjustment	(5)	(105)	-	-	(110)
Discontinued operations	(2,502)	(874)	-	-	(3,376)
As at 31 December 2015	1	-	-	-	1
Addition during the year	-	-	-	-	-
Elimination of depreciation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
As at 31 December 2016	1	-	-	-	1
Net book value as at 31 December 2016	17	-	24	-	41
Net book value as at 31 December 2015	17	-	24	-	41

Goodwill

The carrying amount of goodwill has been fully impaired in the previous financial year.

Licenses

- (i) License for the usage of development, exploitation and commercialisation of graphite nano-fibres and its derivatives; and
- (ii) License for the manufacture of palm oil biodiesel and the linked refinery license subsequently obtained. A useful economic life of 20 years has been assumed as the license has no termination date and the Group has full rights to the land. The production of palm oil is also such an important commodity in Malaysia that its production and demand is expected to continue indefinitely.

Development costs

The carrying amount of development costs has been fully impaired in the previous financial year. The goodwill and intangible assets are tested for impairment annually at the statement of financial position date, the Group evaluates, among other factors, the duration and extent to which their carrying amount is less than its cost and the recoverable amounts. This including factors such as market conditions, changes in business, operational strategies and significant changes expected to take place in the near future. The directors are of the opinion that the Group will not generate sufficient future profits and cash flows from its palm oil and biodiesel businesses and accordingly the goodwill and intangible assets related those businesses have been fully impaired.

Notes to the Financial Statements

For the year ended 31 December 2016

16 Inventories

	2016 £'000	2015 £'000
At cost,		
Raw material	-	8
Finished goods	-	192
Consumable goods	16	31
Inventories associated with discontinued operations	-	(175)
	16	56
At net realisable value,		
Finished goods	-	18
Inventories associated with discontinued operations	-	(18)
	16	56

The amount of inventories recognised as an expense during the year to 31 December 2016 was £nil (2015: £8,493,000). The amount of inventories written off during the year to 31 December 2016 was £45,000 (2015: £nil).

17 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	-	511
Other receivables	27	132
Deposits	28	164
Prepayments	50	115
Trade and other receivables from discontinued operations	-	(807)
	105	115

The normal trade credit term is 30-60 days (2015: 30-90 days). Included in prepayments, there are advances paid to trade creditors for the purchase of raw materials amounting to approximately £nil (2015: £106,000).

18 Cash and cash equivalents

	2016 £'000	2015 £'000
Fixed deposits with licensed banks	-	3
Cash and bank balances	630	555
Cash and cash equivalents from discontinued operations	-	(537)
	630	21

The deposits with licensed banks at the end of the reporting period bore an effective interest rate of nil (2015: 3%) per annum. The deposits have a maturity period of nil (2015: 30 days).

19 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	-	1,838
Other payables	1,964	606
Accruals	179	919
Trade and other payables from discontinued operations	-	(3,229)
	2,143	134

Within other payables is the amount of £436,000 in respect of short term loans. These loans bear no interest, are security free and are repayable at various dates on or before 31 December 2017. The trade and other payables (excluding short term loans) of the Group are due for payment within 30-60 days (2015: 30-60 days).

Notes to the Financial Statements

For the year ended 31 December 2016

20 Bank borrowings

	2016 £'000	2015 £'000
The details of bank borrowings are:		
Term loans	20,300	10,464
Finance lease	-	16
Revolving credits	-	14,463
Bank borrowings from discontinued operations	-	(23,383)
	20,300	1,560
The bank borrowings are repayable as follows:		
<i>Shown as current liabilities</i>		
Term loans	2,966	10,464
Finance lease	-	5
Revolving credits	-	14,463
Borrowings directly related to discontinued operations	-	(23,372)
	2,966	1,560
<i>Shown as non-current liabilities</i>		
Term loans		
Between one and two years	3,608	-
Between two and five years	13,726	-
More than five years	-	-
	17,334	-
Finance lease		
Between one and two years	-	12
Finance lease directly related to discontinued operations	-	(12)
	20,300	1,560

Term loans and revolving credits

The term loans and revolving credits are secured as follows:

- first party first fixed charge over the leasehold land, buildings, plant and machinery of certain subsidiaries as disclosed in Note 14;
- fixed and floating charge over all present and future assets of certain subsidiaries; both movable and immovable;
- assignment of all the subsidiaries' right under the relevant contract/agreements related to the capital work-in-progress assignable to the bank, applicable insurance, permits and liquidated damages, performance bonds/guarantees and licenses;
- deed of assignment of contract proceeds over executed sales off-take agreements between the borrower and the buyer; and
- irrevocable joint and several guarantees by the Company, all directors of a subsidiary and certain directors of the Company.

Term loans bear weighted average effective interest rates ranged from 7.25% to 8.10% (2015: 7.25% to 8.10%) per annum and revolving credits bear weighted average effective interest rates ranged from 7.25% to 8.0% (2015: 7.25% to 8.0%) per annum.

Finance lease bears a weighted average effective interest rate of nil (2015: 6.96%) per annum.

On 26 August 2016, a novation agreement was completed to novate the loan amounting to £17,695,000 from Malaysian Debt Ventures ('MDV') from Platinum Nanochem Sdn. Bhd. to Platinum Techsolve Sdn. Bhd. The said facility has a tenure from 1 November 2015 to 31 December 2021 and bears an effective finance charge of 8% per annum on daily rest payable semi-annually in advance subject to periodic review at discretion of MDV.

