



Graphene
Nanochem

ANNUAL REPORT
2014

At a Glance

Who We Are

Graphene NanoChem Plc. ("Graphene NanoChem" or "Group") 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 strategically focused in the oil and gas ("O&G") sector as its first commercialisation platform and has successfully completed an integrated suite of enhanced oil recovery ("EOR") applications to meet industry demand for cost effective high performance solutions, achieving market breakthrough in 2014. With that, the Group is now moving onto its next phase of development of market building and executing long term growth opportunities in the O&G industry.



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Financial Highlights



Group Revenue increased to a record of £48.3 million, a 53% Y-o-Y growth



Group turnaround from gross loss of £1.3 million to gross profit of £1.6 million



Decrease in loss for the year to £6.7 million, a 33% Y-o-Y improvement

Business and Operational Highlights

- ▶ Joint venture agreement with Scomi Oiltools (“**Scomi**”) to expand nanomaterial enhanced oilfield chemicals manufacturing capacity by 2017 to service Scomi’s growing market for drilling fluids. Scomi operates in 60 locations across 22 countries worldwide with an existing order book in excess of £900 million (April 2014)
- ▶ 5-year master supply agreement with Scomi for the 50/50 joint venture facility valued at c.£117 million commencing 2017 (September 2014)
- ▶ Marketing joint venture with Fire Creek Resources Ltd, a petroleum drilling specialist company for market expansion into North America (December 2014)
- ▶ Agreement executed with Petroleum Pipe Company (PPC), a leading global supplier for oilfield pipes and casings to prototype and access market opportunity for the Group’s applications offered by Performance Materials (December 2014)
- ▶ Cooperation agreement with HWV Technologies for the development and commercialisation of an integrated graphene-enhanced water treatment system for the O&G sector (November 2014)
- ▶ Collaboration agreement with Sync R&D to develop a graphene-enhanced lithium-ion battery prototype for electric buses under the 1 Malaysia Electric Bus programme (October 2014)
- ▶ 4 new patents filed on its graphene nanomaterials platform and application
- ▶ First commercial rollout of 2 application lines from the EOR technology platform, supplying to national O&G operator – leading to the 1st profitable quarter for the Group

Post Period Events

- ▶ Six new oilfield tenders submitted via Scomi in Malaysia, Thailand, Indonesia, Myanmar and Brunei (Q4 2015/Q1 2016 award)
- ▶ US\$28 million tender award for the deployment of PlatDrill with a major national oil and gas company for an initial period of three years, one of the successful six oilfield tenders submitted via Scomi in Q4 2015/Q1 2016 (June 2015)
- ▶ 9 month testing for the certification of the biodegradable status of the PlatDrill Series successfully completed by the National Institute of Oceanography, India – exceeding industry standard (March 2015)
- ▶ Product testing with an oil major for a strategic blending programme – expected to be completed by end of 2015 (February 2015)
- ▶ Final phase of qualification for the change order process in Thailand
- ▶ Commercial deployment of the Group’s Oilfield Recovery Additive, PlatSurF, following an order from Scomi Oiltools for an approximate 50-well drilling programme in Thailand (March 2015)
- ▶ Engaged in various stages of product testing, approval and commercial negotiations on both new and ongoing oil fields across 15 countries



Strategic Report

Corporate Governance

Financial Statements

Annual General Meeting

Graphene NanoChem has demonstrated success in leading the race for the commercialisation of nanotechnology and nanomaterials. The Group's chosen focus areas, chemicals and fluids, composite materials and energy storage have large market sizes and represent consistently growing Compound Annual Growth Rate ("**CAGR**") prospects and above average Gross Domestic Product ("**GDP**") growth rates. In chemicals and fluids, the Group has focused on the unmet needs of the large oil and gas industry as its first step in its commercialisation process.

Graphene NanoChem has undergone fundamental changes to deliver innovation and long term growth platform for the Group. In line with our long term strategy to move up the value chain, we have made significant investments into a growth platform over the last 18 months – specifically, in completing the development of the EOR technology platform for nano-enhanced oil recovery applications and more recently, in building the sustainable market access for long term growth.

We embarked on our journey in 2014 with confidence in the overall progress of Graphene NanoChem in the EOR technology platform, not least with the addition of a new range of innovative applications for EOR, execution of strong go-to-market partnerships and joint ventures as well as expansion of our patents portfolio.

Our strategy of introducing innovative, cost effective platform based performance applications to meet growing market needs on partnership based go-to-market channels are starting to bear fruit. We achieved our inflection point in Q4 2014 with the commercial deployment of two applications from our EOR technology platform marking the transitional shift of Graphene NanoChem into the strategic high margin business platform.

Momentum remains strong from successful trials and most importantly, in the field performance of our commercially deployed applications as we continue to focus on the higher margin EOR technology platform and in particular concentrating our efforts today in realising and executing sale opportunities through our joint venture partners. Our partnership model combined with the successful commercial deployment and field performance of our applications has significantly helped in accelerating market access for our applications and in building industry presence.

To date, the EOR technology platform comprises 7 innovative applications which represent a comprehensive end-to-end solution from the drill bit to the tank. I am also pleased to report the recent receipt of biodegradable status by our flagship application, the PlatDrill Series from the Council of Scientific & Industrial Research – National Institute of Oceanography India. This strongly validates the superior environmental profile of our applications and corroborates the Group's commitment in providing green applications, which in turn, equips the Group with an impermeable competitive edge in the industry.

We have been working closely with our joint venture partners in going through the staged process of incorporating our applications into their existing order book, currently valued at close to £1 billion as well as through joint participation in new oilfield tenders and projects in building a sustainable long-term business in this space. Through our joint venture partners, Scomi Oiltools, Graphene NanoChem is today participating in 6 oilfield tenders across the Emerging Markets with 3

new tenders in the pipeline for this year. It is expected that new contract wins in the next 6 months from the current tenders will generate sustained sales growth for our business moving forward. Change order processes for our applications are actively ongoing for select existing key contracts of our joint venture partners as we continue to close opportunities from our joint venture partners' order books.

The Group is progressing well in several test programmes with top-tiered national and international O&G companies for the formulation and blending of our applications to improve the performance and environmental profiles of the incumbent applications, providing us with tremendous potential opportunity in expanding our geographical reach and revenue base once successfully completed.

The global market size of EOR technology platform is currently valued at approximately US\$38.0 billion and growing, with a 29% CAGR backed by strong demand for cost effective high performance applications to address recovery challenges. The Board joins me in the confidence that Graphene NanoChem is well positioned to capitalise on the opportunities in the EOR technology platform.

We still have some work to do in order to ensure that we are well prepared and positioned to realise and transform the growth opportunities into quality revenues and profitability. The Board has set the following key financial targets by 2018:

- ▶ **improve revenue growth with quality earnings targeting CAGR of 25%;**
- ▶ **focus on gradual gross margins increase to 25% by 2018;**
- ▶ **returns on capital earnings of 15%; and**
- ▶ **reduce net debt to less than 2 x EBITDA.**

Over the last few years, North American shale oil activity has taken off at a frenetic pace which has resulted in a reshaping of the supply chain for hydrocarbons. Advances in fracking and horizontal drilling have enabled the transformation of the supply chain to the extent that this has created an imbalance to the world's oil and gas supply and demand curves. Accordingly, with the dramatic decline of oil prices, the global oil and gas fraternity has been feeling financial restraints thus have cut expenditures with lowering of profitability expectations. The scale of the price decline has resulted in a cautious outlook for all companies in this sector and this has inevitably led to a delay in programmes scheduled for early 2015.

Despite the subdued consensus of the short-term oil market, we remain confident in the long-term fundamentals for O&G industry. Our unique applications, with a global footprint through Scomi, will enable us to manage the downturn and attract opportunities within this environment. Notwithstanding the above, we believe that with Scomi's customer base comprising major international oil companies and national oil companies coupled with their dominant market position in the Middle East and Asia Pacific, we will see activity levels resuming in due course to those seen in 2014.

CHAIRMAN'S STATEMENT

Our strategy of introducing innovative, cost effective platform based performance applications to meet growing market needs on partnership based go-to-market channels are starting to bear fruit.

We remain confident in the long term future of the business and the opportunity for Graphene NanoChem to develop a strong platform to become a significant player in the EOR technology platform and the Group will continue to consider a variety of strategic options.

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor
Non-Executive Chairman
11 June 2015

CEO'S Review

► Executing Long Term Opportunities For Sustained Growth

Nanotechnology has the potential to introduce revolutionary changes in several areas of the O&G industry from upstream to midstream to downstream. The Group has continued to demonstrate success in leading the race for the commercialisation of nanotechnology and nanomaterials and has successfully managed to advance its strategic vision of developing technology platforms to introduce a step-change in increasing recovery rates and reducing costs in oil recovery, thereby delivering value to both the Group's customers and the Group.

Technology Platform Readiness

The core to Graphene Nanochem's business model is a "develop once, use many times" approach for its platform applications. This is followed by continuous updates to maintain competitiveness and is especially significant for the O&G industry. The Group's EOR technology platform has validated our primary investment thesis of improving our applications' performances significantly when compared to conventional products and this combined with the accolades received on the greenness of our platform technologies provides the Group with a powerful value proposition. In short, "better applications, safer to use at no extra cost" is the Group's marketing mantra. The Group is able to offer its EOR technology platform applications in components or as a full platform.

The EOR technology platform is a natural step-up expansion for the Group in its focus to deliver innovative, high-value and high margin applications in attractive sectors that will ensure sustained global growth in the years ahead. The Group views this strategy as an evolution of the preceding two years in executing its applications and business development efforts focused on strategic growth markets.

Three major feats were achieved by the Group in driving the growth of its EOR technology platform to date:

- the completion of a full suite of integrated EOR applications' lines servicing different constituents of an EOR process, enabling the Group to offer holistic solutions for EOR technology platform and the broader oilfield category;
- two key partnerships via joint venture with well-established industry players, accelerating market access and providing the Group with strong sales channels with immediate and long term revenue visibility; and
- the commencement of commercial sales and successful field deployment of three of its EOR applications.

Fundamental to this is the differentiated value proposition of our applications in enabling superior performance and cost reduction in EOR technology platform. Graphene NanoChem today enjoys a unique market position in this highly specialized industry segment with strong barriers to entry.

With capital expenditure and applications development largely complete, the focus now is on building market presence, driving long term revenue and enhancing margins. The large order books of our joint venture partners provide clear revenue visibility and we are focused on developing and closing sale opportunities.

The Group's 2014 results demonstrated good underlying progress with revenues from continuing operations increased by 53%. This is substantiated further by the first commercial sales of its EOR applications, validating the Group's strategy of expanding into the lucrative upstream oil and gas sector through innovative solutions aligned to capture value for short, mid and long term applications across the value chain.

The Group will continue to focus in building value for its growth platform and anticipates that a significant portion of the Group's revenue in the next 3 years will be attributable to the EOR technology platform. This is in line with our long term strategy of achieving quality revenue streams through focused allocations of our operational assets in quality earnings from higher margin applications to improve the overall revenue profile and achieve profitability for the Group.

Industry

EOR. Decline in production rate of mature and maturing oilfields worldwide and lack of "easy-oil" reserves resulting in the need to develop unconventional fields under harsh and difficult operating conditions provides huge opportunities for the Group's cost effective performance solutions, further enhanced now by the drop in oil prices.

The EOR market is expected to grow to US\$516.7 billion by 2023 on the back of the following industry megatrends:

- ▶ demand for cost effective high performance applications to address drilling and recovery challenges;
- ▶ decline in oil price supporting demand for high performance applications across the industry value chain to:
 - reduce operating cost;
 - improve operational efficiency; and
 - reduce costly non-productive time; and
- ▶ industry regulatory shifts to address health, safety and environmental issues, creating strong demand for performance green applications.

The oil price drop from US\$95.44 per barrel at the start of the year to US\$53.27 at its close has resulted in strong demand for O&G operators for high performance cost effective solutions to reduce drilling cost. The strengthening of the industry supply chain management due to the drop in oil price is also creating an opening in the otherwise “closed” market for entry of innovative products as O&G operators continue to explore alternative technological applications to reduce drilling costs. Anchored on cost and performance benefits, the Group’s EOR applications are specifically designed to address key industry challenges to improve operational efficiency, reduce non-productive time in complex operating environments and provide overall cost savings to our customers.

With primary operations in Malaysia, the Group is also well positioned to address opportunities in thirteen EOR Projects, announced by Malaysia’s national oil company, PETRONAS, valued at over US\$14 billion over the next 10 years.

Joint Ventures

Acceleration of growth through value-add industry partnerships remains the key ethos of Graphene NanoChem as we continue stepping up the pace of our go-to-market channels through joint ventures.

Our strategic 50/50 joint venture with the Scomi Group (“**Scomi JV**”) has proved to be materially enhancing and mutually benefitting. The Scomi JV brings together the Group’s unique technological applications for EOR with Scomi’s captive customer base as well as its global presence and well established market and distribution infrastructure to capture opportunities in the Emerging Markets. The Scomi Group services over 50 international and national O&G operators in more than 60 locations worldwide. Through the Scomi JV, the Group is able to significantly minimise its marketing cost and adoption risk by leveraging on Scomi’s captive market base as well as brand to accelerate the commercial deployment of its applications. To this end, the Group is working closely with Scomi:

- ▶ in building the joint venture platform within Scomi’s existing order book through what we call a “change order process” with O&G operators that enable substitution of our applications in Scomi’s existing O&G contracts; and
- ▶ in positioning the joint venture platform as well as the Group’s applications in new oilfield tenders and projects participated by the Scomi Group.

The Scomi JV envisages further the setting up of a 30,000 MT per annum manufacturing facility by the joint venture platform as part of its expansion plan moving forward and the Group is looking at the new joint venture facility coming into operation in 2017 in tandem with the anticipated order book growth.

In Q4 2014, a marketing joint venture agreement was executed with Fire Creek Resources Ltd (“**Fire Creek**”), a Canadian based petroleum and oilfield development specialist in unconventional drilling in North America and Europe (“**Fire Creek JV**”). The Fire Creek JV provides the Group with the opportunity to build presence and pursue opportunities in the O&G sector in North America where we believe there will be strong demand for advanced performance-based applications offered by the Group to address challenges associated with the thriving and expanding fracking industry.

Market Progress

EOR Business. Strong industry partnerships with established industry players is providing the Group with significant market access for our EOR applications as well high revenue visibility and strong growth and expansion opportunities.

Following from the Joint Venture Agreement executed with Scomi and completion of extensive testing protocols with a national O&G operator, the Group secured the first commercial orders for its Drilling Additive application of its EOR technology platform in the second half of the year with the aim of bringing the Group’s EOR technology platform to the industry front for adoption and sales growth.

The field deployment success with the Drilling Additive applications has enabled the initiation of currently ongoing change order process protocol, expected to be completed in 2H of 2015, for the adoption of our applications under Scomi’s current contracts with the O&G operator as well as the opportunity for the incorporation of the Group’s technology application in new oilfield tenders and projects. The strong field performance of Drilling Additives applications has generated positive awareness and strong industry interest in the Group’s EOR technology platform.

On the back of the commercial deployment success, the Group has participated in six new oilfield tenders in the region entered into by the Scomi Group in the 1H of 2015 with several O&G operators which include oil supermajors. Successful award of these tenders, currently valued in excess of USD100 million, would result in the growth of long term sales volume for the Group and the expansion of the geographical footprint of the Group into Emerging Markets as we continue to build and generate stronger track record in this market. Contract duration for the various oilfield tenders range from 2 – 5 years and results from tenders submitted is expected by Q4 2015 with 2016 being the primary delivery year. The Group is today pleased to announce the successful tender award of one of these tenders valued by the Group at US\$28 million with product deployment expected to commence in Q4 2015 for an initial period of three years. The Group is also expected to participate in 3 new additional tenders through the Scomi Group in 2H of 2015.

The Group is currently engaged in technical and commercial testing on our applications which are at various stages of testing, approvals and commercial negotiations in various locations as shown below:

Location	Number of Companies
Malaysia	9 oil majors including 4 supermajors companies
Thailand	2 national oil companies and 2 international oil companies
Indonesia	2 supermajors and 3 national oil companies
Myanmar	2 national oil companies and 1 independent oil company
Vietnam	1 independent oil company
Brunei	2 national oil companies
India	2 national oil companies
Turkmenistan	2 international oil companies
United Arab Emirates	1 independent oil company
Saudi Arabia	1 national oil company
Oman	1 oil major
Egypt	1 international oil company
Algeria	1 oil major
France	1 supermajor oil company
Australia	Several oil majors

Fuel Additive Business. In line with growing demand, sales of our fuel additive applications to our long term customers increased by 39% to £43.8 million in FY2014. The growth in demand is also driven by the increase of the domestic biofuels blending by the government from 5% to 7% in Q4 2014. The Group currently holds approximately 17% of the Malaysian biofuels market. In 2014, the Fuel Additive business constituted 91% of the Group's revenue mix.

Whilst market demand is expected to grow for this business segment, as with other high volume commodity applications, there is a limited cap for margin growth and the performance of the business will be primarily driven by the cost of feedstock. With the increased focus on fixed cost improvements and quality earnings from higher margin applications, the Group intends to right-size and reduce the revenue mix from the lower margin Fuel Additive business. This would enable focused allocation of operational assets in quality earning from higher margin applications moving forward and improve the overall revenue profile for the Group.

Strategic Initiatives

A major operational milestone for the Group is the signing of a testing agreement with a European oil major in Q1 2015 for the potential blending of the incumbent product with our PlatDrill Series to improve its environmental profile. Testing by the oil major is currently ongoing and expected to be completed by Q4 2015. The programme has the specific objective of targeting deployment into strategic market with stringent environmental criteria. The success of the blending programme will provide the Group with global market reach and will increase the sales growth for the PlatDrill Series via the sales and distribution channel of the oil major.

The Group is also currently working with a national oil company in the region on a similar basis, designed however to improve the performance of the incumbent products by virtue of the superior operating performance of our graphene-enhanced PlatDrill Series. Testing is currently ongoing and expected to be completed in 1H 2015.

In less than a year since its entry into the market, our applications are already generating strong market traction and industry interest. The above initiatives provide a strong testament of the unique value proposition of our technology platform in terms of technical and environmental performance.

Standards and Qualifications

After 9 months of rigorous testing, the PlatDrill Series has been effectively classified as “readily” biodegradable with a non-toxic ranking by the National Institute of Oceanography, India. At 84.81%, the biodegradation level of the PlatDrill Series is ~25% above the minimum standard specified by the Organisation of Economic Cooperation and Development Guidelines.

The “readily” biodegradable classification validates the unique value proposition of the PlatDrill Series in meeting both the technical and environmental performance of modern day drilling requirements, helping the industry reduce its environmental risks and overall drilling costs from waste treatment savings. In addition, it also reinforces the Group's commitment in providing green applications to the industry and providing a strong technology platform for the potential deployment of the PlatDrill Series into highly environmentally regulated markets such as the Gulf of Mexico.

Intellectual Property

The Group remains committed in having a broad differentiated and patent protected technology platform as a key component to its business strategy. We strengthened our position as the innovation leader in graphene-enhanced chemicals in significant ways this year. In line with its technological progress in the development of the EOR technology platform, the Group filed four new patents in 2014, covering catalysts and nanomaterials production as well as the nanomaterials dispersion process into oilfield chemicals, with each innovation adding distinct technical advantages and benefits to our business platform.

The proprietary skills and expertise acquired and developed by the Group in graphene dispersion has enabled the Group to expand its horizon in adopting other forms and types of nanomaterials to suit end application needs and requirements to broaden its applications portfolio development and enhancement potential. The Group's developmental efforts are strictly aligned to address commercial opportunities and capture end-application value that will contribute to the bottom line growth for the Group.

The Group's technological focus in the next three years will be to continue:

- ▶ to optimize and enhance its production processes by continuously investing in new technologies and high value processing upgrades either internally developed or through acquisition and licensing model for its EOR technology platform;
- ▶ to enhance and further diversify our applications portfolio offering of its EOR technology platform;
- ▶ to carry out ongoing developmental work on select graphene nanomaterials applications in energy and composites that will complement the business as well as provide the next growth platform for the Group.

New Applications Development

In Q4 2014, the Group executed a product development and collaboration agreement with Sync R&D to develop and integrate a graphene-enhanced lithium-ion battery for a prototype electric shuttle bus, expanding further our pipeline of innovation projects and creating the foundation for its potential next phase of growth. Development is currently at early stage and progressing.

OUTLOOK

We are conscious of the uncertainties in the industry given the recent decline in oil prices, its impact on drilling activities as well as exploration and production investment and there is a marked slow down in O&G drilling as well as E&P activities in 2015 as operators conserve capital, reprioritise activities and focus on higher margin projects.

However, the long term fundamentals of the industry remain strong and, and on the back of our cost-advantaged value proposition, the Group's business is gradually developing with potential sales pipelines in excess of £2.1 billion over the next 5 years and the Group remains optimistic about our prospects in the sector. The recent decline in oil prices provides an advantageous market environment for the Group on the back of demand by O&G operators for cost cutting measures and better performance from oilfield service companies. The strengthening of the industry supply chain management is also creating an opening in the otherwise "closed" market for entry of innovative applications as O&G operators continue to explore alternative technological applications to reduce drilling costs.

The partnership with Scomi with broad mix of customers anchored on national oil companies in the region provides marginal insulation from the industry downturn, with the majority of the reduction in industry activity effecting international and independent operators. Management perceives significant market opportunities for the EOR technology platform that should result in a growing order book and incremental growth opportunities as award of new tenders begin to kick in.

At the same time, the Group remains agile in adapting to industry challenges at its critical period of growth, effecting operational changes to optimize the use of our operational assets. These changes include the right sizing of our low margin Fuel Additive business and focusing our resources on developing and executing the EOR business platform to deliver quality earnings to the Group. Greater efficiency and increased focus on high margins applications have already begun to have a positive impact on our operating cost. A well-capitalised position throughout its period of growth will be advantageous for the Group to realise the full potential within the large and expanding EOR sector and to execute its business plan as well as deliver the high margins envisaged for the Group's solutions as we work on converting ongoing activities into sustainable revenue streams.

Dato' Jespal Deol

Chief Executive Officer

11 June 2015

Business Overview

	Downstream Oil & Gas	Upstream Oil & Gas						
	Fuel Additives	Integrated Enhanced Oil Recovery Platform						
Product Category	Fuel Additives	Performance Chemicals					Performance Materials	
		Drilling Additives*		Recovery Additives			Water Treatment	Coatings
		Oil - based	Water - based	Clean - up Fluids	Polymer Flooding	Biocides		
Application	Biodegradable additives to fuels	Oil - based and water - based drilling additives to optimise drilling efficiency		Specialised chemical additives used throughout the cycle of E&P operations to improve recovery rates			Water treatment system to handle segregated waste streams	Nano-coating for oilfield pipes and equipment to extend product line
Value Proposition	* Lowering customers' costs	Operating Cost Reduction : ▶ Enabling faster drilling ▶ Reducing non-productive time ▶ Improving output levels ▶ Extending equipment shelf Life ▶ Reducing equipment downtime						

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 strategically focused in the O&G sector as its first commercialisation platform and currently operates three distinct business platforms:

- ▶ the **Advanced Chemicals** Division: Our core, revenue generating technology platform operating in the O&G sector, where the goal is to deliver sustained growth in attractive market segments through quality earnings from high margin applications. The Advanced Chemicals division today consists of the Fuel Additive business and the EOR Chemical-based Technology platform.
- ▶ the **Performance Materials** Division: Our EOR Materials-based Technology platform focusing on tools and capital based solutions within the O&G sector, specifically in supplying water treatment applications and nano-enhanced polymer coating applications for O&G pipes and casings.
- ▶ the **Advanced Materials** Division: Our growth enabler technology platform where we focus on the use of graphene nanomaterials to advance innovation to drive future business growth for the Group in strategic areas.

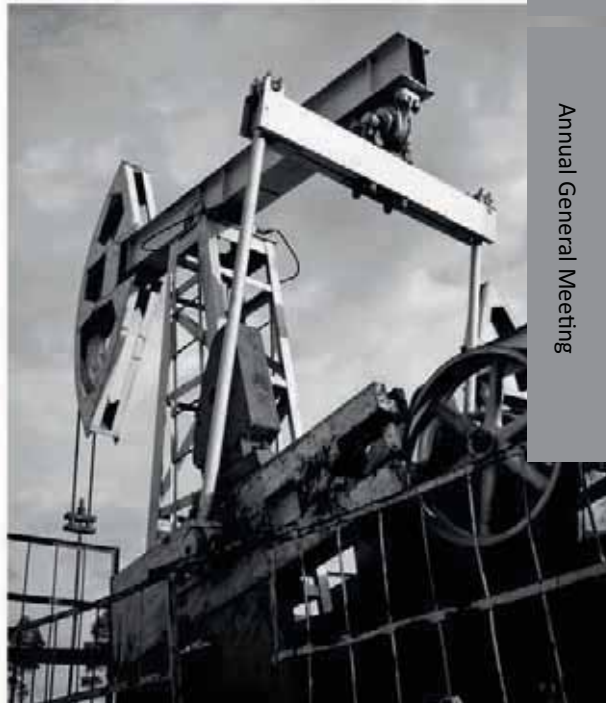


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Financial Review

Overview

The Group achieved revenues of £48.3m for the year, up 53% year on year through contracted sales to tier 1 O&G customers namely Shell and Chevron. The Group's focus to establish a technology platform offering for the O&G industry in the near term and subsequent suite of high margin products was achieved during the year for both the performance chemicals and performance materials platforms. The Group recorded a gross profit of £1.6m for the year and the turnaround to profitability was achieved despite a feedstock price anomaly for the year that affected the margins of the fuel additive business. Our focus on deploying the technology platforms in conjunction with our JV partner Scomi Oiltools in a manner consistent with the introduction of a new cost effective platform based performance applications, delayed the roll out and therefore sales volumes, resulting in a pre-tax loss for the year of £6.8m.

Our joint venture with Scomi Oiltools during the year provides the Group with an offtake arrangement for 135,000MT over a 5 year period for the PlatDrill Series post the completion of the joint venture facility. The PlatDrill Series forms part of the Group's performance chemicals suite of products. The joint venture further offers the Group access to Scomi Oiltools existing order book valued close to £1 billion. The marketing arrangement with Fire Creek, a Canadian based petroleum and oilfield development specialist for unconventional drilling in North America and Europe offers the Group the opportunity to further expand its global reach therein increase future revenues.

To meet the demands of growing market opportunities with an identified sales pipelines of £2.1 billion, we need a strong balance sheet and we will explore various options available to us from the capital markets.

Operations

During the year, the Group completed the 50/50 joint venture with the Scomi Group and the upgrade to the Senawang multi-functional specialty chemicals plant using the Group's proprietary nanotechnology. Similar to previous years, we continue to receive support from the Government of Malaysia in the form of government guarantees for loans, subsidised interest payments, potential grants for capital expenditure on selected projects, and tax holidays. The EOR technology platform is a natural step-up expansion for the Group in its focus to deliver innovative, high-value and high margin applications in attractive sectors that will ensure sustained global growth in the years ahead. The Group views this strategy as an evolution of the preceding 2 years in executing its applications and business development efforts focused on strategic growth markets.