During the year the Group also entered into a Consent Judgement with its primary short term financier Bank Kerjasama Rakyat Berhad ('BKRK') with the terms of payment stipulated in the aforesaid judgement. Subsequent to the financial year ended 31 December 2016, the Group has requested and been granted deferments in payments by BKRK.

Notes to the Financial Statements

For the year ended 31 December 2016

21 Deferred tax liability

	£'000
The movement on the deferred tax liability are as follows:	
As at 1 January 2015	1,202
Recognised in statement of comprehensive income	(1,202)
As at 31 December 2015	-
Recognised in statement of comprehensive income	-
As at 31 December 2016	-

22 Share capital and options

	2016 Number of shares	2015 Number of shares	2016 £'000	2015 £'000
Issued and fully paid up:				
At 1 January and 31 December				
Ordinary shares of 0.20p each	-	116,536,536	-	23,307
Ordinary shares of 0.01p each	116,536,536	-	1,165	-
Deferred shares of 0.19p each	116,536,536	-	22,142	-
	233,073,072	116,536,536	23,307	23,307

At the Company's last Annual General Meeting held on 6 December 2016, approval was given by Shareholders, inter alia for a Capital Reorganisation, whereby each Existing Ordinary Share of £0.20 nominal value was to be sub-divided into one New Ordinary Shares of £0.01 nominal value and a 2016 Deferred Share of £0.19 nominal value.

After the Share Capital Reorganisation there will be no change to the number of ordinary shares in issue which means there will be 116,536,536 New Ordinary Shares in issue. The Deferred Shares will have no value or voting rights and will not be issued with a share certificate in respect of the Deferred Shares and they will not be listed on AIM.

Description and purpose of reserves

The reserves included in the Consolidated Statement of Changes in Equity are as follows:

Share capital – represents the nominal value of the shares issued.

Share premium – represents the premium over nominal value paid for the shares issued, less costs of issuing shares.

Translation reserve – represents the differences arising on translation of foreign operations into the presentational currency.

Reverse acquisition reserve – represents the premium on shares issued as consideration for the reverse acquisition of Platinum Nanochem Sdn. Bhd. which was acquired by way of share for share exchange.

23 Preference shares

	2016 £'000	2015 £'000
<i>Irredeemable convertible preference shares</i>		
As at 1 January	1,924	2,249
Foreign exchange adjustment	286	(325)
Preference shares written off directly related to discontinued operations	(2,210)	-
As at 31 December	-	1,924

Irredeemable convertible preference shares

In the year ended 31 December 2013, the subsidiary of the Company issued 12,250,000 irredeemable convertible preference shares of RM1 each as consideration for the acquisition of plant and machinery.

The rights attached to the irredeemable convertible preference shares ('ICPS') are as follows:

- (a) The ICPS shall not carry any fixed rate of dividend. The ICPS holder shall be entitled, on an As If Converted Basis, to such dividend and at such rate as may be declared over the ordinary shares of the subsidiary from time to time. 'As If Converted

Notes to the Financial Statements

For the year ended 31 December 2016

23 Preference shares (Continued)

Basis' means the notional conversion of all the ICPS held by a holder on the date falling immediately prior to the record date for the dividends on the ordinary shares of the subsidiary.

- (b) The ICPS holder does not have the right to vote at any liquidation, dissolution, winding up or other repayment of capital of the subsidiary. The holder of the ICPS shall participate rateably with the holders of ordinary shares of the subsidiary in any surplus assets. The ICPS holder does not have the right to vote at any liquidation, dissolution, winding up or other repayment of capital of the subsidiary. The holder of the ICPS shall participate rateably with the holders of ordinary shares of the subsidiary in any surplus assets.
- (c) All of the outstanding ICPS shall be converted on a one to one basis by the subsidiary into fully paid new ordinary shares in the share capital of the subsidiary within fourteen (14) days from the successful commissioning of a 50 tonne per annum facility for the production of various forms of carbonaceous materials.
- (d) The holder of the ICPS shall carry no right to vote at any general meeting of the subsidiary except with regard to the following circumstances:
- upon any resolution which directly varies the rights attached to the ICPS; and
 - upon any resolution for the winding up of the subsidiary.
- (e) The new ordinary shares will rank pari passu in all respects with the then existing ordinary shares of the subsidiary. The ICPS is held by Platinum Nanochem Sdn. Bhd. and has been written off during the financial year as the Group has lost control of this subsidiary. Please refer to Note 7 for further details.

24 Share warrants

At financial year end, the Company had issued to Darwin Capital Limited 1,016,949 Ordinary Shares Warrants at an exercise price of 18.4375 pence per new Ordinary Share. The Warrants can be exercised over a five-year period from 23 December 2016.

25 Contingent liabilities

At the date of the report, the Company provided a corporate guarantee for banking facilities granted to its subsidiary amounting to £17,695,000 (2015: £15,905,000).

26 Financial instruments

The Group's activities expose it to a variety of financial risks: market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury policy is set by the Board and is reviewed regularly. Further detail regarding risk exposure and risk management policies is provided below. The carrying amounts of the Group's financial assets and liabilities as at 31 December 2016 are as follows:

	2016 £'000	2015 £'000
Current assets		
Trade and other receivables	-	922
Cash and bank balances	-	558
Current assets directly associated with discontinued operations	-	(1344)
Loans and receivables carried at amortised cost	735	136
Current liabilities		
Trade and other payables	2,143	3,370
Borrowings	2,966	24,932
Current liabilities directly associated with discontinued operations	-	(26,614)
	5,109	1,688
Non-current liabilities		
Borrowings	17,334	12
Non-current liabilities directly associated with discontinued operations	-	(6)
Other financial liabilities carried at amortised cost	22,443	1,694

Risk management is carried out centrally under policies approved by the Board.