Selling and general administrative expenses increased by 9% from the previous year to approximately £3.6m in line with budgeted expectations. The general administrative expenses reduced by £0.1m from the previous year in tandem with the stream lining of operations and selling and distribution expenses increased by £0.4m, consistent with the increase in revenues for the year.

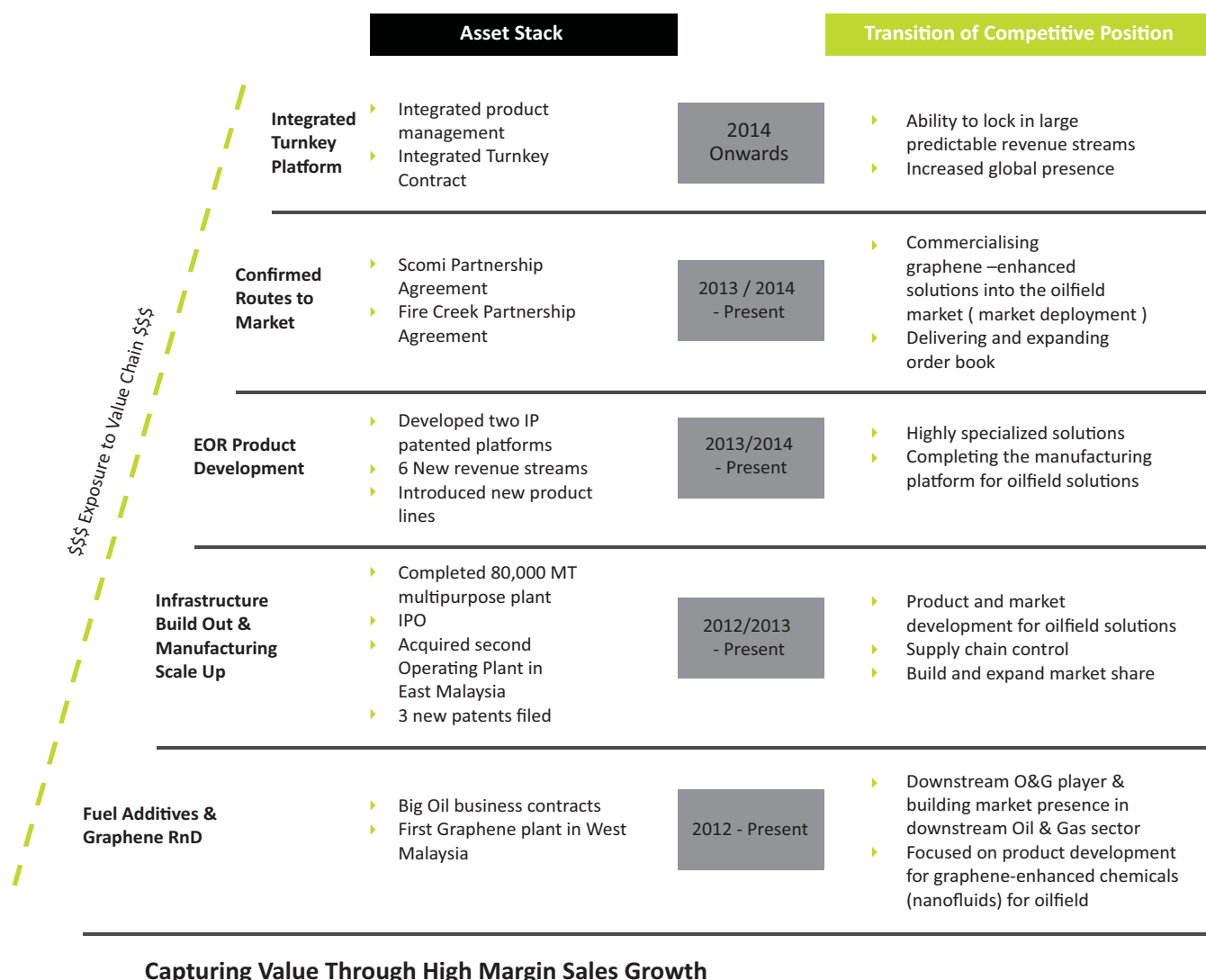
Finance costs decreased by £0.1m from £2.6m in 2013 to £2.5m in 2014. This was predominantly due to the reduction of a term loan of the Group's subsidiary, Platinum Performance Chem Sdn Bhd, and was achieved through the offsetting of fixed deposits of £3.7m secured by the lending bank against the existing term loan.

Depreciation & amortisation decreased by £0.6m from £3.0m in 2013 to £2.4m in 2014. The lower amortization is the result of a reduction of yearly amortisation by £0.5m for an intangible asset that had been impaired prior to 2013 to which the yearly amortisation had not been reduced accordingly in 2013.

Capital expenditure during the year amounted to £4.7m in line with the upgrade of the Senawang multi-functional specialty chemicals facility, and product development cost of £3.9m was incurred leading to the commercial ready status of six performance products. We will continue to develop products to further enhance the technology platform offering with judicious utilisation of capital.

Available cash and cash equivalents at the year-end are £2.2m to be utilized for continued operations and we have a debt to equity ratio of 1:1. The Group will continue to engage with its financial partners to further enhance the Group's financial platform thereby providing us greater flexibility and speed to address and execute our business and growth opportunities.

Graphene NanoChem has demonstrated success in leading the race for the commercialisation of nanotechnology and nanomaterials



2015 Outlook

Ever mindful of stakeholder value, we will strive to further enhance the foundations of the Group through further joint venture partnerships, enhancement of the existing technology platform, and conversion of identified sales pipelines into solid revenue streams.

Sushil Sidhu

Finance Director

11 June 2015

Strategy

Business Strategy

Graphene NanoChem’s strategy is to deliver innovative, high value high margin applications in attractive growth sectors that will ensure sustained global growth that will translate to improved earnings for our shareholders. The Group seeks to deliver this by progressing the following objectives:

STRATEGIC OBJECTIVES	Solutions Driven High Value Products	Leading With High Performance Green Products	Partnership Model To Accelerate Growth	Continuous Innovation for Sustained Growth
MEGATRENDS DRIVING GROWTH	Customised best in class applications, manufacturing know-how, intellectual property, platform technology will be key to market leadership and increased barriers to entry.	Increased demand from users and stringent regulations by regulatory authorities for safe and environmentally friendly applications that perform as well as conventional products. Increasingly stringent regulations in the use of harmful traditional chemicals.	Global business environment has evolved. Amid rapid change driven by globalisation and increased business complexity, diversified customer needs and speed, companies need to respond and adopt accordingly. Partnerships and alliances have become an important growth tool to enable companies to realise market opportunities.	Innovation, strong IP portfolio and differentiated application offerings to develop and grow long term market platform and to increase barriers to entry.
OUR APPROACH	Investing in a portfolio of proprietary technologies aligned to market needs and requirements. Where necessary, we expect to continue to grow by acquisition, adding technologies and applications that complement the existing business and planned growth areas of the Group.	The use of our graphene-integrated nanotechnology platform as an enabling tool to deliver differentiated applications aligned to market needs. Through our holistic approach, we deliver a complete suite of green applications addressing the needs of environmental regulators and customers.	The Group’s approach to strategic partnerships follows a strict discipline. We focus on value add partnerships with strong technology offering or market access, often with clearly identified synergies with our existing businesses and targeted growth areas.	We devote resources and tailor our innovation pipeline in alignment with market needs as well as our expanding footprint and growth ambitions focusing on higher margin markets.

Growth Strategy

Sustained growth remains an important strategic objective for the Group and the Group intends to achieve this in the following manner:

- ▶ 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
- ▶ Accelerate market penetration and expand geographical reach through quality value-add industry partnerships

The Group has successfully completed an integrated suite of EOR applications to meet industry demand for cost effective high performance applications, achieving market breakthrough in 2014. Breaking into the lucrative high end of the O&G market is expected to create an extensive, long term global market for the Group. With that, the Group is now moving onto its next phase of development of market building and executing long term growth opportunities in the O&G industry. Accordingly, the Graphene NanoChem board will continue to invest in marketing, application development and field trials so as to gradually increase profitability and the capacity to sustain such growth.

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.

Specific Risks

- ▶ **Oil Price**
The Group is exposed to the consequences of fluctuation in the price of oil and gas as the supply and demand for oil is a key driver for the Group's commercial applications. O&G operators may reduce or curtail operations if oil and gas prices fall to a level where drilling as well as E&P activities become uneconomical. The Group maintains flexibility to meet changes in demand by maintaining tight inventory with maintaining regular contact with customers through its partners, equipping it with the ability to assess the potential impact and for the management to respond accordingly.
- ▶ **Reliance On Partners**
Whilst Scomi, one of the world's leading oilfield services company in the Emerging Markets provides a strong go-to-market platform for the Group, the exposure to one primary partner to market remains high. Good progress is being made on gaining new accounts, applications as well as geographical reach, although ongoing activities with Scomi are currently quite buoyant.
- ▶ **Industry Operating Environment**
In the past, cessation or delay of customer's test programmes has inhibited the Company'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. We mitigate 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.
- ▶ **Early Stage EOR Technology Platform**
Whilst the Group has made initial sales of its EOR applications, 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 can be no certainty that the Group will achieve increased revenues, profitability or positive cash flow from its operating activities. Similarly, there can be no certainty of tenders or projects that the Group is currently developed or is pursuing will be awarded to the Group or its partners. The Board monitors the situation and takes actions as required.

► **Product and Technology Innovation**

The nature of the competitive market we operate in makes innovation a key to success, absence of which could erode margins and/or result in loss of market share. The Group counters this risk by investing in research and development resources and continuously focusing on application development path.

► **Government Regulations and Policies**

The alternative fuels industry relies substantially on government mandates and policies for the use of environmentally friendly fuels. Any removal, delay or reduction of governmental requirements for the use of alternative fuels could adversely affect the Group's revenues and operating margins. The higher production cost of biofuels creates dependency on governmental programmes that support a market that might not otherwise exist. The Group closely monitors the regulation and policies accordingly.

General Risks

► **General Economic Climate**

The general economic climate is volatile and is affected by numerous factors beyond the Group's control, 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' level, 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 demand and business costs. The Board monitors the situation and takes actions as required.

► **Feedstock Price Volatility**

The Group's operational success depends largely on the price of feedstocks and certain other raw materials used in production. A decrease in the availability or an increase in the price of these raw materials may have a material adverse effect on the Group's financial condition and operating results. Inventory levels are closely monitored and managed to ensure the Group maintains flexibility to meet changes in demand.

► **Delays and Cost Over-runs**

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 business, financial condition and results of operations. 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.

► **Retention of Key Business Relationships**

The Group relies significantly on relationships with other entities (including strategic partners, partners, customers and suppliers) and local regulatory and government departments. There can be no assurance that the Group's existing relationships will continue or that new ones will be successfully formed. Any circumstance leading to the early termination or non-renewal of one of these relationships could impact the Group's business, operating results or prospects. The Group maintains close relationships with all key business entities and seeks to maintain the highest level of service to preserve its reputation for quality.

► **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 in creating a defensible IP portfolio with adequate protection covering its platform technologies, products and potential products. The Group will on a case-to-case basis consider the merit and potential harm of disclosing its trade secrets where intellectual property protection is effective.

► **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, who are key to the Group's growth. The lack of an appropriately skilled workforce or comprehensive succession plans would adversely impact our ability to perform. The Group aims to mitigate this risk by in-house staff development while giving them clear objectives and career paths.

► **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 include 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.

► **Policy on Financial Instruments**

The Group's financial instruments comprise cash, borrowings, short-term debtors and creditors arising from its operations. The Group has not established a formal policy on the use of financial instruments but assesses the risks faced by the Group as economic conditions and the Group's operations develop.

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
Chief Executive Officer
11 June 2015

Sushil Sidhu
Finance Director

Board of Directors



Tan Sri Abi

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor Aged 66

Appointments: Appointed to the Board as Non-Executive Chairman in March 2013.

Key strengths and experience: Extensive years of experience and broad knowledge in the finance and petroleum sections within the Malaysian civil service. Tan Sri Abi has served with the Public Service Department, and as Deputy Director of the Petroleum Development Division under the Malaysian Prime Minister's Department. He brings strong financial knowledge from his experience as the Deputy Director in the Budget division of the Finance Ministry. He served as the Director General of the Federal Agriculture Marketing Authority and Secretary

General of the Agriculture and Small Industries before retiring in September 2006. He holds an MBA from the University of Birmingham and a Bachelor's degree in Economics from the University of Malaya.

External Appointments: Non-executive Chairman of Pelikan International, Independent Non-Executive Director of HeiTech Padu Berhad and Chairman of the Malaysian Biodiesel Association and the Sultan Idris Education University.

Committee membership: Chairman of the Remuneration Committee and the Audit Committee.

Dato'Jespal

Dato'Jespal Singh Deol Balbir Singh Aged 50



Appointment: Appointed as Chief Executive Officer on March 2013.

Key strengths and experience: Wealth of experience in biotechnology, investments and legal experience. Dato' Jespal was the co-founder of Platinum NanoChem Group and appointed as the Managing Director of Platinum NanoChem in 2007. He co-founded Stevian Biotechnology, involved in the production of a natural based sweetener from stevia, which was admitted to trading on AIM as Pure Circle Limited in December 2007 with market capitalisation of £384 million. He was also the Executive Director of Corporate and Business Development and was instrumental in securing its development funding and closing global sales with multinational customers. He specialised in corporate mergers and acquisitions during his time with his firm Deol & Gill. Jespal holds a Bachelor of Laws degree from the 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 Berhad.



Sushil Sidhu

Sushil Singh Sidhu Joginder Singh Aged 50

Appointment: Appointed as Finance Director on March 2013.