Notes to the Financial Statements

For the year ended 31 December 2016

26 Financial instruments (Continued)

(a) Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pound Sterling. The currencies giving rise to this risk are primarily United States Dollar and Malaysian Ringgit. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	United States Dollar £'000	Malaysian Ringgit £'000	Total £'000
2016			
Trade and other receivables	-	86	86
Fixed deposits with licenced banks	-	-	-
Cash and bank balances	-	139	139
Trade and other payables	-	733	733
Borrowings	-	20,300	20,300
Net exposure	-	21,258	21,258
2015			
Trade and other receivables	106	804	910
Fixed deposits with licenced banks	-	3	3
Cash and bank balances	-	407	407
Trade and other payables	(2)	(2,601)	(2,603)
Borrowings	-	(24,944)	(24,944)
Net exposure	104	(26,331)	(26,227)

For the year ended 31 December 2016, if the Malaysian Ringgit had strengthened or weakened by up to 5% against the Sterling with all other variables held constant, the impact on the loss before tax would have been increased and decreased by £637,000 (2015: £1,315,000).

Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from money market deposits and bank borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from money market deposits and bank borrowings. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Bank borrowings bear a variable rate of interest which expose the Group to cash flow interest rate risk. The Group does not consider the risk to be significant in view of the nature of the Group's current activities. A 100 basis point change represents management's estimate of a possible change in interest rates at the reporting date. If interest rates had been 100 basis points higher and all other variables remained constant, the impact on the Group's profit and loss would have been £203,000 (2015: £249,000).

(b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The 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 quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Notes to the Financial Statements

For the year ended 31 December 2016

26 Financial instruments (Continued)

(b) Credit risk (Continued)

The 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 and the current economic environment.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (3) customers which constituted approximately % (2015 - 81%) of its trade receivables at the end of the reporting period.

The revenue generated by the three customers were as follows:

Customer 1 - £258,451 [100%]	(2015 - £727,352 Percentage of revenue [9%])
Customer 2 - nil [-%]	(2015 - £595,715 Percentage of revenue [7%])
Customer 3 - nil [-%]	2015 - £85,162 Percentage of revenue [1%]

Prior figures were part of discontinued operations in the current year.

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

(iii) Ageing analysis

	Gross amount £'000	Individual impairment £'000	Collective impairment £'000	Carrying value £'000
2016				
There are no trade receivables in the statement of financial position at 31 December 2016.				
2015				
Not past due	285	-	-	285
Past due:				
- 1 to 3 months	226	-	-	226
- 3 to 6 months	146	(146)	-	-
	657	(146)	-	511

Trade receivables that are past due but not impaired. Prior figures were part of discontinued operations in the current year.

The 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.

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial obligations that are settled with cash or another financial asset. The Directors' objective is to maintain, as much as possible, a level of its cash and bank balances adequate enough to ensure that there will be sufficient liquidity to meet its liabilities when they fall due.

Notes to the Financial Statements

For the year ended 31 December 2016

26 Financial instruments (Continued)

(c) Liquidity risk (Continued)

The following set forth the remaining contractual maturities of financial liabilities as at:

£'000	On demand	< 1 year	1-2 years	2-5 years	Total
31 December 2016					
Trade and other payables and accruals	2,143	-	-	-	1,618
Borrowings	-	2,966	3,608	13,726	20,300
	2,143	2,966	3,608	13,726	22,443
31 December 2015					
Trade and other payables and accruals	3,370	-	-	-	3,370
Borrowings	24,927	5	11	-	24,943
	28,297	5	11	-	28,313

(d) Fair value information

As at the end of the reporting period, there were no financial instruments carried at fair values. The fair values of the financial assets and financial liabilities approximated their carrying amounts due to relatively short-term maturity of the financial instruments (maturing within the next 12 months). The fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary.

Set out below is a comparison by class of the carrying amounts of fair value of the Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

£'000	Type	Carrying value	Fair value
31 December 2016			
<i>Financial assets</i>			
Property, plant and equipment	Level 3	5,640	5,640
Intangible assets	Level 3	41	41
		5,681	5,681
31 December 2015			
<i>Financial assets</i>			
Property, plant and equipment	Level 3	20,631	20,631
Intangible assets	Level 3	41	41
		20,672	20,672

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the 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.

Notes to the Financial Statements

For the year ended 31 December 2016

26 Financial instruments (Continued)

(e) Capital risk management (Continued)

The Group considers capital to be its equity reserves as shown in the consolidated statement of financial position plus net debt. At the current stage of the Group's life cycle, the Group's objective in managing its capital is to ensure that funds raised meet the cash requirements. Capital at 31 December 2016 and 31 December 2014 was as follows:

	2016 £'000	2015 £'000	2014 £'000
Total borrowings (Note 20)	20,300	24,943	30,441
Less: Cash and cash equivalents (Note 18)	(630)	(558)	(2,227)
Net debt	19,670	24,385	28,214
Total equity	(15,426)	(5,893)	27,715
	4,244	18,492	55,929

27 Operating lease commitments

Leases as lessee

The Group leases two office premises and office equipment under operating leases. The lease period of office premises is two years with an option to renew after that date and office equipment is five years.