Key strengths and experience: Extensive and rich international experience in corporate finance, equity capital markets and venture capital management. As the co-founder of Platinum NanoChem Group, he served as the executive director of finance of the company since January 2007. As the former Finance Director of Stevian Biotechnology, Sushil Sidhu and team grew the company from its start-up position and raised its development funding. He has wide and in-depth financial experience, having served as the 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 the University of Hull and a Bachelor's degree in Business (majoring in Finance) from Deakin University, Melbourne, Australia.

External appointments: Senior Associate of the Institute of Credit Management, Australia and an Associate of the Institute of Bankers, Australia.



Dato' Larry Gan

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow Aged 61

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

Key strengths and experience: Close to three decades of global leadership roles in strategic management, investments, innovation and technology. Gan was with Accenture, consulted on projects with multinational companies and worked with global innovative technologies. As Accenture's managing partner for Asia from 1999 to 2003, he managed a multibillion dollar Venture Fund in Asia Pacific, closing investments in China, Japan, Australia and Singapore. His in-depth technological experience is reflected in his appointments 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, Labuan International Financial Exchange Committee, MIMOS Berhad (Government Technology Research) and the Malaysia US Business Council. Larry is a chartered accountant and a certified management consultant.

External appointments: CEO/Managing Director of Omesti Berhad, Independent Non-Executive Director of Cusapi Berhad, Chairman of Catcha Media Berhad and Diversified Gateway Solutions Berhad, a Board Member of Rev Asia Berhad (Chairman), Tanjong Public Limited Plc, Saujana Resort (M) Berhad and Tropicana Corporation Berhad, 8Common Ltd (Australia) and Fatfish Internet Group Ltd (Australia, Chairman). He is associated with the Minority Shareholder Watchdog Group (Director), British Malaysian Chamber of Commerce (Chairman) and JC Jacobsen Foundation (Trustee).

Dato' Sallehuddin

Dato' Sallehuddin Bin Othman Aged 64



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

Key strengths and experience: Considerable leadership experience in the finance and corporate sector. Dato' Sallehuddin held senior roles in Permodalan Nasional Berhad and UMW Holdings Berhad, where he later served as Group Managing Director from 1994 to 2000. His strategic knowledge was instrumental in the execution of various plans as the Group Managing Director of the Malaysian Industrial Development Finance up to 2006. He holds a Master of Science Degree in Administrative Sciences from City University, London.

External appointments: Non-Executive Director at the Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad and Non-Executive Chairman of Cradle Fund Sdn Bhd, a non-profit agency of the Malaysian Ministry of Finance that funds the development of Malaysian entrepreneurship in high growth technology industries. He is a fellow member of the Association of Chartered Certified Accountants.

Committee membership: Chairman of the Audit Committee.



Dr Patrick Howes

Dr. Patrick Dennis Howes Aged 61

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

Key strengths and experience: Dr Patrick brings over 25 years of experience in chemical industries, the execution and management of technology-driven projects from inception to completion. He holds a Ph.D. in Chemistry (1981) from Salford University in the synthesis and properties of zeolite molecular sieves, a class of nanomaterials utilised in the oil and gas industries.

Committee membership: Remuneration Committee and Audit Committee.

Alan Cleverly

Alan Michael Cleverly, OBE Aged 66



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

Key strengths and experience: Considerable experience in corporate governance practices and entrepreneurial sector. Alan was a director and company secretary to the Corporate Governance Forum Limited and is actively involved in various non-profit organisations supporting small medium enterprises and corporate governance practices.

External appointments: Founder and Chief Executive Officer of the Genesis Initiative, a non-profit body that represents the interests of UK Small and Medium Enterprises, Events Facilitator to the All Party Parliamentary Corporate Governance Group and Parliamentary Agent to Rt. Hon Michael Gove MP, the Secretary of State for Education.

Committee membership: Remuneration Committee.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

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 strategically focused in the oil and gas ("O&G") sector as its first commercialisation platform and has successfully completed an integrated suite enhanced oil recovery ("EOR") applications to meet industry demand for cost effective high performance solutions, achieving market breakthrough in 2014. With that, the Group is now moving onto its next phase of development of market building and executing long term growth opportunities in the O&G industry. 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 47.

The Strategic Report, which is set out on Pages 4 to 17, provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2014 including description of the Company's strategy, business models and business overview.

Results and Dividends

The profit for the year before exceptional items was (£6.7 million) (2013: Loss of £9.9 million). Further details are set out on Page 28. No dividend has been paid or proposed for the year or in the prior years.

Annual General Meeting

The Annual General Meeting of the Company will take place on Friday, 10 July 2015 at Academy House, London Road, Camberley, Surrey GU15 3HL, commencing at 10.00 a.m. Details of the resolutions and voting procedures are set out in the Notice of Annual General Meeting on Pages 74 to 78.

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:

Directors	Date of Appointment
Tan Sri Abi	26 March 2013
Dato' Larry Gan	26 March 2013
Dato' Jespal	26 March 2013
Sushil Sidhu	26 March 2013
Alan Cleverly	26 March 2013
Dr. Patrick Howes	31 August 2007
Dato' Sallehuddin	17 April 2014

The profiles of the Directors of the Company serving at the date of issue of this report are set out on Pages 18 to 19.

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 2014, no Director of the Company has any beneficial interest in the shares of subsidiary companies.

Share Capital

The Company's issued share capital comprises a single class, which is divided into ordinary shares of 20 pence each, details of which are set out in Note 21 of the financial statements. All of the Company's issued ordinary shares fully paid up and rank equally in all respects. As at 31 December 2014, there were 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 11 June 2015, the shareholders of the Company holding interests amounting to 3% or more of the ordinary share capital of the Company are as follows:

	Notes	Number of ordinary shares	Percentage of issued ordinary shares
Platinum Energy Global Sdn Bhd		28,736,563	24.66%
Rampai Teknologi Sdn Bhd		9,181,857	7.88%
Dato' Foong Choong Heng	(i)	7,913,754	6.79%
Dato' Larry Gan		6,011,720	5.16%
Green Ethics Capital Sdn Bhd		4,595,524	3.94%
MSG Commercial Ltd		4,393,906	3.77%
Plug & Play Technology Holdings Sdn Bhd		4,346,906	3.73%

Note:

(i) Dato' Foong Choong Heng holds 50 per cent. legal and beneficial interest in Rampai Teknologi Sdn Bhd.

Directors and their Interests

As at 31 December 2014, the Directors have the beneficial interests in the shares and share options as set out below:

	Shareholding Interest		Share Options	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Dato' Larry Gan	6,011,720	6,011,720	-	-
Tan Sri Abi	2,757,314	2,757,314	-	-
Dato' Jespal (i)	1,167,263	1,167,263	-	-
Sushil Sidhu	1,020,206	1,020,206	-	-
Dr. Patrick Howes (ii)	24,500	24,500	17,500	17,500
Dato' Sallehuddin	45,373	45,373	-	-

Note:

(i) 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.

(ii) The option right for the option shares will expire on 5 May 2015.

Research and Development

The Group conducts 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 £3.9 million (2013 - £1.8 million).

Political Contribution

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2013 – £ nil).

Going Concern

The Group recorded a net loss of £6,691,000 for the financial year ended 31 December 2014. In addition, revolving credit and short-term borrowings of the Group, which are due and repayable within one (1) year amounted to £18,884,000.

Notwithstanding the above, the group has £18,884,000 of borrowings included in current liabilities, of this £16,718,000 relates to a revolving credit facility which is repayable on demand. The directors have not received confirmation that this facility will not be recalled in the near future. The facility was extended in March 2014 and the group maintains sufficient further resources within the existing facility. The Group continues to engage the finance providers in line with the agreed terms and is in constructive discussions on revising the tenure by extending the maturity date of payment for the facility. In the event that the liability is recalled the directors believe, given the Group's 1:1 debt equity ratio, that they would be able to service the liability through raising new debt finance or by raising additional funds, or a combination of both.

The directors have prepared financial forecast which suggests that, based on conversion of the anticipated sales pipelines, successful process of revising funds, rescheduling of debt payment and tenure timelines, the Group and the company is able to continue to meet their obligations as and when they fall due.

The sales forecasts are however necessarily based on the achievement of timings and revenue forecasts which, although believed reasonable by the directors, are nevertheless outside the Group's control. If significant delays were to take place, these may render the Group's cash resources insufficient.

If as a result the Group were unable to continue as a going concern then adjustments would be necessary to write assets down to their recoverable amounts, non-current assets and liabilities would be re-classified as current assets and liabilities and provisions would be required for any costs associated with closure.

Going Concern (Continued)

The directors consider there to be a material uncertainty that casts doubt upon the group's ability to continue as a going concern, however the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary, if the going concern basis of preparing the financial statements of the Group and of the Company is not appropriate.

Independent Auditors

Our auditor, Crowe Clark Whitehill LLP has indicated its willingness to continue in office as auditors of the Company. In accordance with section 489 of the Companies Act 2006, the Board has decided to re-appoint Crowe Clark Whitehill LLP as auditors and a resolution concerning their re-appointment will be tabled to the members at the forthcoming 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 (IFRS) for the Group and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice - UKGAAP) for the parent company.

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 IFRS 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 confirm that, to the best of his knowledge and belief:

- ▶ The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, 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 11 June 2015 and signed on its behalf by:

Sushil Sidhu

Finance Director



Strategic Report

Corporate Governance

Financial Statements

Annual General Meeting

Corporate Governance Statement

The Board supports the principles of good corporate governance although as an AIM listed company it is not required to apply the UK Corporate Governance Code (“the 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 a Non-Executive Chairman, a Chief Executive Officer, a Finance Director and four Non-Executive Directors. The Group is controlled through its Board of Directors. The Directors, together with their brief biographies, are identified on Pages 18 to 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 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 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 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.

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 Chief Executive 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 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 relevant and 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 Alan Cleverly, 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 Director 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 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Parent Company Balance Sheet, and the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes numbered set out on pages 28 to 73.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

- ▶ the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor’s Report to the Members of Graphene NanoChem plc

Emphasis of matter – going concern

In forming our opinion on the consolidated and company financial statements, which is not modified, we have considered the adequacy of disclosures made in Note 2.2 of the consolidated financial statements and the accounting policies of the company financial statements concerning the group's and the company's ability to continue as a going concern. The matters explained in note 2.2 to the group financial statements and the accounting policies of the company financial statements indicate the existence of a material uncertainty which may cast doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include any adjustments if the group was not able to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- ▶ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the parent company financials 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.

Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
St Bride’s House
10 Salisbury Square
London
EC4Y 8EH

11 June 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000 Restated
Continuing Operations			
Revenue	6	48,324	31,600
Cost of sales		(46,741)	(32,903)
Gross profit/(loss)		1,583	(1,303)
Other Income	7	181	1
Selling and distribution expenses		(889)	(531)
Administrative expenses	8	(2,738)	(2,840)
Finance Income	10	10	168
Finance costs	10	(2,474)	(2,626)
Depreciation and amortisation		(2,438)	(3,019)
Operating loss		(6,765)	(10,150)
Share of loss in a joint venture	4	(22)	-
Loss before tax		(6,787)	(10,150)
Income tax credit	11	96	223
Loss for the year attributable to the owners of the parent		(6,691)	(9,927)
Other comprehensive loss: items that may be subsequently reclassified to profit or loss			
Net exchange differences on translating foreign operations		(121)	(3,670)
Total other comprehensive loss, net of tax		(121)	(3,670)
Total comprehensive loss		(6,812)	(13,597)
(Loss) per share			
- Basic and diluted	12	(5.74)p	(10.97)p

The above items relate entirely to continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			Restated
<u>Non-current assets</u>			
Property, plant and equipment	13	39,354	36,953
Goodwill	14	3,171	3,176
Intangible assets	14	11,284	8,013
Investment in a joint venture	4	56	-
		<u>53,865</u>	<u>48,142</u>
<u>Current assets</u>			
Inventories	15	1,486	3,070
Trade and other receivables	16	5,641	4,633
Cash and cash equivalents	17	2,227	7,368
		<u>9,354</u>	<u>15,071</u>
Total assets		<u>63,219</u>	<u>63,213</u>
Liabilities			
<u>Current liabilities</u>			
Trade and other payables	18	3,861	2,019
Borrowings	19	18,884	11,550
		<u>22,745</u>	<u>13,569</u>
<u>Non-current liabilities</u>			
Borrowings	19	11,557	13,803
Deferred tax liability	20	1,202	1,298
		<u>12,759</u>	<u>15,101</u>
Total liabilities		<u>35,504</u>	<u>28,670</u>
Net assets		<u>27,715</u>	<u>34,543</u>
Equity			
Share capital	21	23,307	23,307
Share premium account	22	139,639	139,639
Reverse acquisition reserve	22	(99,305)	(99,305)
Translation reserve	22	(3,791)	(3,670)
Irredeemable Convertible Preference Shares	23	2,249	2,265
Accumulated losses		(34,384)	(27,693)
Total Equity		<u>27,715</u>	<u>34,543</u>

The financial statements were approved and authorised for issue by the Board of Directors on 11 June 2015 and signed on its behalf by:

Sushil Sidhu

Dato' Jespal Deol

The accompanying accounting policies and notes form an integral part of these financial statements

Company Registration No: 05712979

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share Capital £'000	Share Premium Account £'000	Reverse Acquisition Reserve £'000	Translation Reserve £'000	Accumulated Losses £'000	Equity Component of Preference Shares £'000	Total Equity £'000
At 1 January 2013	1,664	12,089	1,732	-	(17,766)	2,689	408
<u>Total comprehensive income:</u>							
Loss for the financial year	-	-	-	-	(10,025)	-	(10,025)
Foreign currency translation differences	-	-	-	(3,329)	-	(330)	(3,659)
	-	-	-	(3,329)	(10,025)	(330)	(13,684)
<u>Transactions with owners:</u>							
Issuance of ordinary shares	4,643	27,857	-	-	-	-	32,500
Share issue costs	-	(2,307)	-	-	-	-	(2,307)
Adjustment arising from reverse acquisition	17,000	102,000	(104,883)	-	-	-	14,117
	21,643	127,550	(104,883)	-	-	-	44,310
Prior year adjustment	-	-	3,846	(341)	98	(94)	3,509
At 31 December 2013	23,307	139,639	(99,305)	(3,670)	(27,693)	2,265	34,543
<u>Total comprehensive income:</u>							
Loss for the financial year	-	-	-	-	(6,691)	-	(6,691)
Foreign currency translation differences	-	-	-	(121)	-	(16)	(137)
	-	-	-	(121)	(6,691)	(16)	(6,828)
At 31 December 2014	23,307	139,639	(99,305)	(3,791)	(34,384)	2,249	27,715

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash Flows From Operating Activities		Restated
Loss before taxation	(6,787)	(10,150)
Adjustments for:		
Depreciation of property, plant and equipment	1,907	2,061
Amortisation of intangible assets	531	958
Gain on disposal of property, plant and equipment	(8)	-
Interest income	(10)	(168)
Property, plant and equipment written off	129	-
Impairment of tangible fixed assets	-	1,760
Share of loss in a joint venture	22	-
Finance costs	2,474	2,626
Operating loss before working capital changes	(1,742)	(2,913)
(Increase)/Decrease in :		
Trade and other receivables	(1,007)	(2,258)
Inventories	1,584	(501)
Increase /(Decrease) in :		
Trade and other payables	1,842	(2,499)
Cash Generated From/(Used In) Operations	677	(8,171)
Net interest paid	(2,464)	(2,544)
Net Cash Used In Operating Activities	(1,787)	(10,715)
Cash Flows From Investing Activities		
Purchase of intangible assets	(3,859)	(1,780)
Purchase of property, plant and equipment	(4,720)	(5,410)
Proceed from disposal of property, plant and equipment	8	-
Net cash arising from reverse acquisition	-	4,366
Subscription of shares in a joint venture	(78)	-
Net Cash Used In Investing Activities	(8,649)	(2,824)
Cash Flows From Financing Activities		
Issuance of ordinary shares	-	32,500
Share issue costs	-	(2,307)
Net proceeds/(repayment of) from borrowings	5,088	(8,821)
Advance repayment to shareholders	-	(714)
Advance repayment to directors	-	(25)
Net Cash Generated From Financing Activities	5,088	20,633
Net (Decrease)/Increase In Cash and Cash Equivalents	(5,348)	7,094
Cash and Cash Equivalents at beginning of year	7,368	485
Effect of exchange rate differences	207	(211)
Cash and Cash Equivalents at end of year (note 17)	2,227	7,368

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

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 consideration transferred was not calculated based on the share price of the listed shell at the date of the acquisition as trading in the shares of the listed shell was suspended at that time. All other transaction costs have been treated as post transaction cost in profit or loss. 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 share capital and share premium at the period end represent the equity structure of the legal parent including the equity instruments issued by the legal parent to effect the transaction. This has been effected by the creation of another reserve to reflect the reverse acquisition.

The Company and its subsidiaries are involved in the design, formulation and manufacturing of intermediate and performance chemicals and advanced nano-materials.

These consolidated financial statements have been approved for issue by the Board of Directors on 11 June 2015.

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 2014. 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 the UK Generally Accepted Accounting Principles (UKGAAP).

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

Prior year adjustment

During the reverse takeover exercise highlighted in Note 1, the holders of the Redeemable Cumulative Convertible Preference Shares ("RCCPS") of PNC agreed to sell their RCCPS together with the interest accrued in PNC's financial statements to Biofutures in consideration of new shares allotted by Biofutures to facilitate the readmission of the enlarged new shares in Biofutures to the AIM market. After the completion of reverse takeover exercise in 2013, the RCCPS were owned by PNC's new holding company, Biofutures. At 31 December 2013 this change in ownership had not been reflected and the RCCPS and the interest accrued were not eliminated during the preparation of consolidated financial statements, in addition they were omitted when preparing the reverse acquisition reserve calculation. On this basis, the consolidated financial statements for the year ended 31 December 2013 have been restated to reflect the elimination of the RCCPS, reversal of interest accrued and reversal of deferred tax that arose from the RCCPS as well as a recalculation of the reverse acquisition reserve. The comparatives of the current year financial statement are restated as follows;

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Prior year adjustment (Continued)

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

	31 December 2013 As previously reported £'000	Adjustments £'000	31 December 2013 As Restated £'000
Finance Income	82	86	168
Operating loss	(10,236)	86	(10,150)
Loss before tax	(10,236)	86	(10,150)
Income tax credit	211	12	223
Loss for the year attributable to the owner of the parent	(10,025)	98	(9,927)
Other comprehensive loss :			
item that may be subsequently reclassified to profit or loss			
Net exchange differences on translating foreign operations	(3,329)	(341)	(3,670)
Total other comprehensive loss, net of tax	(3,329)	(341)	(3,670)
Total comprehensive loss	(13,354)	(243)	(13,597)
(Loss) per share			
-Basic and diluted	(11.07)p	0.10p	(10.97)p

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Prior year adjustment (Continued)

Consolidated Statement of Financial Position as at 31 December 2013

	31 December 2013 As previously reported £'000	Adjustments £'000	31 December 2013 As Restated £'000
<u>Current liabilities</u>			
Redeemable Convertible Cumulative Preference Shares	3,498	(3,498)	-
<u>Non- Current liabilities</u>			
Deferred tax liability	1,309	(11)	1,298
<u>Equity</u>			
Reverse acquisition reserve	(103,151)	3,846	(99,305)
Translation reserve	(3,329)	(341)	(3,670)
Redeemable Convertible Cumulative Preference Shares	94	(94)	-
Accumulated losses	(27,791)	98	(27,693)

Consolidated Statement of Cash Flows for the year ended 31 December 2013

	31 December 2013 As previously reported £'000	Adjustments £'000	31 December 2013 As Restated £'000
<u>Cash Flow From Operating Activities</u>			
Loss before taxation	(10,236)	86	(10,150)
Finance income	(82)	(86)	(168)

The prior year error has no impact on the balances at 31 December 2012 and therefore a third statement of financial position is not shown.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.2 Going concern

The Group recorded a net loss of £6,691,000 for the financial year ended 31 December 2014. In addition, revolving credit and short-term borrowings of the Group, which are due and repayable within one (1) year amounted to £18,884,000.

Notwithstanding the above, the group has £18,884,000 of borrowings included in current liabilities, of this £16,718,000 relates to a revolving credit facility which is repayable on demand. The directors have not received confirmation that this facility will not be recalled in the near future. The facility was extended in March 2014 and the group maintains sufficient further resources within the existing facility. The Group continues to engage the finance providers in line with the agreed terms and is in constructive discussions on revising the tenure by extending the maturity date of payment for the facility. In the event that the liability is recalled the directors believe, given the Group's 1:1 debt equity ratio, that they would be able to service the liability through raising new debt finance or by raising additional funds, or a combination of both.

The directors have prepared financial forecast which suggests that, based on conversion of the anticipated sales pipelines, successful process of revising funds, rescheduling of debt payment and tenure timelines, the Group and the company is able to continue to meet their obligations as and when they fall due.

The sales forecasts are however necessarily based on the achievement of timings and revenue forecasts which, although believed reasonable by the directors, are nevertheless outside the Group's control. If significant delays were to take place, these may render the Group's cash resources insufficient.

If as a result the Group were unable to continue as a going concern then adjustments would be necessary to write assets down to their recoverable amounts, non-current assets and liabilities would be re-classified as current assets and liabilities and provisions would be required for any costs associated with closure.

The directors consider there to be a material uncertainty that casts doubt upon the group's ability to continue as a going concern, however the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary, if the going concern basis of preparing the financial statements of the Group and of the Company is not appropriate.

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning on or after the effective date of the pronouncement.

The Group has not early adopted amended standards and interpretations which are currently in issue but not effective for accounting periods commencing on 1 January 2014 as adopted by EU. The Directors do not anticipate that the adoption of standards and interpretations will have a material impact on the Group's financial statements in the periods of initial application.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

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 2014.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

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 FRS requires that the consolidated financial statements prepared following a reverse acquisition shall be 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.4 Basis of Consolidation (Continued)

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.

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 subsidiary

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

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 %
Furniture, fittings and equipment	10-40 %
Plant and machinery	5 - 20 %
Renovation	10-20 %

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.7 Goodwill and intangible assets (Continued)

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 followings:

(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.

(b) Licence

Separately acquired licence is shown at historical cost. Licence has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licence over its estimated useful lives of 10 years.

(c) Patent

Separately acquired patent is shown at historical cost. Patents have a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licence over their estimated useful lives of 5 years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

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 (continued)

For the year ended 31 December 2014

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.14 Financial Instruments (Continued)

(a) Financial Assets (Continued)

(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.

(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) Redeemable Convertible Cumulative Preference Shares ("RCCPS")

The redeemable convertible cumulative preference shares are regarded as compound instruments, consisting of a liability component and an equity component. The component of redeemable convertible cumulative preference shares that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest method. On issuance of the redeemable convertible cumulative preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the Group's accounting policy.

The residual amount, after deducting the fair value of the liability component, is the equity component and is included in equity, net of transaction costs. The equity component is not remeasured subsequent to initial recognition.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible cumulative preference shares in proportion to their initial carrying amounts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.14 Financial Instruments (Continued)

(c) Equity Instruments (Continued)

(iii) 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.

(a) Sales of goods

Sales of refined palm oil and biofuels 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 (continued)

For the year ended 31 December 2014

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 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 14 for details)

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.18 Judgements and estimates (Continued)

(b) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised (see note 14 for details)

(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 its 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 25 (b) for details regarding the groups trade receivables)

(d) 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. As at 31 December 2014 management concluded that the recoverable amount of property, plant and equipment was in excess of its carrying value. The forecasts described in note 14 supported this conclusion.

2.19 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2 Summary of significant accounting policies (Continued)

2.20 Related parties

A party is related to an entity (referred to as the “reporting entity”) if:

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:**
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:**
- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party; or
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3 Subsidiaries

Graphene Nanochem plc has the following subsidiaries:

Name of Subsidiaries	Effective 2014 %	Equity Interest 2013 %	Principal activities
Platinum Nanochem Sdn Bhd	100	100	Investment holding and provision of management services
Platinum Performance Chem Sdn. Bhd. (formerly known as Zurex Corporation Sdn. Bhd.)	100	100	Refining of crude palm oil

Platinum Nanochem Sdn. Bhd. has the following subsidiaries:

Name of Subsidiaries	Effective 2014 %	Equity Interest 2013 %	Principal activities
Plantinum Green Chemicals Sdn. Bhd.	100	100	Manufacturing of advanced chemicals and biofuels
Platinum Nano G Sdn. Bhd.	100	100	Manufacturing of advanced nano-materials

All the above subsidiaries are incorporated in Malaysia.

Following the Reverse Acquisition on 26 March 2013, as in Note 30 to the consolidated financial statements, Platinum Nanochem Sdn. Bhd. is the accounting acquirer and Graphene Nanochem plc is the legal parent.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

4 Investment in a joint venture

	2014 £'000	2013 £'000
Investment in a joint venture	78	-
Share of post-acquisition reserve	(22)	-
	<u>56</u>	<u>-</u>

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.

Summarised financial information in respect of the Group's joint venture are set out below:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Revenue	-	-
Loss after tax	(44)	-
Group's share of result for the year	<u>(22)</u>	<u>-</u>
Total assets	112	-
Total liabilities	-	-
Net assets	<u>112</u>	<u>-</u>
Group's share of joint venture' net assets	<u>56</u>	<u>-</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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 of palm oil and biofuels as well as production of oil field products which is wholly operated in Malaysia. 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

	2014 £'000	2013 £'000
Revenue from sales of second generation biofuels and refined palm oil	43,837	31,600
Revenue from sales of oil field products	4,487	-
	<u>48,324</u>	<u>31,600</u>

7 Other Income

	2014 £'000	2013 £'000
Compensation from supplier	83	-
Gain on disposal of property, plant and equipment	8	-
Miscellaneous income	28	-
Realised gain on foreign currency exchange	59	1
Rental income	3	-
	<u>181</u>	<u>1</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8 Administrative expenses

	2014 £'000	2013 £'000
Included within administrative expenses are:		
Employee benefit expenses	780	770
Unrealised loss on foreign exchange	-	516
Rental of premises	74	40
Rental of equipment	3	14
Property, plant and equipment written off	129	-
Auditors remuneration		
- Fees payable to the Group's auditor for the audit of the Group's annual accounts	25	25
- Fees payable to the subsidiaries' auditor for the audit of the subsidiaries' annual accounts	25	25
Fees payable to the Group's auditors for the other services:		
- corporate finance services	-	131

9 Directors and employees

The employee benefit expense during the year was as follows:

	2014 £'000	2013 £'000
Salary and wages	701	690
Pension costs-defined contribution	75	75
Social security cost	4	5
	780	770

The average number of employees inclusive of executive directors during the year was 131 (2013:157).