	2016 £'000	2015 £'000
Not more than one year	1	28
Later than one year and not later than five years	2	3
	3	31

28 Related party transactions

Identities of related parties

In relation to the information detailed elsewhere in the financial statements, the Group has a controlling related party

(a) relationship with its subsidiary as disclosed in Note 3 to the financial statements.

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the

(b) following significant transactions with the related parties during the financial year:

	2016 £'000	2015 £'000
Key management personnel:		
- Salaries and other benefits	65	308
- Defined contribution plan	-	34

The salary and benefit payable to key management totaling £60,000 was accrued as at 31 December 2016.

29 Control

The Company is under the control of its shareholders and not any one party.

30 Significant event

During the financial year on the 23 December 2016, the Group executed a subscription agreement with Darwin Capital Limited for the issuance of up to £2.5m of Senior Unsecured Zero Coupon Convertible Loan Notes ('Loan Notes') with detachable Warrants in 3 separate tranches. In tranche 1 a total of 30 Loan Notes of £ 25,000 each, was issued along with 1,016,949 detachable warrants. These warrants can be exercised over a five-year period from 23 December 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

31 Subsequent events

Post financial year end Darwin Capital Limited converted the 30 loan notes issued from Tranche 1 as follows:

Date	Loan notes issued	Aggregate value	Loan notes converted	Aggregate value	New ordinary shares issued	Loan note balance
23 December 2016	30	£750,000	-	-	-	30
03 February 2017	-	-	(4)	(£100,000)	1,349,674	26
08 March 2017	-	-	(6)	(£150,000)	3,052,279	20
03 April 2017	-	-	(10)	(£250,000)	6,130,011	10
12 April 2017	-	-	(10)	(£250,000)	6,940,766	-

On 15 May 2017, the Group issued a further 40 Loan Notes in tranche 2 with an aggregate value of £1,000,000 with 1,355,932 detachable warrants at an exercise price of 18.4375 pence per new Ordinary Share. The Warrants can be exercised over a five-year period from 15 May 2017.

At date of this report the enlarged share capital of the Group consists of 134,009,266 ordinary shares at 1p each and total detachable warrants outstanding are 2,372,881



FINANCIAL STATEMENTS

Independent Auditor's Report

To the members of Graphene NanoChem Plc

We have audited the financial statements of Graphene NanoChem Plc for the year ended 31 December 2016 which comprise the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the

financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of

performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- > give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's profit or loss for the year then ended;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the Consolidated Group's financial statements concerning the Company's ability to continue as a going concern. While the Company made a net profit of £1,669,000 during the year ended 31 December 2016, at that date, the Company had net current assets of £1,657,000. These conditions, along with the other matters explained in note 2.6 to the financial statements, indicate the

existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- > the 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.

Mark Ling

Senior statutory auditor

For and on behalf of
PKF Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2017

Statement of Financial Position

(Parent Company)
As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Property, plant and equipment	5	101	-
Intangible assets	7	41	41
		142	41
Current assets			
Other debtors	8	19	12
Amount owed by subsidiaries	8	3,632	-
Cash at bank and in hand		41	-
		3,692	12
Current liabilities			
Bank overdraft		-	(12)
Creditors: amounts falling due within one year	9	(2,035)	(117)
		(2,035)	(129)
Net current assets / (liabilities)		1,657	(117)
Net assets / (liabilities)		1,799	(76)
Capital and reserves			
Share capital	10	23,307	23,307
Share premium account	11	37,639	37,639
Shares to be issued		206	-
Profit and loss account	11	(59,353)	(61,022)
Shareholders' funds	11	1,799	(76)

On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income statement and related notes that form a part of these approved financial statements.

The profit for the year is £1,669,000 (2015: loss £50,726,000).

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017 and signed on its behalf by:

Sushil Sidhu **Dato' Jespal Deol**
Executive Director *Executive Director*

Company Registration No: 05712979

Statement of Changes in Equity

(Parent Company)
As at 31 December 2016

	Share capital	Share premium account	Shares to be issued	Accumulated losses	Total equity
At 1 January 2015	23,307	37,639	-	(10,296)	50,650
Total comprehensive loss					
Loss for the financial year	-	-	-	(50,726)	(50,726)
	-	-	-	(50,726)	(50,726)
At 31 December 2015	23,307	37,639	-	(61,022)	(76)
<i>Total comprehensive loss</i>					
New shares to be issued	-	-	206	-	206
Profit for the financial year	-	-	-	1,669	1,669
	-	-	206	1,669	1,875
At 31 December 2016	23,307	37,639	206	(59,353)	1,799

Statement of Cash Flows

(Parent Company)
As at 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Loss before taxation	1,669	(50,726)
Adjustments for:		
Depreciation of PPE	44	-
Amortisation of intangible assets	1	1
Impairment of investment in subsidiaries	-	21,268
Provision against amount owed by former Group undertakings	(3,268)	26,759
Interest income	-	(168)
Warrant issue	81	-
(Increase) / decrease in :		
Trade and other receivables	(7)	4
Increase / (decrease) in :		
Trade and other payables	851	62
Other payable and accrued expenses	7	-
Cash generated from / (used in) operations	(622)	(2,800)
Net interest received	-	168
Net interest paid	-	-
Net cash used in operating activities	(622)	(2,632)
Cash flows (for) / from investing activities		
Purchase of intangible assets	-	(42)
Repayment by subsidiaries	-	1,841
Loan to subsidiaries	(436)	-
Net cash (used in) / generated from investing activities	(436)	1,799
Cash flows (for) / from financing activities		
Issuance of loan notes	675	-
Loan from third party	436	-
Net cash (used in) / generated from financing activities	1,111	-
Net decrease in cash and cash equivalents	53	(833)
Cash and cash equivalents at beginning of year	(12)	821
Cash and cash equivalents at end of year	41	(12)

Notes to the Financial Statements

(Parent Company)
As at 31 December 2016

1 General information

Graphene Nanochem Plc ('the Company') is the UK holding company of a Group of companies which are involved in the design, formulation and manufacturing of intermediate and performance chemicals and advanced nano-materials. The registered address of the Company is Academy House, London Road, Camberley, Surrey, GU15 3HL.