	2014 £'000	2013 £'000
Managerial	22	17
Administrative	36	59
Operational	73	81
	131	157

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

9 Directors and employees (continued)

Remuneration in respect of directors was as follows :

Director	Basic salary and fees £'000	Pension-Defined contribution schemes £'000	Total 2014 £'000	Total 2013 £'000
Tan Sri Abi Musa	12	-	12	9
Dato' Jespal Deol	257	29	286	324
Sushil Sidhu	90	9	99	121
Patrick Howes	24	-	24	23
Alan Cleverly	12	-	12	9
Dato' Sallehuddin	8	-	8	70
Dato' Larry Gan	12	-	12	9
	415	38	453	565

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

	2014 Number	2013 Number
Defined contribution schemes	2	3

10 Finance income/costs

	2014 £'000	2013 £'000 Restated
Finance cost		
Interest on bank borrowings	2,447	2,538
Interest to suppliers	27	6
Interest to shareholders	-	82
	2,474	2,626
Finance income		
Interest income	10	168
	10	168

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

11 Income tax

	2014 £'000	2013 £'000 Restated
Current income tax	-	-
Deferred tax		
Origination or recognition of temporary differences	(96)	(223)
	<u>(96)</u>	<u>(223)</u>

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:

	2014 £'000	2013 £'000 Restated
Loss before tax	(6,787)	(10,150)
Tax calculated at the standard rate of corporation tax in Malaysia 25%	(1,697)	(2,538)
Expenses not deductible for tax purposes	299	303
Deferred tax credit not recognised during the year	1,302	2,604
Deferred tax credit arising from reverse acquisition	-	(1,285)
Foreign exchange adjustment	-	693
	<u>(96)</u>	<u>(223)</u>

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

Deferred tax assets :

- Unabsorbed capital allowances	28,073	26,142
- Unutilised tax losses	20,815	18,229
	<u>48,888</u>	<u>44,371</u>

Deferred tax liabilities:

- Accelerated capital allowances	(21,454)	(19,641)
	<u>27,434</u>	<u>24,730</u>

The deferred tax assets are not provided in view of the uncertainty on the timing of its recoverability.

The tax rate applied is reflecting the average tax rate weighted in proportion to accounting profit earned in each geographical territory.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

12 Loss per share

Basic

Basic loss 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.

	2014	2013 Restated
Loss attributable to equity holders of the Company	£6,691,000	£9,927,000
Weighted average number of ordinary shares in issue	116,536,536	90,513,232
Basic loss per share in pence	(5.74)p	(10.97)p

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.

13 Property, plant and equipment

Cost	Leasehold land £'000	Leasehold Buildings £'000	Furniture, fittings and equipment £'000	Plant and machinery £'000	Motor vehicles £'000	Renovation £'000	Capital work-in- progress £'000	Total £'000
As at 1 January 2013	1,763	329	239	29,981	145	274	99	32,830
Additions	-	-	62	279	285	2	4,782	5,410
Arising from reverse acquisition	1,387	1,071	25	8,396	15	1	-	10,895
Foreign exchange adjustment	(398)	(181)	(38)	(4,801)	(45)	(34)	(435)	(5,932)
As at 31 December 2013	2,752	1,219	288	33,855	400	243	4,446	43,203
Additions	-	7	62	162	34	8	4,447	4,720
Disposal	-	-	-	-	(28)	-	-	(28)
Transfer	-	-	-	-	-	92	(92)	-
Written off	-	-	-	-	-	-	(129)	(129)
Foreign exchange adjustment	(19)	(9)	(2)	(237)	(3)	(3)	(73)	(346)
As at 31 December 2014	2,733	1,217	348	33,780	403	340	8,599	47,420
Accumulated depreciation								
As at 1 January 2013	163	39	189	3,430	145	240	-	4,206
Additions	133	22	39	1,822	25	20	-	2,061
Arising from reverse acquisition	-	48	19	708	8	-	-	783
Foreign exchange adjustment	(32)	(13)	(29)	(674)	(21)	(31)	-	(800)
As at 31 December 2013	264	96	218	5,286	157	229	-	6,250
Additions	36	25	37	1,733	61	15	-	1,907
Disposal	-	-	-	-	(28)	-	-	(28)
Foreign exchange adjustment	(2)	(1)	(2)	(55)	(1)	(2)	-	(63)
As at 31 December 2014	298	120	253	6,964	189	242	-	8,066
Net book value as at 31								
December 2014	2,435	1,097	95	26,816	214	98	8,599	39,354
Net book value as at 31								
December 2013	2,488	1,123	70	28,569	243	14	4,446	36,953

The leasehold land, buildings, plant and machinery have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 19.

The title of the leasehold land at Lahad Datu, Sabah, Malaysia is yet to be transferred to the subsidiary company as it is held under master title.

Capital work-in-progress is in respect of construction of plant and machinery.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

14 Goodwill and Intangible assets

Cost	License £'000	Development Cost £'000	Patent £'000	Goodwill £'000	Total £'000
As at 1 January 2013	738	1,101	3	815	2,657
Arising from reverse acquisition	6,880	-	-	2,461	9,341
Addition during the year	-	1,780	-	-	1,780
Foreign exchange adjustment	(90)	(292)	-	(100)	(482)
As at 31 December 2013	7,528	2,589	3	3,176	13,296
Addition during the year	-	3,859	-	-	3,859
Foreign exchange adjustment	(4)	(57)	-	(5)	(66)
As at 31 December 2014	7,524	6,391	3	3,171	17,089
Accumulated amortisation					
As at 1 January 2013	6	352	-	-	358
Arising from reverse acquisition	844	-	-	-	844
Addition during the year	844	114	-	-	958
Foreign exchange adjustment	1	(54)	-	-	(53)
As at 31 December 2013	1,695	412	-	-	2,107
Addition during the year	392	138	1	-	531
Foreign exchange adjustment	-	(4)	-	-	(4)
As at 31 December 2014	2,087	546	1	-	2,634
Net book value as at 31 December 2014	5,437	5,845	2	3,171	14,455
Net book value as at 31 December 2013	5,833	2,177	3	3,176	11,189

Goodwill

The carrying amount of goodwill is allocated to each operational cash-generating unit as follows:

	2014 £'000	2013 £'000
Manufacturing of advanced chemicals and biofuels	522	523
Manufacturing of advanced nano-materials	192	192
Refining of palm oil	2,457	2,461
	3,171	3,176

Licence

- Licence for the usage of development, exploitation and commercialisation of graphite nano-fibres and its derivatives; and
- Licence for the manufacture of palm oil biodiesel and the linked refinery licence subsequently obtained. A useful economic life of 20 years has been assumed as the licence 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

14 Goodwill and Intangible assets (Continued)

Development cost

The details of the development cost are:

	2014 £'000	2013 £'000
Biofuels	799	804
Graphite nano-fibres	803	530
Plat Drill	3,790	1,255
Plat Quartz	545	-
Graph Eat	272	-
Plat Surf	182	-
	6,391	2,589

Included in the development cost are:

	2014 £'000	2013 £'000
Biofuels production costs	159	160
Employee benefit expenses	1,542	1,279
Material used	3,769	223
Plat Drill production costs	921	927
	6,391	2,589

The remaining amortisation period of the above intangible fixed assets is as follows:

License - 9 years and 17 years

Development costs – 3 years and 15 years

Patent - 3 years

The goodwill and intangible assets are tested for impairment annually at the statement of financial position date and as and when other events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts of the cash generating units are based on value-in-use approach, and are derived from the present value of future cash flows from the operating segment computed based on the projections of financial budgets approved by the management and these projections cover a period of 5 to 15 years. Where cash flow projections extend beyond the period covered by the most recent approved financial budget, management extrapolate the projections using the assumptions noted below for subsequent years.

Management has estimated the key assumptions based on their knowledge of the industry and external sources of information.

The key assumption used for value in use calculations are as follows:

	Budgeted gross margin		Growth rate		Discount rate	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Manufacturing of advance chemicals and biofuels	21-27	5-10	Nil	Nil	8	8
Manufacturing of advance nano-materials	25-100	10-100	Nil	Nil	8	8
Refining of palm oil	5-6	5-10	Nil	Nil	8	8

- | | | |
|-------|-------------------------|---|
| (i) | Budgeted gross margin | Average gross margin achieved in the fourth quarter of 2014 with the launch of the new oil field products as well as expected efficiency improvements. |
| (ii) | Growth rate | Based on the expected projection of the type of business. |
| (iii) | Discount rate (pre-tax) | The rate that reflects current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset. |

Management have performed sensitivity analysis on the above key assumptions, including increasing the discount rate to 16% and concluded that no reasonable change on the above key assumptions would cause the carrying amount of the goodwill and intangible assets to exceed its recoverable amount.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

15 Inventories

At cost,	2014 £'000	2013 £'000
Raw material	1,031	1,113
Finished goods	-	95
Consumable goods	21	24
	<u>1,052</u>	<u>1,232</u>
 At net realisable value,		
Finished goods	434	1,838
	<u>1,486</u>	<u>3,070</u>

The amount of inventories recognised as an expense during the year to 31 December 2014 was £41,948,000 (2013: £28,693,000).

16 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	4,587	1,942
Other receivables	348	138
Deposits	195	211
Prepayments	511	2,319
VAT	-	23
	<u>5,641</u>	<u>4,633</u>

The normal trade credit term is 30-90 days (2013: 30 days).

Included in prepayments, there are advances paid to trade creditors for the purchase of raw materials amounting to approximately £505,000 (2013 - £1,844,000).

17 Cash and cash equivalents

	2014 £'000	2013 £'000
Fixed deposits with licensed banks	-	706
Cash and bank balances	2,227	6,662
	<u>2,227</u>	<u>7,368</u>

The deposits with licensed banks at the end of the reporting period bore an effective interest rate of 3% (2013 – 3%) per annum. The deposits have a maturity period of 30 days (2013 – 30 days).

In the previous financial year, included in deposits with licensed banks were amounts of £663,000 which have been pledged as security for banking facilities granted to the Group and of this £375,000 were held in trust by two third parties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

18 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	2,435	1,513
Other payables	1,099	450
Accruals	327	56
	<u>3,861</u>	<u>2,019</u>

The trade and other payables of the group for this and the prior year are due for payment within 30 – 60 days.

Included in other payables is an amount owing by Platinum Energy Global Sdn Bhd of £20,000 (2013: £20,000). Platinum Energy Global Sdn Bhd is a related party which hold ordinary shares in Graphene Nanochem Plc and their director, Dato' Jespal Deol is also a director of Graphene Nanochem Plc.

19 Bank borrowings

	2014 £'000	2013 £'000
The details of bank borrowings are:		
Term loans	13,697	15,557
Finance lease	26	1
Revolving credits	16,718	9,795
	<u>30,441</u>	<u>25,353</u>

The bank borrowings are repayable as follows:

Shown as current liabilities

Term loans	2,160	1,754
Finance lease	6	1
Revolving credits	16,718	9,795
	<u>18,884</u>	<u>11,550</u>

Shown as non-current liabilities

Term loans		
Between one and two years	2,177	2,175
Between two and five years	8,601	9,017
More than five years	759	2,611
	<u>11,537</u>	<u>13,803</u>
Finance lease		
Between one and two years	20	-
	<u>11,557</u>	<u>13,803</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

19 Bank borrowings (Continued)

Term loans and Revolving credits

The term loans and revolving credits are secured as follows:

- (a) first party first fixed charge over the leasehold land, buildings, plant and machinery of certain subsidiaries as disclosed in Note 13;
- (b) fixed and floating charge over all present and future assets of certain subsidiaries; both movable and immovable;
- (c) 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;
- (d) deed of assignment of contract proceeds over executed sales off-take agreements between the borrower and the buyer; and
- (e) 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% (2013: 7.22% to 8.10%) per annum and revolving credits bear weighted average effective interest rates ranged from 7.25% to 8.0% (2013: 8%) per annum.

Finance lease bears a weighted average effective interest rate of 4.46% (2013: 6.96%) per annum.

20 Deferred tax liability

£'000
Restated

The movement on the deferred tax liability are as follows:

As at 1 January 2013	13
Arising from reverse acquisition	1,509
Recognised in statement of comprehensive income	(223)
Foreign exchange adjustment	(1)
As at 31 December 2013	1,298
Recognised in statement of comprehensive income	(96)
As at 31 December 2014	1,202

2014
£'000

2013
£'000

The deferred tax liability is attributable to:

The fair value of the intangible assets arising from the reverse takeover exercise in previous financial year

1,202	1,298
1,202	1,298

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

21 Share capital and options

	2014 Number of shares	2013 Number of shares	2014 £'000	2013 £'000
Authorised:				
Ordinary shares of 1p each	-	250,000,000	-	2,500
Pursuant to the Reverse Acquisition #	-	(250,000,000)	-	(2,500)
	-	-	-	-
Issued and Fully Paid-Up:				
At 1 January	116,536,536	166,445,000	23,307	1,664
Share Consolidation with ratio of 1 new Consolidated Ordinary Share for every 20 Existing Unconsolidate . Ordinary Shares	-	(158,122,750)	-	-
Number of Consolidated Ordinary Shares	116,536,536	8,322,250	23,307	1,664
Issuance of Ordinary Shares of 20p each pursuant to the Placing	-	23,214,286	-	4,643
Issuance of Ordinary shares of 20p each pursuant to the Reverse Acquisition	-	85,000,000	-	17,000
At 31 December	116,536,536	116,536,536	23,307	23,307

Pursuant to the Reverse Acquisition exercise in the previous financial year, the Company's memorandum of association has been amended and the Articles have been approved, and the Company no longer has an authorised share capital.

On 26 March 2013, the Company increased its issued and fully paid-up capital from £1,664,450 to £23,307,307 by the issuance of 108,214,286 new ordinary shares, immediately after the share consolidation pursuant to the Reverse Acquisition exercise as follows:

- (i) 23,214,286 new ordinary shares of 20p each pursuant to the Placing at an exercise price of 140p per share; and
- (ii) 85,000,000 new ordinary shares of 20p each to Platinum Nanochem Sdn. Bhd.'s shareholders pursuant to the reverse acquisition at an exercise price of 140p per share.

The premium arising from the reverse acquisition exercise of £129,857,143 has been credited to the Share Premium reserve.

Pursuant to the reverse acquisition exercise, all existing long term incentive plans granted have been superseded by new long term incentive plans.

There was no share option movement during the year and options outstanding at 31 December 2013 and 2014 were exercisable as follows:

Date of grant	Type of arrangement	Number granted	Exercise price	Expiry date
5 February 2010	Option	56,500	80.92p	5 May 2015

All the share options expired on 5 May 2015.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

22 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.

Management of capital

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.

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 2014 and 31 December 2013 was as follows:

	2014 £'000	2013 £'000 Restated
Total borrowings (Note 19)	30,441	25,353
Less: Cash and cash equivalents (Note 17)	(2,227)	(7,368)
Net debt	28,214	17,985
Total equity	27,715	34,543
	55,929	52,528

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

23 Preference Shares

2014
£'000

2013
£'000

Irredeemable convertible preference shares

As at 1 January

2,359

2,582

Foreign exchange adjustment

(110)

(317)

2,249

2,265

Irredeemable convertible preference shares

In the previous financial year, 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 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.
- (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:-
 - (i) upon any resolution which directly varies the rights attached to the ICPS; and
 - (ii) 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 has matured in June 2013, has yet to be converted during the financial year.

24 Contingencies

At the date of the report, the Company provided a corporate guarantee to its subsidiaries for banking facilities granted to its subsidiary amounting to £1,983,000 (2013: £2,189,000).

25 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

25 Financial instruments (Continued)

The carrying amounts of the Group's financial assets and liabilities as at 31 December 2014 are as follows:

	2014 £'000	2013 £'000
Current assets		
Trade and other receivables	5,641	4,633
Cash and bank balances	2,227	7,368
Loans and receivables carried at amortised cost	7,868	12,001
Current liabilities		
Trade and other payables	3,861	2,019
Borrowings	18,884	11,550
	22,745	13,569
Non-current liabilities		
Borrowings	11,557	13,803
Other financial liabilities carried at amortised cost	34,302	27,372

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

(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
2014			
Trade and other receivables	3,397	2,243	5,640
Cash and bank balances	3	1,402	1,405
Trade and other payables	(96)	(3,765)	(3,861)
Borrowings	-	(30,441)	(30,441)
Net exposure	3,304	(30,561)	(27,257)
2013			
Trade and other receivables	171	4,410	4,581
Fixed deposits with licenced banks	236	470	706
Cash and bank balances	-	5,616	5,616
Trade and other payables	-	(2,007)	(2,007)
Borrowings	-	(25,353)	(25,353)
Net exposure	407	(16,864)	(16,457)

For the year ended 31 December 2014, if the Malaysian Ringgit had strengthened or weakened by 5% against the Sterling with all other variables held constant, the impact on the loss before tax would have been increased and decreased by £1,528,000 (2013: £843,000).

For the year ended 31 December 2014, if the United States Dollar had strengthened or weakened by 5% against the Sterling with all other variables held constant, the impact on the loss before tax would have been increased and decreased by £165,000 (2013: £20,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

25 Financial instruments (Continued)

(a) Market risk (Continued)

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 £304,000 (2013: £307,000).

Equity price risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(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.

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 97% (2013 - 78%) of its trade receivables at the end of the reporting period.

The revenue generated by the four customers were as follows:

Customer 1	– £27,579,000 [64%] (2013 - £14,027,000 Percentage of revenue [44%])
Customer 2	– £7,385,000 [17%] (2013 - £6,467,000 Percentage of revenue [20%])
Customer 3	– £7,041,000 [16%] (2013 - £4,307,000 Percentage of revenue [14%])
Other customers	– £1,319,000 [3%] (2013 - £6,799,000 Percentage of revenue [22%])

(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.

The Company does not have exposure to international credit risk as most of its trade receivables are concentrated in Malaysia.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

25 Financial instruments (Continued)

(b) Credit risk (Continued)

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:

	Gross Amount £'000	Individual Impairment £'000	Collective Impairment £'000	Carrying Value £'000
2014				
Not past due	3,449	-	-	3,449
Past due:				
- 1 to 3 months	1,099	-	-	1,099
- 3 to 6 months	39	-	-	39
	4,587	-	-	4,587
2013				
Not past due	1,920	-	-	1,920
Past due:				
- 3 to 6 months	6	-	-	6
- over 6 months	16	-	-	16
	1,942	-	-	1,942

Trade receivables that are past due but not impaired

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.

Trade receivables that are neither past due nor impaired

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

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding.

(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. The fair values are included in level 2 of the fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

26	Capital commitments	2014	2013
		£'000	£'000
	Contracted but not provided for in the financial statements:		
	Purchase of property, plant and equipment	308	1,872

27 Operating lease commitment

Leases as lessee

The Group leases two office premises and office equipment under operating leases. The lease period of office premises is two (2) years with an option to renew after that date and office equipment is five (5) years.

	2014	2013
	£'000	£'000
Not more than one year	66	78
Later than one year and not later than five years	7	73
	<u>73</u>	<u>151</u>

28 Related party transactions

Identities of related parties

- (a) In relation to the information detailed elsewhere in the financial statements, the Group has a controlling related party relationship with its subsidiary as disclosed in Note 3 to the financial statements.
- (b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	2014	2013
	£'000	£'000
Key management personnel:		
- Salaries and other benefits	415	555
- Defined contribution plan	38	34

29 Control

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

30 Business combinations

On 26 March 2013 at an Extraordinary General Meeting, the shareholders of the Company approved a reverse takeover under Rule 14 of the AIM Rules. The reverse takeover of the Biofutures Group, by Platinum Nanochem Group has resulted in a new enlarged group, Graphene Nanochem Plc. The cost of the acquisition is deemed to have been incurred by Platinum Nanochem Group, the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. The fair value of the shares in Platinum Nanochem Group has been determined by the price of the placing noted below that occurred immediately following the reverse acquisition being £1.40 per share. The consideration shares issued represents approximately 72.9% of the enlarged share capital of the group and therefore the deemed cost of the combination has been calculated at this volume of shares multiplied by £1.40.

Details of the net assets acquired and the deemed cost of listing are as follows:

	£'000
Consideration effectively transferred	44,151
Non-current assets	16,146
Current Assets	35,980
Non-current liabilities	(1,509)
Current liabilities	(8,927)
	<u>41,690</u>
Goodwill	<u>2,461</u>

From the date of acquisition, Biofutures has contributed £1,007,000 of revenue and £2,122,000 of loss to the enlarged group from continuing operations. If the combination had taken place at the beginning of the year, the loss from operations would have been £1,943,000 and total revenue would have been £2,454,000.

Simultaneously with the Reverse Takeover, the Group completed the placement of 23,214,286 new ordinary shares in the Company raising approximately £32.5 million cash for the business.

The Reverse Takeover provides an opportunity to enhance shareholder value and move the group from its current position and considerable exposure to volatile commodity prices into the manufacture of added-value products with higher margins within niche markets.

Balance Sheet

(Parent Company)

As at 31 December 2014

		2014 £000	2013 £000
Fixed assets	Notes		
Investments in subsidiaries	3	21,268	18,012
Amounts owed by subsidiaries	4	28,600	41,169
		49,868	59,181
Current assets			
Other debtors	4	16	53
Cash at bank and in hand		821	1,046
		837	1,099
Current liabilities			
Creditors: amounts falling due within one year	5	(55)	(12)
Net current assets		782	1,087
Net assets		50,650	60,268
Capital and reserves			
Share capital	6	23,307	23,307
Share premium account	7	37,639	37,639
Profit and loss account	7	(10,296)	(678)
Shareholders' funds	8	50,650	60,268

The financial statements were approved and authorised for issue by the Board of Directors on 11 June 2015 and signed on its behalf by:

Sushil Sidhu
Company Registration No: 05712979

Dato' Jespal Deol

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

Principal accounting policies

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 United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). The consolidated financial statements of the Group have been shown separately and are prepared using IFRS as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account (see Note 10).

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 Zurex.

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.

Going concern

Please see note 2.2 of the consolidated financial statements regarding the Company's ability to continue as a going concern.

Income from investments

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

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.

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.

Investment in subsidiary

Investments in subsidiary companies are stated at cost less provision for any impairment where the underlying business does not support the carrying value of the investment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

Principal accounting policies (Continued)

Share-based payments

Pursuant to Reverse acquisition exercise, all existing long term incentive plans granted have been superseded by new long term incentive plans.

1 Administrative expenses

	2014 £'000	2013 £'000
Included within administrative expenses are :		
Auditors remuneration		
- Fees payable to the company's auditor for the audit of the annual accounts	25	25
Fees payable to the company's auditor for the other services:		
- Corporate finance services	-	44

2 Directors and employees

The employee benefit expense during the year was as follows:

	2014 £'000	2013 £'000
Salary and wages including gratitude	93	155

There was no employee except for the number of directors during the year was 7 (2013:8).

Remuneration in respect of Directors was as follows:

Director	Basic salary and fees £'000	Pension-Defined contribution schemes £'000	Total 2014 £'000	Total 2013 £'000
Tan Sri Abi Musa	12	-	12	9
Dato Jespal Deol	12	-	12	38
Sushil Sidhu	12	-	12	24
Patrick Howes	24	-	24	23
Alan Cleverly	12	-	12	9
Dato' Salehuddin	9	-	9	19
Dato' Larry Gan	12	-	12	9
	93	-	93	131

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3 Investments in subsidiaries

	2014 £000	2013 £000
Cost		
At 1 January	18,012	1,012
Investment in subsidiary	12,513	17,000
Impairment during the year	(9,257)	-
At 31 December	21,268	18,012

During the year, Graphene Nanochem Plc increase the shareholding in a subsidiary, Platinum Performance Chemicals Sdn Bhd (formerly known as Zurex Corporation Sdn Bhd) via capitalization of an amount of £12,513,000 owed by the Subsidiary.

The Company carried out an impairment test based on the assumption that the net realisable value of the investment should drop to the shareholder's fund. As a result, a total impairment loss of £9,257,000, which is recognized in the loss of the Company.

Graphene Nanochem plc has the following subsidiaries:

Name of subsidiaries	Country of incorporation	Effective Equity interest		Principal activities
		2014 %	2013 %	
Platinum Nanochem Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of management services
Platinum Performance Chem Sdn Bhd.(formerly known as Zurex Corporation Sdn. Bhd.)	Malaysia	100	100	Refining of crude palm oil

Platinum Nanochem Sdn. Bhd. has the following subsidiaries and joint venture:

Name of subsidiaries	Country of incorporation	Effective Equity interest		Principal activities
		2014 %	2013 %	
Platinum Green Chemicals Sdn. Bhd.	Malaysia	100	100	Manufacturing of advanced chemicals and biofuels
Platinum Nano G Sdn. Bhd.	Malaysia	100	100	Manufacturing of advanced nano-materials
Name of joint venture	Country of incorporation	Effective Equity interest		Principal activities
		2014 %	2013 %	
Scomi Platinum Sdn. Bhd.	Malaysia	50	Nil	Manufacturing of speciality chemicals and other graphene-enhanced green chemicals

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

The Company carried out an impairment test based on value-in-use approach of the cash generating unit, and that is derived from the present value of future cash flows from the operating segment computed based on the projections of financial budgets approved by the management covering a period of 5-15 years. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3 Investments in subsidiaries (Continued)

Management has estimated the key assumptions based on their knowledge of the industry and external sources of information. The key assumption used for value in use calculations are as follows:

	Gross margin		Growth rate		Discount rate	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Manufacturing of advanced materials and biofuels	21-27	5-10	Nil	Nil	8	8
Manufacturing of advance nano-materials	25-100	10-100	Nil	Nil	8	8
Refining of palm oil	5-6	5-10	Nil	Nil	8	8

(i)	Budgeted gross margin	Average gross margin achieved in the year immediately before the budgeted period increased for expected efficiency in improvements and cost saving measures.
(ii)	Growth rate	Based on the expected projection of the type of business.
(iii)	Discount rate (pre-tax)	The discount rate used is based on the average interest rates charged on borrowings of the Group.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the investment to exceed its recoverable amount.

4 Debtors

	2014 £000	2013 £000
Due within more than one year		
Amounts owed by subsidiaries	28,600	41,169
Due within one year		
Other debtors	16	53
	28,616	41,222

5 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Other creditors	-	10
Accruals and deferred income	55	2
	55	12

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6 Share capital and options

	2014 Number of shares	2013	2014 £'000	2013 £'000
Authorised:				
Ordinary shares of 1p each	-	250,000,000	-	2,500
Pursuant to the Reverse Acquisition #	-	(250,000,000)	-	(2,500)
	-	-	-	-
Issued and Fully Paid-Up:				
At 1 January	116,536,536	166,445,000	23,307	1,664
Share Consolidation with ratio of 1 new Consolidated Ordinary Share for every 20 Existing Unconsolidated Ordinary Shares	-	(158,122,750)	-	-
Number of Consolidated Ordinary Shares	116,536,536	8,322,250	23,307	1,664
Issuance of Ordinary Shares of 20p each pursuant to the Placing	-	23,214,286	-	4,643
Issuance of Ordinary shares of 20p each pursuant to the Reverse Acquisition	-	85,000,000	-	17,000
At 31 December	116,536,536	116,536,536	23,307	23,307

Pursuant to the reverse acquisition exercise, the Company's memorandum of association has been amended and the Articles have been approved and the Company no longer has an authorised share capital.

On 26 March 2013, The Company increased its issued and fully paid-up capital from £1,664,450 to £23,307,307 by the issuance of 108,214,286 new ordinary shares, immediately after the share consolidation pursuant to the reverse acquisition exercise as follows:

- i) 23,214,286 new ordinary shares of 20p each pursuant to the Placing at an exercise price of 140p per share; and
- ii) 85,000,000 new ordinary shares of 20p each to Platinum Nanochem Sdn. Bhd.'s shareholders pursuant to the reverse acquisition at an exercise price of 140p per share.