2 Principal accounting policies

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and using UK financial reporting standards and applicable law which together comprise with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland. ('UK GAAP'). The consolidated financial statements of the Group have been shown separately and are prepared using IFRS as adopted by the European Union.

Information on impact of first-time adoption of FRS 102 is given in note 17.

On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income statement and related notes that form a part of these approved financial statements.

The Company is entitled to the merger relief offered by Section 612 of the Companies Act 2006 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Platinum Performance Chem Sdn Bhd (formerly known as Zurex Corporation Sdn Bhd).

The principal accounting policies of the Company are set out below. There were no recognised gains or losses for the year other than the loss for the year.

The financial statements have been prepared on the going concern basis as explained in Note 2.2 to the consolidated financial statements.

2.2 Income from investments

Investment income comprises interest receivable from the licensed banks and is recognised on an accrual basis using the effective interest method.

2.3 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- > provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- > provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- > deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2.4 Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the Financial Statements

(Parent Company)
As at 31 December 2016

2 Principal accounting policies (Continued)

2.5 Financial instruments

Financial assets and liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

The Company's financial assets and liabilities are initially measured at fair value plus any directly attributable transaction costs. The carrying value of the Company's financial assets, primarily cash and bank balances, and liabilities, primarily the Company's payables and other accrued expenses, approximate their fair values.

(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.

> *Trade and other receivables*

Trade and other receivables (including deposits and prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as other receivables, deposits, and prepayments. Other receivables, deposits, and prepayments 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 and equity instruments*

Financial liabilities are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial liabilities are reported in profit or loss. Distributions to holders of financial liabilities are classified as equity and charged directly to equity.

> *Financial liabilities*

Financial liabilities comprise long-term borrowings, short-term borrowings, trade and other payables and accruals, measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

> *Equity instruments*

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

2.6 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions 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.

The following are the key 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 a significant adjustment to the carrying amounts of assets and liabilities in the Financial Statements.

2.7 Carrying value of investment in and loans due from subsidiaries

Management's assessment for impairment of investment and long term loans in subsidiaries is based on the estimation of value in use of the cash generating unit (CGU) by forecasting the expected future cash flows for a period of up to five years, using a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements

(Parent Company)
As at 31 December 2016

2 Principal accounting policies (Continued)

2.7 Carrying value of investment in and loans due from subsidiaries (Continued)

As the Company's subsidiaries have ceased operations and are in negotiations with various banks to dispose of fixed assets to settle overdue loans, management has fully impaired the carrying values of investments in subsidiaries and loans due from subsidiaries.

3 Administrative expenses

	2016 £'000	2015 £'000
Included within administrative expenses are:		
Amortisation of intangible assets	-	1
Auditors remuneration		
- Fees payable to the company's auditor for the audit of the annual accounts	30	32

4 Directors and employees

	2016 £'000	2015 £'000
Salary and wages including gratitude	65	96

There was no employee except for the number of directors during the year was 6 (2015:7).

Remuneration in respect of Directors was as follows:

Director	Basic salary and fees £'000	Pension-defined contribution schemes £'000	Total 2016 £'000	Total 2015 £'000
Tan Sri Abi Musa	12	-	12	12
Dato Jespal Deol	3	-	3	12
Sushil Sidhu	2	-	2	12
Am Cleverly Esq & Mrs JCM Cleverly	-	-	-	12
Dato' Larry Gan	12	-	12	12
Patrick Dennis Howes	24	-	24	24
Dato' Mohamed Sallehuddin	12	-	12	12
	65	-	65	96

The salary and benefit payable to directors totaling £60,000 was accrued as at 31 December 2016.

5 Property, plant and equipment

	2016 £'000	2015 £'000
Cost		
At 1 January	-	-
Additions	145	-
At 31 December	145	-
Accumulated depreciation		
At 1 January	-	-
Additions	44	-
At 31 December	44	-
Net book value		
At 31 December	101	-

Notes to the Financial Statements

(Parent Company)
As at 31 December 2016

6 Investments in subsidiaries

	2016 £'000	2015 £'000
Cost		
At 1 January	30,525	30,525
Additions	-	-
At 31 December	30,525	30,525
Permanent diminutions		
At 1 January	30,525	9,257
Impairment for the year	-	21,268
At 31 December	30,525	30,525
Net book value	-	-

Please refer to Notes 3 & 7 of the consolidated financial statements for list of subsidiaries and discontinued operations.

Investments in subsidiaries and a joint venture are shown at cost less impairment loss.

As some of the Company's subsidiaries have ceased operations and are in negotiations with various banks to dispose of fixed assets to settle overdue loans, management has fully impaired the carrying values of these investments in subsidiaries and loans due from subsidiaries.