The premium arising from the reverse acquisition exercise of £129,857,143 has been credited to the Share Premium reserve.

All issued shares are fully paid. Details of the share options outstanding at 31 December 2014 are shown in note 21 of the consolidated financial statements.

7 Statement of reserves

	Share Premium account £000	Profit and loss account £000
At 1 January 2013	12,089	25
Issuance of new ordinary shares	27,857	-
Share Issue costs	(2,307)	-
Loss for the year	-	(703)
At 31 December 2013	37,639	(678)
Loss for the year	-	(9,618)
At 31 December 2014	37,639	(10,296)

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Shareholders' funds at 1 January	60,268	13,778
Issuance of new ordinary shares	-	32,500
Adjustment arising from reverse acquisition	-	17,000
Share Issue costs	-	(2,307)
Loss for the financial year	(9,618)	(703)
Shareholders' funds at 31 December	50,650	60,268

9 Capital commitments

The Company had no contracted capital commitments at 31 December 2014 (2013: £nil).

10 Contingencies

The Company has provided a guarantee in respect of bank borrowings of its subsidiaries totaling £1,983,000 (2012: £2,198,000).

11 Transactions with Directors and other related parties

The Company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" 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.

12 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 loss of the Company for the year was £9,618,000 (2013: loss £703,000)

Notice to the Annual General Meeting

Graphene Nanochem Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05712979)

NOTICE is hereby given that an Annual General Meeting (“AGM”) of Graphene NanoChem Plc (the “Company”) will be held on Friday, 10 July 2015 at Academy House, London Road, Camberly Surrey GU15 3HL, commencing at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions in the cases of resolutions 1 to 5 and as special resolutions 6 to 8:

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 2014, now laid before this meeting be and is hereby approved.
2. THAT Alan Michael Cleverly OBE, 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’ Larry Gan Nyap Liou @ Gan Nyap Liow, 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 Crowe Clark Whitehill LLP be and is hereby re-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) up to an aggregate nominal value of £16,315,115 provided always that this authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 551 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 BUSINESS

To consider, and if thought fit, pass the following resolutions as Special Resolutions:-

6. THAT subject to the passing of resolution 5 above as an 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;
 - 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 £16,315,115;

and this authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 576 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.
7. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693 (4) of the Act, of ordinary shares upon such terms and in such manner as the Directors shall determine, provided that:
 - 7.1 the maximum aggregate number of ordinary shares authorised to be purchased is 17,480,480;
 - 7.2 the minimum price (exclusive of expenses) which may be paid for such ordinary share is 20 pence per share;

Notice to the Annual General Meeting (continued)

Graphene NanoChem Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05712979)

- 7.3 the maximum price (exclusive of expenses) which may be paid for such ordinary share cannot be more than an amount equal to 105 per cent, of the average of the closing middle market price for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day the ordinary share is purchased;
- 7.4 unless previously or renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or the date falling 15 months after the passing of this resolution, whichever is the earlier; and
- 7.5 the Company may make a contract to purchase ordinary share under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase or ordinary share in pursuance of any such contract or contracts.
- 8 THAT the Company may communicate with shareholders and give any information, notice or document to a member:
- 8.1 in electronic form to a member who has agreed, generally or specifically, that notices and documents may be sent or supplied to him in that form and has not revoked such agreement;
- 8.2 by electronic means to an electronic address for the time being notified to the Company by the member who has agreed, generally or specifically, that notices and documents may be sent or supplied to him in that manner and has not revoked such agreement; and/or
- 8.4 by being made available on the Website, if the member has agreed, or is deemed to have agreed, that notices and documents may be sent or supplied to him in that manner and the Company has not received any revocation of such agreement.

BY ORDER OF THE BOARD

Singh Sidhu Joginder Singh
11 June 2015
Graphene NanoChem Plc

Notice to the Annual General Meeting (continued)

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, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, United Kingdom (or faxed to to Share Registrars Limited on 01252 719232) so as to be received no later than 10.00 a.m. on 8 July 2015 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 10.00 a.m. on 8 July 2015 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 26 May 2015, being the last practicable date before the publication of this notice, the Company's issued share capital consists of 116,536,536 ordinary shares, carrying one vote each, of no shares are held as treasury shares and therefore the total number of votes at such date is 116,536,536.
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, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, 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.

Notice to the Annual General Meeting (continued)

Notes on Resolutions

Resolutions 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 2014.

Resolution 2

Reappointment of Alan Michael Cleverly OBE 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 Alan Michael Cleverly OBE, confirms that he is performing effectively and demonstrates commitment to his role.

Resolution 3

Reappointment of Dato' Larry Gan Nyap Liou @ Gan Nyap Liow 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' Larry Gan Nyap Liou @ Gan Nyap Liow confirms that he is performing effectively and demonstrates commitment to his role.

Resolution 4

Re-appointment of Crowe Clark Whitehill LLP as auditors is proposed to the Company and that Directors be authorised to determine their remuneration.

Resolutions 5 and 6

Resolutions 5 and 6 relate to the special business to be considered at the AGM, namely the grant of authority to the Directors to allot Shares generally and the disapplication of statutory pre-emption rights.

Authority to allot shares and disapplication of pre-emption rights.

Section 551 of the Act prohibits directors from allotting any unissued shares in the Company without prior authority from Shareholders. Section 561 of the Act gives holders of equity securities certain rights of pre-emption on the issue of cash of new equity securities.

Pursuant to Resolutions 5 and 6, the Company is seeking authority in respect of an aggregate nominal amount of £16,315,115 (81,575,575 shares) and authority to disapply the statutory pre-emption rights section 561 in respect of the allotment of equity securities up to an aggregate nominal amount of £16,315,115 ("Authorities") being approximately 41% of the enlarged issued share capital of the Company as at the date of this Notice (assuming the Authorities were to be fully utilised). The Authorities not applied will expire at the end of the Company's next AGM.

These Resolutions will give the Board the flexibility to raise additional funds or make acquisitions as and when suitable opportunities may arise. The Authorities will give the Board the scope to act expeditiously to take advantage of any opportunities presented. The Authorities may also be used for working capital and 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 Board will seek to ensure that existing institutional and/or significant shareholders will receive preferential allocations in any 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 Board will consult with its nominated adviser, Panmure Gordon & Co., 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 Board will keep under review the possibility of an issue of shares on a pre-emptive basis. The Authorities, if passed, will be valid until the earlier of the conclusion of the next AGM of the Company and the date falling 15 months after the passing of this resolution.

Notice to the Annual General Meeting (continued)

Resolution 7

This resolution seeks to grant the Directors authority to make market purchases of the Company's own ordinary shares up to a maximum aggregate number of 17,480,480 shares, being an amount equal to approximately fifteen per cent. of the current issued share capital of the Company. The maximum price payable would be an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share of the Company for the five business days immediately preceding the date of purchase and the minimum price would be the nominal value of 20p per share. This authority lapses on conclusion of the next AGM of the Company, or on 30 September 2016, whichever is earlier. Any ordinary shares purchased by the Company pursuant to this authority would either be cancelled or held in treasury.

Although the Directors have no current intention to make such purchases, they consider that it is in the best interest of the Company and its shareholders to keep the ability to make market purchases of the Company's own shares in appropriate circumstances, without the cost and delay of a General Meeting. The authority would only be exercised if the Directors believe the purchase would enhance earnings per share and be in the best interests of shareholders generally.

Resolution 8

This resolution seeks to allow the Company to take advantage of electronic communications rules in the Act. These rules concern communications between companies, shareholders and others.

The resolution, if passed, would allow the Company to use electronic communications with shareholders as the default position by placing documents such as the annual financial report and accounts on a website rather than having to send them in hard copy. The Company will notify shareholders, by post or email if they have provided an email address, that the document is available on the website. Shareholders can, however, ask for a hard copy of any document at any time.

Under the Act, the Company can write to shareholders asking for their consent to receive communications via the website, or any other electronic means. The request applies to all documents including but not limited to, the annual financial report and accounts, notices of general meetings, any documents which the Company is required to send to shareholders under the AIM Rules, or other rules the Company is subject to, and any documents sent pursuant to the Articles of Association. A shareholder who does not respond within 28 days of receiving the notice will be deemed to have consented to use of the website and receiving documents via electronic means.

If this resolution is passed, the new arrangement is expected to reduce environmental impact and result in potential administrative, printing and postage cost savings for the Company, whilst preserving shareholders' rights to receive hard copies document if they so wish.

Form of Proxy

For use at the Annual General Meeting to be held on Friday, 10 July 2015 at Academy House, London Road, Camberly, Surrey GU15 3 HL commencing at 10.00 a.m. (the "Annual General Meeting" or "AGM").

Please insert full name I/We.....
 (block letters)

And address of.....
 (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 letter)

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 Friday, 10 July 2015 at 10.00 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 Resolution		For	Against	Vote Withheld
1.	To receive and adopt the 2014 Report and Accounts			
2.	To re-elect Alan Michael Cleverly OBE as a Director			
3.	To re-elect Dato' Larry Gan Nyap Liou @ Gan Nyap Liow as a Director			
4.	To re-appoint Crowe Clark Whitehill LLP as Auditors and to authorise the Directors to fix their remuneration			
5.	To authorise the Directors to allot shares			
Special Resolution		For	Against	Vote Withheld
6.	To dis-apply statutory pre-emption rights			
7.	To authorise the Company to make market purchases of its own shares			
8.	To authorise the use of electronic communications			

Questions for AGM

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

Dated: 2015

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:

- 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.
- 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.
- 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.
- 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 notorially 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, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL (or faxed to Share Registrars Limited on 01252 719232) by 10.00 a.m. on 8 July 2015.
- 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.
- 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.
- 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 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).
- 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.
- 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 Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. 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 8 July 2015 at 10.00 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.
- 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.
- 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.

Graphene Nanochem Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05712979)

ELECTRONIC COMMUNICATION REPLY SLIP

Shareholder Reference :

SECTION A

I/We agree to the Company's request to send or supply documents and information to me/us in electronic form.

My/our e-mail address for such purpose is :

[illegible]

Signed :

Date :

Name (print) :

Address :

.....

.....

SECTION B

ONLY COMPLETE BELOW IF YOU DO NOT WANT TO RECEIVE DOCUMENTS AND INFORMATION BY ELECTRONIC MEANS AND ELECT TO CONTINUE TO RECEIVE DOCUMENTS AND INFORMATION IN HARD COPY FROM THE COMPANY BY POST

I/We elect to continue to receive documents and information in hard copy from the Company by post.

Signed :

Date :

Name (print) :

Address :

.....

.....

PLEASE RETURN THIS ENTIRE FORM TO:
SHARE REGISTRARS LTD, SUITE E, FIRST FLOOR, 9 LION & LAMB YARD, FARNHAM, SURREY, GU9 7LL.

Graphene Nanochem Plc



(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05712979)

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in Graphene NanoChem plc ("the Company"), please forward this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

11 June 2015

Dear Shareholder,

Electronic Communications

The Company Articles allow communications to Shareholders in electronic form and, in addition, they permit the Company to take advantage of the new provisions relating to website communications. Your Board now wish to implement this regime.

Under the provisions of the Companies Act 2006, we are required to ask you individually to confirm your agreement to the Company sending or supplying documents and information, such as the Annual Accounts and Interim Accounts, to you by electronic form or placing such documents and information on **www.graphenenanochem.com** ("the Website").

Increased use of electronic communications will deliver savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to Shareholders. The reduced use of paper will also have environmental benefits.

As referred to above, the Articles of Association of the Company now permit communications in electronic form and via a website and on of the following three scenarios can apply to you:-

Scenario A – Documents and Information will be sent to you by electronic form (i.e. email)

If you prefer to receive documents and information by email please sign and complete Section A of the Electronic Communications Reply Slip enclosed and return it in the pre-paid envelope provided. Please insert your email address into the appropriate place in Section A.

If your email address changes, please notify us of your new email address as soon as possible by email to enquiries@shareregistrars.uk.com.

Scenario B - Documents and Information will be sent to you by post

If you prefer to receive the documents and information in paper form rather than via email or the Website, please sign and complete Section B of the Electronic Communications Reply Slip enclosed and return it in the pre-paid envelope provided.

Scenario C - Documents and Information will be placed on the Website and you will be notified of this by post

If we do not receive any response from you within 28 days of the date of this letter, then you will be taken to have agreed (under paragraph 10 of Schedule 5 to the Companies Act 2006) that the Company may send or supply the documents and information to you via the Website. Therefore, if you agree to the Company sending or supplying documents and information to you via the Website, you need take no further action in relation to this part of the letter.

In order to access the documents and information on the Website, you will need access to the internet, web browser software (such as Microsoft Internet Explorer) and Adobe Acrobat Reader. If you do not have Adobe Acrobat Reader, you can download a free copy from www.adobe.com.

We will notify you when the documents and information are available to access on the Website by post and we will provide you with:

- ▶ the address of the Website;
- ▶ the place on the Website where the documents and information may be accessed; and
- ▶ details of how to access the documents and information.

If the Company is required to restrict the sending of any documents or information to any shareholders within the European Economic Area (EEA) (other than the UK), for example due to the local laws of the EEA country in which the particular shareholders are resident or otherwise located, we will not be permitted to use electronic means to communicate with any shareholders holding shares of the same class as those shareholders within the EEA (other than the UK). In any such case, we will send you hard copies of any documents or information.

Yours faithfully,

Company Secretary

11 June 2015

Graphene NanoChem Plc

A black and white photograph of a person's hands touching a tree trunk. The hands are positioned on either side of the trunk, with fingers spread against the bark. The tree trunk is thick and has a rough, textured bark. The background is out of focus, showing bright, circular bokeh lights from foliage. A solid green rectangular box is overlaid on the right side of the image, containing white text.

**The future.
Now.**

Graphene Nanochem plc (05712979)

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