7 Intangible assets

	Licenses £'000	Patents £'000	Total £'000
Cost			
As at 1 January 2016	18	24	42
Transfer from subsidiary undertakings	-	-	-
As at 31 December 2016	18	24	42
Accumulated amortisation			
As at 1 January 2016	1	-	1
Transfer from subsidiary undertakings	-	-	-
As at 31 December 2016	1	-	1
Net book value as at 31 December 2016	17	24	41

8 Debtors

	2016 £'000	2015 £'000
Due within more than one year		
Amounts owed by subsidiaries	3,632	26,759
Less: provision allowance	-	(26,759)
Net amount owed by subsidiaries	3,632	-
Due within one year		
Other debtors	19	12
	3,651	12

Notes to the Financial Statements

(Parent Company)
As at 31 December 2016

9 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Accruals and deferred income	1,410	117
Borrowings	625	-
	2,035	117

10 Share capital and options

	2016 Number of shares	2015 Number of shares	2016 £'000	2015 £'000
Issued and fully paid-up:				
At 1 January and 31 December				
Ordinary shares of 0.20p each	-	116,536,536	-	23,307
Ordinary shares of 0.01p each	116,536,536	-	1,165	-
Deferred shares of 0.19p each	116,536,536	-	22,142	-
	233,073,072	116,536,536	23,307	23,307

At the Company's last Annual General Meeting held on 6 December 2016, approval was given by Shareholders, inter alia for a Capital Reorganisation, whereby each Existing Ordinary Share of 0.2p nominal value was to be sub-divided into one New Ordinary Shares of £0.01 nominal value and a 2016 Deferred Share of £0.19 nominal value.

After the Share Capital Reorganisation there will be no change to the number of ordinary shares in issue which means there will be 116,536,536 New Ordinary Shares in issue. The Deferred Shares will have no value or voting rights and will not be issued with a share certificate in respect of the Deferred Shares and they will not be listed on AIM.

11 Statement of reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2015	37,639	(10,296)
Loss for the year	-	(50,726)
At 31 December 2015	37,639	(61,022)
Profit for the year	-	1,669
At 31 December 2016	37,639	(59,353)

12 Capital commitments

The Company had no contracted capital commitments at 31 December 2016 (2015: £nil).

13 Contingent liability

The Company has provided a guarantee in respect of bank borrowings of its subsidiaries totaling £17,695,000 (2015: £15,905,000).

14 Transactions with Directors and other related parties

The Company has taken advantage of the exemption in FRS102 and has not disclosed transactions with wholly owned Group undertakings. There are no other related party transactions with the Company. The Company is under the control of its shareholders and not any one party.

15 Company profit and loss account

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The profit of the Company for the year was £1,669,000 (2015: loss £50,726,000).

Notes to the Financial Statements

(Parent Company)
As at 31 December 2016

16 Financial instruments

The carrying amounts of the Company's financial assets and liabilities as at 31 December 2016 are as follows:

	2016 £'000	2015 £'000
Financial assets		
Trade and other receivables	19	12
Cash and bank balances	41	-
	60	12
Financial liabilities carried at amortised costs		
Trade and other payables	1,410	117
Borrowings	625	12
	2,035	129

17 Operating lease commitments

Leases as lessee

The Group leases two office premises and office equipment under operating leases. The lease period of office premises is two years with an option to renew after that date and office equipment is five years.

	2016 £'000	2015 £'000
Not more than one year	1	28
Later than one year and not later than five years	2	3
	3	31

18 First time adoption of FRS 102

The accounting policies applied under the entity's previous accounting framework are not materially different to the accounting policies that are compliant with FRS 102 and there has been no material impact on equity or profit or loss. Accordingly, no reconciliation from the entity's previous accounting framework has been presented.

19 Significant event

Refer to Note 30 of the consolidated financial statements.

20 Subsequent events

Refer to Note 31 of the consolidated financial statements.

Corporate Information

Directors

Tan Sri Dato' Sri Abi Musa Asa'Ari Bin Mohamed Nor
Dato' Jespal Singh Deol Balbir Singh
Sushil Singh Sidhu Joginder Singh
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
Dato Sallehuddin bin Othman
Dr Patrick Dennis Howes

Registered Office

Academy House
London Road Camberley
Surrey GU15 3HL

Headquarters

Suite 9.2, Level 9, WORK@Clearwater
Changkat Semantan, Off Jalan Semantan
Damansara Heights, 50490 Kuala Lumpur
T +603 2092 3080
F +603 2092 5080

Website

www.graphenenanochem.com

Investor Relations

Request for further copies of the Annual Report or other investor relations matters should be addressed to Graphene Headquarters

Annual General Meeting

The Annual General Meeting (AGM) will be held 26 July 2017, a formal notice of AGM will be sent to shareholders together with the annual report for financial year 2016.

Auditor

PKF International LLP
33rd Floor, Menara 1MK,
Kompleks 1 Mont' Kiara,
No. 1, Jalan Kiara,
Mont' Kiara, 50480
Kuala Lumpur

Company Secretary

MSP Chartered Secretaries Limited
Craven House, West Street,
Farnham
Surrey GU9 7EN

Registrar

Share Registrar Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR

Public Relations Agency

Yellow Jersey
7th Floor
22 Upper Ground
London SE1 9PD

Financial Year and Corporate Calendar

Half year end 30 June 2017
Interim results
Year End 31 December 2017
Final results

Notice of Annual General Meeting

Graphene NanoChem Plc

(Incorporated and registered in England and Wales under the Companies Act 1965 with registered number 05712979)

NOTICE is hereby given that an Annual General Meeting ('AGM') of Graphene NanoChem Plc (the 'Company') will be held on 26 July 2017 at Academy House, London Road, Camberly, Surrey GU15 3HL, commencing at 10.30 a.m for the purpose of considering and, if thought fit, passing the following resolutions:

As Ordinary Business

- 1 THAT the Company's annual report and audited financial statements, and the report of the Directors for the period ended 31 December 2016, now laid before this meeting be and is hereby approved.
- 2 THAT Dr. Patrick Dennis Howes, who retires in accordance with the Articles of Association of the Company be and is hereby re-elected as a Director of the Company.
- 3 THAT Dato' Sallehuddin bin Othman who retires in accordance with the Articles of Association of the Company be and is hereby re-elected as a Director of the Company.
- 4 THAT PKF International LLP be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at which accounts are laid before the Company, and that the Board of Directors be and is hereby authorised to fix the remuneration of the Auditors.
- 5 THAT in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act):

5.1 up to an aggregate nominal value of £1,287,540.01; and in addition,

5.2 up to a further aggregate nominal value of £1,287,540.01 in connection with a rights issue in favour of ordinary shareholders, in proportion, as nearly as practicable, to their existing holding, subject only to such exclusions or arrangements as the Directors deem necessary or expedient to deal with fractional entitlements or legal practice problems under the laws of any territories or requirements of any recognised regulatory body or any stock exchange of any territory;

and this authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 80 of the Act, and shall expire on the earlier of the conclusion of the next AGM of the Company and the date falling 15 months after the passing of this resolution save that the Company may, before such expiry, make any offer or agreement which would, or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

As Special Resolutions

- 6 THAT subject to the passing of Resolution 5 above as Ordinary Resolution, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined by section 560 of the Act) pursuant to the authority granted by Resolution 5 as if section 561 (1) of the Act does not apply to such allotment provided that this power shall be limited to:
 - 6.1 the allotment of equity securities in connection with or pursuant to an offer by way of a rights issue or any other pre-emptive offer in favour of ordinary shareholders in proportion as nearly as practicable, to their existing holding, subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territories or requirements of any recognised regulatory body or any stock exchange in any territory; and
 - 6.2 the allotment (otherwise than pursuant to sub-resolution 6.1 above) of equity securities consisting of or related to ordinary shares up to an aggregate nominal value of £1,287,540.01

and this authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 96 of the Act, and shall expire on the earlier of the conclusion of the next AGM of the Company and the date falling 15 months after the passing of this resolution save that the Company may, before such expiry, make any offer or agreement which would, or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

BY ORDER OF THE BOARD

Sushil Singh Sidhu Joginder Singh

29 June 2017

Graphene NanoChem Plc

Notes on AGM

- 1 A shareholder entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him or her. The proxy need not be a member of the Company. Where a shareholder appoints more than one proxy, each proxy must be appointed in respect of different shares comprised in his or her shareholding which must be identified on the proxy form. Each such proxy will have the right to vote on a poll in respect of the number of votes attaching to the number of shares in respect of which the proxy has been appointed but such proxies will only be entitled to one vote between them on a show of hands. The proxy who is to exercise the one vote on a show of hands must be identified on the appropriate proxy form. Where more than one joint shareholder purports to appoint a proxy in respect of the same shares, only the appointment by the most senior shareholder will be accepted as determined by the order in which their names appear in the Company's Register of Members. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the Chairman of the meeting and give your instructions to that proxy.
- 2 To be effective an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of Share Registrars Limited at The Courtyard, 17 West Street Farnham Surrey, GU9 7DR (or faxed to Share Registrars Limited at 01252 719232) so as to be received no later than 10.30 a.m. on 24 July 2017 except that: a) should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting; and (b) in the case of a poll taken more than 48 hours after it was demanded, such deposit may be made not later than 24 hours before the time appointed for the taking of the poll.
- 3 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA36) by the latest time(s) for receipt of the proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken by the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 4 Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting.
- 5 An abstention (or 'vote withheld') option has been included on the Form of Proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions, will however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
- 6 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 10.30 a.m. on 24 July 2017 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 7 If you are a person who has been nominated under section 146 of the 2006 Act to enjoy information rights, you may have a right, under an agreement between you and the shareholder who has nominated you, to be appointed or to have someone else appointed for you as a proxy for the meeting. If you do not have such a right, or you do have such a right but do not wish to exercise it, you may have a right under such an agreement to give instructions to the shareholder who nominated you as to the exercise of the voting rights attached to the ordinary shares in respect of which you have been nominated.
- 8 As at 21 June 2017, being the last practicable date before the publication of this notice, the Company's issued share capital consists of 134,009,266 ordinary shares, carrying one vote each. No shares are held as treasury shares and therefore the total number of votes at such date is 134,009,266.
- 9 Copies of Directors' service contracts and letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.
- 10 If you have any queries how to complete the proxy form, please contact the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham Surrey, GU9 7DR, United Kingdom or on telephone number 01252 821 390 (Lines are open 9.00 a.m.-5.30 p.m. Mon-Fri. The helpline cannot provide advice on the merits of the transaction nor give any financial, legal or tax advice.

Notes on Resolutions

Resolution 1

The Directors are required by law to present at the AGM the Accounts and the reports of the Directors and auditors for the year ended 31 December 2016.

Resolution 2

Reappointment of Dr. Patrick Dennis Howes as a Director, who in accordance with the Company's Articles of Association is required to resign at the AGM and, being eligible, offers himself for reappointment. The Board, following its evaluation of the performance of Dr. Patrick Dennis Howes confirms that he is performing effectively and demonstrates commitment to his role.

Resolution 3

Reappointment of Dato' Sallehuddin bin Othman as a Director, who in accordance with the Company's Articles of Association is required to resign at the AGM and, being eligible, offers himself for reappointment. The Board, following its evaluation of the performance of Dato' Sallehuddin bin Othman confirms that he is performing effectively and demonstrates commitment to his role.

Resolution 4

Appointment of PFK International LLP as auditors is proposed to the Company and that the Directors be authorised to determine their remuneration.

Resolution 5

Under the Act, the Directors may only allot unissued shares if authorised to do so in general meeting. This resolution will allow the Directors to act in the best interest of the Company and shareholders when opportunities arise and provide the flexibility to move quickly to raise funds as and when required by the Company.

Resolution 6

If shares are to be offered for cash, the Act requires that those shares be offered first to the existing shareholders in proportion to the number of shares they hold at the time of the offer. However, it may sometimes be in the interest of the Company for the Directors to allot shares other than to shareholders in proportion to their existing shareholding.

This resolution authorises the Board, subject to specified limits, to allot shares:

- > in connection with a rights issue or other pro rata offer to existing shareholders, defined in summary as an offer of equity securities to shareholders which is open for a period decided by the Board subject to any limits or restrictions which the Board thinks are necessary or appropriate;
- > otherwise than in connection with a rights issue so that the pre-emptive requirement does not apply to the allotment of shares for cash up to a maximum nominal value of £1,287,540.01.

('Authorities') in each case represent approximately 49% of the enlarged issued share capital of the Company as at the date of this Notice (assuming the Authorities were to be fully utilized) Existing Ordinary Shares or New Ordinary Shares as the case may be.

Resolution 6 would, if passed, give the Directors the power to expeditiously take advantage of funding and/or acquisition opportunities as and when they arise. The authorities may also be used for working capital and for general corporate purposes.

If the authorities were to be used in relation to a placing of equity with investors on a non-pre-emptive basis, the Directors will seek to ensure that existing significant shareholders will receive preferential allocations in such placing.

As a UK public company, the Company is governed by the provisions of the UK City Code of Takeovers and Mergers ('Code').

Accordingly, no issue of shares will be made which would result in a single shareholder or concert party holding 30% or more of the issued share capital of the Company without, as required by the Code, a vote of independent shareholders being sought, to waive the requirement of such shareholder or concert party to make an offer for the whole of the issued share capital of the Company.

The Directors will consult with its nominated adviser on the terms and conditions of any issue utilising the authorities.

Notwithstanding the authorities being sought from shareholders to allow for a non-pre-emptive issue of shares, the Directors will keep under review the possibility of an issue of shares on a pre-emptive basis.

These authorities, if passed, will expire at the start of the next annual general meeting of the Company.

Form of Proxy



For use at the Annual General Meeting to be held on Wednesday , 26 July 2017 at Academy House, London Road, Camberly, Surrey GU15 3HL commencing at 10.00 a.m (the 'Annual General Meeting' or 'AGM').

Please insert full name: I/We _____
(Please insert name in block letters)

And address: of _____

(Please insert address in block letters)

being (an) Ordinary Shareholder(s) of the Company hereby appoint the Chairman of the AGM*
_____ of _____

(Please insert name and address in block letters)

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 26 July 2017 at 10.30 a.m. and at any adjournment thereof.

I/We direct the proxy to vote on the resolutions set out in the Notice convening the Annual General Meeting as follows:

Please indicate how you wish your proxy to vote by placing a tick in the appropriate space. Unless otherwise indicated the proxy will exercise his discretion as to how he votes and whether or not he abstains from voting.

Ordinary Resolutions	For	Against	Vote withheld
1 To receive and adopt the 2016 Report and Accounts			
2 To re-elect Dr. Patrick Dennis Howes			
3 To re-elect Dato' Sallehuddin bin Othman			
4 To appoint PKF International LLP as Auditors and to authorise the Directors to fix their remuneration			
5 To authorise the Directors to allot shares			
Special Resolutions	For	Against	Vote withheld
6 To dis-apply statutory pre-emption rights			

Questions for GM

Please use the space below to detail any questions you may wish asked at the AGM:

Dated _____

Signature _____

*If you wish to appoint some other person as your proxy, please insert the name and address where indicated and delete the words 'the Chairman of the AGM'

Notes

- 1 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a notice of AGM with this proxy form. You can only appoint a proxy using the procedures set out in these proxy form notes and the notes to the notice of AGM.
- 2 A proxy does not need to be a member of the Company but must attend the AGM to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name and address where indicated and delete the words 'the Chairman of the AGM' where indicated with the asterisk. If you sign and return this proxy form without indicating such other person, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
- 4 To be effective, this proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Company's registrars, Share Registrars Limited at The Courtyard, 17 West Street Farnham Surrey, GU9 7DR (or faxed to Share Registrars Limited on 01252 719232) by 10.30 a.m. on 24 July 2017.
- 5 In the case of a corporation, this proxy form must be executed either under a common seal or under the hand of an officer or attorney duly authorised in writing.
- 6 To direct your proxy how to vote on the resolutions mark the appropriate box with a tick. To abstain from voting on a resolution, tick the relevant 'Vote Withheld' box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion on the resolution and any other business conducted at the meeting.
- 7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- 8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 9 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at The Courtyard, 17 West Street Farnham Surrey, GU9 7DR. In the case of a member, which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Share Registrars Limited by no later than 24 July 2017 at 10.30 a.m. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
- 10 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 11 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

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